CllouDr Group Limited
智雲健康科技集團*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 9955)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2022

The board (the "**Board**") of directors (the "**Directors**") of ClouDr Group Limited (the "**Company**", together with its subsidiaries and consolidated affiliated entities, the "**Group**") is pleased to announce the annual results of the Group for the year ended December 31, 2022 (the "**Reporting Period**"), together with the comparative figures for the year ended December 31, 2021. The results have been reviewed by the Company's audit committee.

In this announcement, "we", "us", and "our" refer to the Company and where the context otherwise requires, the Group. Certain amount and percentage figure included in this announcement have been subject to rounding adjustments, or have been rounded to one or two decimal places. Any discrepancies in any table, chart or elsewhere between totals and sums of amounts listed therein are due to rounding.

FINANCIAL HIGHLIGHTS

	Year ended December 31		
	2022	2021	Change (%)
	RMB'000	*RMB'000*	
Revenue	**2,988,056**	1,756,731	70.1
Gross profit	**792,100**	570,024	39.0
Operating loss	**(591,563)**	(695,911)	(15.0)
Loss for the year	**(1,692,221)**	(4,153,193)	(59.3)
Adjusted net loss (non-IFRS measure) [(1)]	**(332,781)**	(443,995)	(25.0)

	Year ended December 31		
	2022	2021	Change (%)
	RMB'000	*RMB'000*	
Revenue by segment	**2,988,056**	1,756,731	70.1
— In-hospital Solution	**2,184,477**	1,272,738	71.6
Subscription Solution	**539,391**	402,958	33.9
Value Added Solution	**1,645,086**	869,780	89.1
— Pharmacy Solution	**615,812**	349,967	76.0
Subscription Solution	**55,144**	49,006	12.5
Value Added Solution	**560,668**	300,961	86.3
— Individual Chronic Condition Management Solution	**187,767**	134,026	40.1
Revenue by sub-segment	**2,988,056**	1,756,731	70.1
— Subscription Solution	**594,535**	451,964	31.5
— Value Added Solution	**2,205,754**	1,170,741	88.4
— Individual Chronic Condition Management Solution	**187,767**	134,026	40.1

Note:

(1) We define "adjusted net loss (non-IFRS measure)" as loss for the year and adding back (i) change in fair value of financial liabilities, (ii) share-based compensation expenses related items, (iii) listing expenses, and (iv) issuance cost of financial liability at fair value through profit or loss ("**FVTPL**"). Please refer to the section headed "Adjust Net Loss (Non-IFRS Measure)" below for detailed discussion.

The Board does not recommend the distribution of a final dividend for the year ended December 31, 2022.

BUSINESS REVIEW AND OUTLOOK

Overview

We are the largest digital chronic condition management solution provider in China, in terms of numbers of software as a service (SaaS) installations in hospitals and pharmacies, number of online prescriptions issued through our services.

China has the world's largest chronic condition patient population, with a significant portion of healthcare spending on chronic conditions. While chronic condition patients usually need on-going medical care and recurring prescription which require both in-and out-of-hospital services, China's healthcare services are still heavily concentrated in public hospitals.

In order to capture the existing in-hospital chronic condition management market and extend such market to out-of-hospital scenarios, we have adopted a "hospital-first" strategy to provide a comprehensive chronic condition management experience for patients in and out of hospitals. We aspire to lead China's digital chronic condition management market through our solutions serving all major participants in the healthcare value chain, including hospitals, pharmacies, pharmaceutical companies, patients and doctors.

Our integrated in-and out-of-hospital solutions include (1) in-hospital solution, (2) pharmacy solution, and (3) individual chronic condition management solution.

Our integrated in-hospital solution provides a comprehensive chronic condition management solution to hospitals, including hospital SaaS and proprietary AIoT (Artificial Intelligence of Things) devices, and value added solution such as providing medical devices and consumables which can be connected to our hospital SaaS through the AIoT devices, and subscription solution of rendering digital marketing services leveraging our SaaS network in the hospitals and our existing sales forces.

Our integrated pharmacy solution consists of subscription solution of pharmacy SaaS and value added service to provide pharmaceuticals to pharmacies by leveraging data insights generated by SaaS products. The subscription solution of pharmacy SaaS enables in-store, real-time online consultation and prescription services and also have advanced features such as to provide new retail and inventory management functions to empower pharmacies to improve operational efficiencies. The value added service solution identifies pharmacy supplies sales opportunities based on the insights generated from prescription services.

Our individual chronic condition management solution connects doctors and patients, who are acquired primarily through in-hospital solution and pharmacy solution, and primarily provides high quality and trust-worthy medical services and health insurance brokerage services.

Our business has revealed a strong growth momentum despite external uncertainties. For the year ended December 31, 2022, our total revenue amounted to RMB2,988 million, representing a year-on-year increase of 70.1%. Our gross profit increased 39.0%. Our non-IFRS adjusted net loss margin narrowed down to negative 11.1% due to significant business growth and operating leverages.

In-hospital Solution

We grow our business in hospitals with the "Access, Install, Monetize" model, or the AIM model. This three-prong model outlines our concurrent efforts to access hospitals and establish business relationships, install our hospital SaaS to increase stickiness of hospitals, and drive monetization opportunities through our in-hospital solution.

Our hospital SaaS, *ClouDr. Yihui*, was launched in 2016 and the first of its kind in China to digitalize and standardize the in-hospital chronic condition management and treatment process, which can greatly reduce the medical errors in hospitals. Our SaaS system is capable of connecting to mainstream portal, POCT devices and other testing instrument and devices, such as glucose meters and vital sign monitors, with the help of our proprietary AIoT devices in chronic condition departments and clinical laboratories. It greatly improves the operational efficiency for doctors and nurses by automating health data input, and tracking health data intelligently. Our SaaS system can also support multi-department collaboration. We are the only company whose AIoT device can connect to NMPA-certified medical devices in China. As of December 31, 2022, approximately 2,567 hospitals had installed *ClouDr. Yihui*, including 714 Class III public hospitals, 761 Class II public hospitals, and 38 of China's top 100 hospitals. Wuhan Huoshenshan Hospital also installed *ClouDr. Yihui* system.

For our in-hospital solution, we monetize through subscription solution and value added solution.

Leveraging our hospital network, hospital SaaS, and doctor and patient APPs, we also offer our subscription solution to render digital marketing services for pharmaceutical companies, primarily for medicines related to chronic condition management, to boost the medicines' awareness and support clinical decisions. As of December 31, 2022, we had 26 paying customers, which represented an increase of 73% as compared to that as of December 31, 2021. The total partnered stock keeping units (SKUs) reached 34 as of December 31, 2022. Our in-hospital subscription solution customer retention rate was 93% for the year ended December 31, 2022. The annual recurring revenue of our in-hospital subscription solution in the year ended December 31, 2022 reached RMB416.8 million, which represented 103% of the subscription solution revenue in the year ended December 31, 2021.

Leveraging our hospital SaaS system, the comprehensive value added solutions including the SaaS system, and hospital supplies which are primarily related to chronic conditions and can be connected to our hospital SaaS through the proprietary AIoT devices. We aim to fulfill hospitals' needs of chronic condition management for patients. For the year ended December 31, 2022, the number of hospitals which directly or indirectly purchased value added solution from us reached 2,818, which represented an increase of 34% as compared to the year ended December 31, 2021. We observed a strong growth in our value added solution which was mainly contributed by our strong penetration in hospitals and hospital SaaS system that significantly improved customer stickiness and drove user engagement thereby bringing more cross-selling opportunities. Our overall customer retention rate was 87% in the year 2022, while this ratio was 95% for hospitals that installed our SaaS. The annual recurring revenue of the in-hospital value added solution reached RMB971.1 million, which represented 112% of the revenue for the in-hospital value added solution for the year ended December 31, 2021. Similarly, the installation of hospital SaaS also contributed the fast growth in our subscription solution to render digital marketing services to pharmaceutical companies.

Our in-hospital solution has allowed us to successfully build deep connections with hospitals, laying a solid foundation to extend our businesses to out-of-hospital settings.

	Year ended December 31		
	2022	2021	Change (%)
	RMB'000	*RMB'000*	
Revenue			
In-hospital solution	**2,184,477**	1,272,738	71.6
Subscription Solution	**539,391**	402,958	33.9
Value Added Solution	**1,645,086**	869,780	89.1
Gross profit			
In-hospital solution	**683,426**	473,067	44.5
Subscription Solution	**477,927**	351,158	36.1
Value Added Solution	**205,498**	121,909	68.6
Gross margin			
In-hospital solution	**31.3%**	37.2%	(5.9)
Subscription Solution	**88.6%**	87.1%	1.5
Value Added Solution	**12.5%**	14.0%	(1.5)

	Year ended December 31		
	2022	2021	Change(%)
Number of hospital that installed our hospital SaaS(1)	**2,567**	2,369	8.4
Subscription Solution — Number of partnered pharmaceutical companies(2)	**26**	15	73.3
Subscription Solution — Number of partnered SKUs (3)	**34**	22	54.5
Subscription Solution — Retention rate of partnered pharmaceutical companies	**93%**	100%	(7.0)
Subscription Solution — Average annual revenue per partnered pharmaceutical companies (in thousands)	**20,746**	26,864	(22.8)
Subscription Solution — Annual Recurring Revenue %(4)	**103%**	249%	(146)
Value Added Solution — Number of paying hospitals	**2,818**	2,101	34.1
Value Added Solution — Average annual revenue per paying hospitals (in thousands)	**584**	414	41.0
Value Added Solution — Annual Recurring Revenue %(4)	**112%**	121%	(9.5)

Notes:

(1) Number of hospitals that installed our hospital SaaS is the cumulative total number as of the end date of the respective year.

(2) Number of partnered pharmaceutical companies is the number of pharmaceutical companies to which we provided digital marketing services during the respective year.

(3) Number of SKUs marketed through digital marketing services during the respective year.

(4) Annual Recurring Revenue% is the annual recurring revenue divided by the revenue of the related segment in the year ended December 31, 2021.

Pharmacy Solution

Our integrated pharmacy solution fulfills chronic condition patients' needs for out-of-hospital consultation and prescription services through our subscription solution of pharmacy SaaS system and value added solution to provide pharmaceuticals to pharmacy stores through data insights generated by pharmacy SaaS system.

Our pharmacy SaaS, *ClouDr. Pharmacy*, was launched in the first half of 2019. It plays a critical role in our out-of-hospital medical services by empowering pharmacies with in-store, real-time consultation and prescription services for walk-in customers. We also provide advanced features, such as a new retail function that offers e-commerce solutions on Weixin mini programs, and inventory management services. As of December 31, 2022, over 193,300 pharmacy stores had installed *ClouDr. Pharmacy*, covering over 33% of the pharmacy stores in China. As of December 31, 2022, we had more than 90,800 paying customers that used our subscription solution of pharmacy SaaS system.

Leveraging the insights generated from our pharmacy SaaS system, we effectively connect pharmaceutical companies and pharmacy stores for pharmacy stores to purchase pharmaceuticals as our pharmacy value added solution. The number of paying customers for our pharmacy supplies amounted to 975 for the year ended December 31, 2022.

	Year ended December 31		
	2022	2021	Change (%)
	RMB'000	*RMB'000*	
Revenue			
Pharmacy solution	**615,812**	349,967	76.0
Subscription Solution	**55,144**	49,006	12.5
Value Added Solution	**560,668**	300,961	86.3
Gross profit			
Pharmacy solution	**69,922**	62,285	19.8
Subscription Solution	**52,521**	47,147	11.4
Value Added Solution	**17,400**	15,140	14.9
Gross margin			
Pharmacy solution	**11.4%**	17.8%	(6.4)
Subscription Solution	**95.2**	96.2	(1.0)
Value Added Solution	**3.1**	5.0	(1.9)

	Year ended December 31		
	2022	2021	Change (%)
Number of pharmacy stores that installed our pharmacy SaaS[1]	**193,327**	172,279	12.2
Subscription Solution — Number of SaaS-paying pharmacy stores	**90,801**	84,389	7.6
Subscription Solution — Average revenue per SaaS-paying pharmacy stores (in thousands)	**0.61**	0.58	4.6
Value Added Solution — Number of transacting customers	**975**	683	42.8
Value Added Solution — Average revenue per transacting customer (in thousands)	**575**	440	30.5

Note:

(1) Number of pharmacy stores that installed our pharmacy SaaS is the cumulative total number as of the end date of the respective year.

Individual Chronic Condition Management Solution

Our individual chronic condition management solution connects doctors and patients to enable out-of-hospital monitoring, consultation and prescription for chronic condition patients. We had approximately 98,700 registered doctors and approximately 28.5 million registered users as of December 31, 2022. Through our omni-channel user acquisition, i.e. doctor referrals, walk-in patients at pharmacy stores using our online prescription services and patient referrals, over 95% of new user acquisitions were organic.

Through this solution, we strive to provide patients with an efficient, convenient, efficient and comprehensive online consultation and prescription filling experience as a “anytime, anywhere” healthcare management platform, which we believe can address the long-term medical needs of chronic disease patients. As part of our platform to deliver these services in compliance with relevant regulations, we currently have three internet hospitals which allow us to provide online consultation and prescription services through our online applications to patients in different provinces across China. The number of online prescription issued through our services reached approximately 170 million during the year ended December 31, 2022. We are the largest digital chronic condition management solution provider in China in terms of the number of online prescriptions issued through our services in 2021 according to the report prepared by Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.

	Year ended December 31		
	2022	2021	Change (%)
	RMB'000	*RMB'000*	
Revenue			
Individual chronic condition management solution and others	**187,767**	134,026	40.1
Chronic condition products	**86,264**	53,031	62.7
Premium membership services, insurance brokerage services and others	**101,503**	80,995	25.3
Gross profit			
Individual chronic condition management solution and others	**38,787**	34,672	11.9
Chronic condition products	**16,879**	1,692	897.6
Premium membership services, insurance brokerage services and others	**21,907**	32,980	(33.6)
Gross margin			
Individual chronic condition management solution and others	**20.7%**	25.9%	(5.2)
Chronic condition products	**19.6%**	3.2%	16.4
Premium membership services, insurance brokerage services and others	**21.6%**	40.7%	(19.1)

	Year ended December 31		
	2022	2021	Change (%)
Number of registered users (in millions)(1)	**28.5**	23.8	19.6
Number of registered doctors (in thousands)(2)	**98.7**	87.4	12.9
Number of online prescriptions (in millions)	**169.6**	153.5	10.5

Notes:

(1) Number of registered users is the cumulative total number as of the end date of the respective year.

(2) Number of registered doctors is the cumulative total number as of the end date of the respective year.

Significant events/Recent developments after the Reporting Period

Hang Sang Index and Shenzhen-Hong Kong Stock Connect Program

The shares of the Company were included into the Hang Sang Index on February 24, 2023 and the Shenzhen-Hong Kong Stock Connect program on March 13, 2023.

Strategic partnership with Shaanxi Pharmaceutical Holding Group

We entered into a non-legally binding strategic partnership with Shaanxi Pharmaceutical Holding Group Co., Ltd and Shaanxi Pharmaceutical Holding Group Paion Pharmaceutical Co., Ltd to establish long-term strategic cooperation in the fields of healthcare digitalisation and pharmaceutical supply chain. We planned to strategically cooperate in the areas of pharmacy subscription solution which is pharmacy SaaS, and pharmacy value added solution including pharmaceutical products sales and procurement, warehousing and supply chain coordination. For details, please refer to the Company's announcement dated January 12, 2023.

Real World Study

As the largest chronic condition management digital solution provider in China, we highly care about patients' health condition and effectiveness of the medical treatment. Our medical department performed extensive Real World Study (RWS) based on the 11.1 million online antihypertensive therapy prescriptions generated from our internet hospitals, and observed that around half of the hypertensive patients had comorbidities, and calcium channel blockers (CCBs) and angiotensin II receptor blockers (ARBs) were the two most frequently prescribed for patients with hypertension. The prescription pattern of antihypertensive medications largely complied with recommended Chinese hypertension guidelines. The RWS study was published on Annals of Medicine, which is one of the world's leading general medical review journals, boasting an impact factor of 5.435.

Partnership with ERNIE Bot

We entered into a strategic partnership with ERNIE Bot which is a conversational artificial intelligence ("**AI**") chatbot developed by Baidu. With the partnership, we aim to further advance our AI technology and conversational model technology to enrich our healthcare management solutions. The partnership also marked the first landing of conversational model technology to be applied in chronic condition management.

Business outlook

We intend to focus on the following key strategies to solidify our leadership position in China's chronic condition management market: (i) continue to expand our hospital and pharmacy network, (ii) continue to grow our patient and doctor bases, (iii) continue to invest in product and technology innovation, (iv) continue to expand our presence in the healthcare value chain and drive monetization, and (v) continue to invest for strategic partnership and acquisitions.

In respect of in-hospital solution, we will continue our "hospital-first" strategy with the "AIM" model approach. We will continue to strengthen our value proposition and network in hospitals by (1) investing in SaaS system product capabilities and medical know-how to deepen the partnership with the hospitals, (2) increasing sales professionals with medical background to expand hospital network, and (3) focusing on the partnership with pharmaceutical companies to drive further monetization through subscription solution to render digital marketing services.

In respect of the pharmacy solution, we will continue to expand pharmacy SaaS network by enriching our pharmacy product portfolio to further monetize subscription solution, and to enhance our supply chain capabilities for value added solution.

In respect of the individual chronic condition management solution and others, we will continue to solidify our medical service capabilities, and attract doctors and patients to the ecosystem organically and efficiently. We focus on providing high quality and trust-worthy medical services to our users. We will also partner with more insurance companies to roll out the health insurance offerings.

Looking forward, we are well positioned for the in-and out-of-hospital chronic condition management solutions. The fly wheel effect of our business model will lead to stronger monetization.

MANAGEMENT DISCUSSION AND ANALYSIS

Revenues

Our revenues increased by 70% from approximately RMB1,756.7 million for the year ended December 31, 2021 to approximately RMB2,988 million for the year ended December 31, 2022. The increase was primarily attributable to the strong growth in both the in-hospital solution and the pharmacy solution.

In-hospital solution. Revenue from the in-hospital solution increased by 72% from approximately RMB1,272.7 million for the year ended December 31, 2021 to approximately RMB2,184.5 million for the year ended December 31, 2022, primarily due to further SaaS penetration to hospitals, increased number of paying hospitals and increased partnership with pharmaceutical companies to provide subscription solution to render digital marketing services.

Pharmacy solution. Revenue from the pharmacy solution increased by 76% from approximately RMB350.0 million for the year ended December 31, 2021 to approximately RMB615.8 million for the year ended December 31, 2022, primarily due to increased paying pharmacy stores for both subscription solution and value added services for enhanced supply chain capabilities.

Individual chronic condition management solution and others. Revenue from individual chronic condition management solution and others increased by 40% from approximately RMB134.0 million for the year ended December 31, 2021 to approximately RMB187.8 million for the year ended December 31, 2022, primarily due to the increase of chronic condition product sales and the development of insurance brokerage.

Cost of Sales

Our cost of sales increased by 85% from approximately RMB1,186.7 million for the year ended December 31, 2021 to RMB2,195.9 million for the year ended December 31, 2022. The increase was generally in line with the rapid growth of our business.

Gross profit and gross margin

Our overall gross profit increased by 39% from appropriately RMB570 million for the year ended December 31, 2021 to RMB792 million for the year ended December 31, 2022 and our overall gross margin was 32.4% and 26.5%, respectively. The increase of our overall gross profit was primarily attribute to our strong business growth and continue to deliver high quality services in the subscription solution, the decrease of our overall gross margin a result of revenue mix between the high gross margin business such as subscription solution and comparatively lower gross margin business such as value added solution. In addition, the high margin business, such as in-hospital subscription solution, experienced supply chain challenges in 2022 due to the outbreaks in Covid-19. Although the in-hospital subscription solution revenue growth remained strong i.e. a growth rate of 34%, it was not as fast as the revenue growth in the hospital value added solution.

In-hospital solution. Our gross margin in in-hospital solution decreased from 37.2% for the year ended December 31, 2021 to 31.3% for the year ended December 31, 2022, primarily attributable to the revenue mix between the subscription solution and value added solution. Although the subscription solution revenue growth remained strong i.e. a growth rate of 34%, it was not as fast as the revenue growth in the hospital value added solution.

Pharmacy solution. Our gross margin in pharmacy solution decreased from 17.8% for the year ended December 31, 2021 to 11.4% for the year ended December 31, 2022, primarily due to the revenue mix between the pharmacy subscription solution and pharmacy value added solution. Based on our strong insights of the supply chain demands of pharmacy stores through the pharmacy SaaS, we were able to achieve faster revenue growth in the pharmacy value added solution.

Individual chronic condition management solution and others. Our gross margin in individual chronic condition management solution and others decreased from 25.9% for the year ended December 31, 2021 to 20.7% for the year ended December 31, 2022, primarily driven by the revenue mix among chronic condition products, premium membership services and insurance brokerage services. As we acquired more patients onto our platform, the health insurance offerings achieved significant growth.

Selling and marketing expenses

Our selling and marketing expenses increased by 18% from approximately RMB787.3 million for the year ended December 31, 2021 to RMB933.2 million for the year ended December 31, 2022, primarily attributable to increased selling and marketing efforts to promote business growth.

We enjoyed significant operating leverage and customer stickiness with high recurring purchases, the selling and marketing expense to revenue ratio decreased from 41.5% for the year ended December 31, 2021 to 29.2% for the year ended December 31, 2022.

Administrative expenses

Our administrative expenses increased by 24.5% from approximately RMB269.6 million for the year ended December 31, 2021 to RMB335.6 million for the year ended December 31, 2022. The increase was primarily attributable to the professional service fees related to the listing.

We effectively controlled expenses. The administrative expense to revenue ratio further decreased from 5.8% for the year ended December 31, 2021 to 4.3% for the year ended December 31, 2022.

Research and development expenses

Our research and development expenses decreased from approximately RMB236.2 million for the year ended December 31, 2021 to RMB114.8 million for the year ended December 31, 2022. The decrease was primarily due to the increased efficiency and enhanced industry know-how.

The research and development expense to revenue ratio further decreased from 11.5% for the year ended December 31, 2021 to 3.7% for the year ended December 31, 2022.

Loss from operations

As a result of the foregoing, our loss from operations decreased by 15.0% from approximately RMB695.9 million for the year ended December 31, 2021 to RMB591.6 million for the year ended December 31, 2022. The decrease was primarily due to the significant revenue increase and the improved operating leverage.

Finance costs

Our finance costs decreased by 86.5% from approximately RMB62.0 million for the year ended December 31, 2021 to RMB8.4 million for the year ended December 31, 2022, primarily attributable to the decrease in issuance cost of financial liabilities at FVTPL.

Change in fair value of financial liabilities

We recorded change in fair value of financial liabilities of a loss of approximately RMB3,397.6 million and a loss of RMB1,087.9 million for the year ended December 31, 2021 and 2022, respectively. In each year, these losses were due to changes in the carrying amount of convertible redeemable preferred shares and/or convertible loans. Prior to the global offering, our convertible redeemable preferred shares have not been traded in an active market and their value at each respective reporting date is determined using valuation techniques.

Income tax

We recorded income tax of approximately RMB2.3 million and RMB1.4 million for the years ended December 31, 2021 and 2022, respectively. The change was primarily due to the expected net profit from certain subsidiaries or consolidated affiliated entities of the Group and the changes of deferred tax liabilities.

Loss for the year

As a result of the foregoing, our loss decreased by 59.3% from RMB4,153.2 million for the year ended December 31, 2021 to RMB1,692.2 million for the year ended December 31, 2022. The decrease was primarily due to significant revenue increase, the operating leverage and the change in fair value of financial liabilities.

Adjusted Net Loss (Non-IFRS Measure)

To supplement our consolidated financial statements which are presented in accordance with International Financial Reporting Standards ("**IFRS**"), we also use adjusted net loss (non-IFRS measure) (defined below) as an additional financial measure, which is not required by, or presented in accordance with IFRS. We believe that the presentation of this non-IFRS measure facilitates comparisons of operating performance from period to period and company to company by eliminating potential impact of items such as certain non-cash items and certain transaction costs related to financing activities. We believe that this measure provides useful information to investors in understanding and evaluating the Group's consolidated results of operations in the same manner as they help our management. However, the use of non-IFRS measure has limitations as an analytical tool, and should not be considered in isolation form, or as a substitute for analysis of, our results of operations or financial conditions as reported under IFRS. In addition, the non-IFRS financial measure may be defined differently from similar terms used by other companies.

We define "adjusted net loss (non-IFRS measure)" as loss for the period and adding back (i) change in fair value of financial liabilities, (ii) share-based compensation related item, (iii) listing expenses, and (iv) issuance cost of financial liability at FVTPL.

For the years ended December 31, 2021 and 2022, our adjusted net loss (non-IFRS measure) was approximately RMB444.0 million and RMB332.8 million, respectively.

The following table sets forth the reconciliations of our non-IFRS financial measure for the years ended December 31, 2021 and 2022 to the nearest measure prepared in accordance with IFRS:

	Year ended December 31	
	2022	2021
	RMB'000	*RMB'000*
Loss for the year	**(1,692,221)**	(4,153,193)
Add:		
Change in fair value of financial liabilities(1)	**1,087,874**	3,397,634
Share-based compensation related items(2)	**201,336**	222,619
Listing expenses(3)	**70,230**	37,391
Issuance cost of financial liability at FVTPL(4)	**—**	51,554
Adjusted net loss (non-IFRS measure)	**(332,781)**	(443,995)
Adjusted net loss margin (non-IFRS measure) (%)(5)	**(11.1)**	(25.3)

Notes:

(1) Change in fair value of financial liabilities represents the gains or losses arising from change in fair value of our issued convertible redeemable preferred shares and convertible loans, which was recognized as a financial liability at fair value change through profit or loss. Such changes are non-cash in nature.

(2) Share-based compensation related items relate to the share awards we offered to our employees, directors and consultants under the pre-IPO equity incentive scheme of the Company, which are primarily non-cash in nature and commonly added back to IFRS measures in calculating similar non-IFRS measures adopted by other companies in our industry.

(3) Listing expenses are commonly added back to IFRS measures in calculating similar non-IFRS financial measures.

(4) Issuance cost of financial liability at FVTPL is commonly added back to IFRS measures in calculating similar non-IFRS financial measures, primarily because it represents the professional service cost in connection with preferred shares financing and only relates to the scale of financing from the preferred share investors. We do not expect to have such issuance cost after we become a listed company.

(5) Represents adjusted net loss (non-IFRS measure) divided by the total revenue for the year indicated.

Liquidity and capital resource

During the year ended December 31, 2022, we had funded our cash requirements principally from capital contribution from shareholders and bank loans. We had cash and cash equivalents of approximately RMB1,090.6 million and RMB249.7 million as of December 31, 2021 and 2022, respectively. In addition, we had RMB423.5 million financial assets measured at fair value as of December 31, 2022, and those financial assets are short term and for treasury management purposes.

As of December 31, 2022, we had bank and other loans of RMB192.5 million (as of December 31, 2021: RMB114.4 million). Borrowings are classified as current liabilities. All borrowings are repayable within one year or on demand and the effective annual interest rates ranged from 3.8% to 5.8% as of December 31, 2022.

Going forward, we believe that our liquidity requirements will be satisfied by using a combination of cash generated from operating activities, other funds raised from the capital markets from time to time and the net proceeds received from the global offering. We currently do not have any plans for material additional external financing and we are in a good cash position.

Significant investments

The Group did not make or hold any significant investments (including any investment in an investee company with a value of 5% or more of the Company's total assets as at December 31, 2022) during the year ended December 31, 2022.

Material acquisitions and disposals

The Group did not have any material acquisitions or disposals of subsidiaries, consolidated affiliated entities or associated companies for the year ended December 31, 2022.

Pledge of assets

As at December 31, 2022, the Group has no pledge of assets.

Future plans for material investments or capital asset

As at December 31, 2022, the Group did not have detailed future plans for material investments or capital assets.

Gearing ratio

The Group monitors capital on basis of the gearing ratio, which is calculated as dividing liabilities excluded financial liabilities at FVTPL by total assets. As of December 31, 2022, the gearing ratio was 33.6%, as compared with 30.1% as at December 31, 2021 with no significant change.

Foreign exchange exposure

During the year ended December 31, 2022, the Group mainly operated in China with most of the transactions settled in Renminbi ("**RMB**"). The functional currency of both our Company and the subsidiaries and consolidated affiliated entities operating in China is RMB. Our management considers that the business is not exposed to any significant foreign exchange risk as there are no significant financial assets or liabilities denominated in the currencies other than the respective functional currencies of our group entities. As at December 31, 2022, we had currency translation loss of RMB459 thousand, as compared with currency translation loss of RMB153 thousand as at December 31, 2021. We did not hedge against any fluctuation in foreign currency during the years ended December 31, 2021 and 2022.

Contingent liabilities

As at December 31, 2022, we did not have any material contingent liabilities (as at December 31, 2021: nil).

Indebtedness

As at December 31, 2022, the Group had bank and other loans of RMB192.5 million, financial liabilities at FVTPL of RMB0 million and lease liabilities of RMB30.8 million, as compared to RMB114.4 million, RMB8,907.7 million, RMB8.9 million, respectively, as at December 31, 2021.

Employees and remuneration

As at December 31, 2022, the Group had a total of 1,349 employees, comprising 453 employees in Hangzhou, 158 employees in Shanghai, and 738 employees in other offices in China. The Group also had over 2,621 flexible staffing as of December 31, 2022 to support business development activities mostly in lower tier cities.

The following table sets forth the total number of employees by function as at December 31, 2022:

Function	Number of full-time employees
Selling and marketing	1,146
Research and development	135
General and administrative	68
Total	**1,349**

We are committed to establishing competitive and fair remuneration. In order to effectively motivate our staff, we continually refine our remuneration and incentive policies through market research. We conduct performance evaluations for our employees quarterly to provide feedback on their performance. Compensation for our staff typically consists of base salary, a performance-based bonus, and share-based compensation for high-perform employees.

The total people related cost incurred by the Group for the year ended December 31, 2022 was RMB990.3 million, as compared to RMB986.4 million for the year ended December 31, 2021. The full time staff cost incurred for the year ended December 31, 2022 was RMB610.2 million as compared to RMB687.7 million for the year ended December 31, 2021. The flexible staffing cost incurred for the year ended December 31, 2022 was RMB380.1 million as compared to RMB298.7 million for the year ended December 31, 2021.

The Company has also adopted a pre-IPO equity incentive scheme and a post-IPO share award scheme.

We provide regular and specialized training tailored to the needs of our employees in different departments. Our human resource department regularly organizes internal training sessions conducted by senior employees or outside consultants on topics of interest. Our human resource department schedules online training, reviews the content of the training, follows up with employees to evaluate the impact of such training and rewards lecturers for positive feedback. Through these training, we ensure that our staff's skillsets remain up-to-date, enabling them to better discover and meet consumers' needs.

CORPORATE GOVERNANCE AND OTHER INFORMATION

The Company was incorporated in the Cayman Islands on August 24, 2015 as an exempted company with limited liability, and the shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on July 6, 2022 (the "**Listing Date**").

The Board is committed to achieving high corporate governance standards. The Board believes that high corporate governance standards are essential in providing a framework for the Group to safeguard the interests of shareholders and to enhance corporate value and accountability.

Compliance with the Code on Corporate Governance Practices

The Board believes that transparency and good corporate governance will lead to long-term success of the Company.

The Company adopted the principles and code provisions of the Corporate Governance Code contained in Part 2 of Appendix 14 to the Listing Rules as the basis of our corporate governance practices.

From the Listing Date to December 31, 2022, the Company has adopted and complied with all applicable code provisions set out in the Corporate Governance Code except for the deviation as set out below.

Code provision C.2.1 of the Corporate Governance Code recommends, but does not require, that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Kuang Ming ("**Mr. Kuang**") performs both the roles of the chairman of the Board and the chief executive officer of the Company. Mr. Kuang is the founder of the Group and has extensive experience in the business operations and management of the Group. The Board believes that vesting the roles of both chairman and chief executive officer in Mr. Kuang has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning. The Board considers that the balance of power and authority will not be impaired due to this arrangement. In addition, all major decisions are made in consultation with members of the Board, including the relevant Board committees and three independent non-executive Directors. The Board will reassess the division of the roles of chairman and the chief executive officer from time to time, and may recommend dividing the two roles between different person in the future, taking into account the circumstances of the Group as a whole.

Compliance with the Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "**Model Code**") as the code of conduct regarding the Directors' dealings in the securities of the Company. The Company's employees who are likely to be in possession of unpublished inside information of the Company are also subject to the Model Code.

The Company's shares were listed on the Stock Exchange on July 6, 2022. Therefore, from January 1, 2022 to July 5, 2022, the relevant standards contained in the Model Code were not applicable to the Company. Specific enquiry has been made to all the Directors and the relevant employees and they have confirmed that they have complied with the Model Code from the Listing Date to December 31, 2022.

Audit committee

The Company has established an audit committee comprising of three members, namely Mr. Zhang Saiyin, Dr. Hong Weili and Mr. Lee Kar Chung Felix, with Mr. Zhang Saiyin (being our independent non-executive Director with the appropriate professional qualifications or accounting or related financial management expertise) as chairman of the audit committee.

The audit committee has reviewed the audited consolidated financial statements of the Group for the year ended December 31, 2022 and has discussed with the independent auditor, KPMG. The audit committee confirms that the applicable accounting principles, standards and requirements have been complied with, and that adequate disclosures have been made. The audit committee has also reviewed and discussed matters with respect to the accounting policies and practices adopted by the Company and internal control and financial reporting matters with senior management members of the Company.

Auditor's scope of work

The financial figures in respect of the Group's consolidated statement of financial position as at December 31, 2022, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended December 31, 2022 as set out in this announcement have been compared by KPMG to the amounts set out in the Group's audited consolidated financial statements for the year. The Company's Auditor made no comments as to the reasonableness or appropriateness of those assumptions of the "adjusted net loss (non-IFRS measure)"as presented in this announcement. The work performed by KPMG in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by KPMG on this announcement.

Purchase, sale or redemption of the Company's listed securities

From the Listing Date to December 31, 2022, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Material litigation

The Company was not involved in any material litigation or arbitration during the year ended December 31, 2022. The Directors are also not aware of any material litigation or claims that are pending or threatened against the Group during the Reporting Period and up to the date of this announcement.

Use of proceeds from the global offering

On July 6, 2022, the shares of the Company were listed on the Main Board of the Stock Exchange. The net proceeds from the global offering, after deducting the underwriting fees and other estimated expenses paid and payable by us in connection with the global offering and discretionary incentive fee, were approximately HK$425.7 million. As of the date of this announcement, there was no change in the intended use of proceeds as previously disclosed in the section headed "Future Plans and Use of Proceeds" in the prospectus of the Company dated June 23, 2022. To the extent that the net proceeds are not immediately required for the intended purposes or if we are unable to put into effect any part of our plan as intended, we will hold such funds in short-term deposits in licensed bank(s) only so long as it is deemed to be in the best interests of the Company. In such event, we will comply with the appropriate disclosure requirements under the Listing Rules. The Board currently expects full utilization of the proceeds by December 31, 2026.

Set out below is the status of use of proceeds from the global offering as at December 31, 2022.

Purpose	**% of use of proceeds**	**Net proceeds** *(HK$ million)*	**Utilized during the year ended December 31, 2022** *(HK$ million)*	**Unutilized amount as at December 31, 2022** *(HK$ million)*
Business expansion	60%	255.4	23.3	232.1
To advance our medical know-how and technology capabilities to reinforce our leadership in the digital healthcare industry	25%	106.4	9.2	97.2
To broaden our ecosystem through strategic partnerships, investments and acquisitions in other businesses that complement our organic growth strategies	5%	21.3	0.0	21.3
Working capital and general corporate purposes	10%	42.6	4.3	38.3
Total	**100%**	**425.7**	36.8	**388.9**

Dividend

The Board does not recommend the distribution of a final dividend for the year ended December 31, 2022.

Closure of register of members

The Company's annual general meeting (the "**AGM**") will be held on June 16, 2023, Friday. The register of members of the Company will be closed from June 13, 2023, Tuesday to June 16, 2023, Friday, both days inclusive, in order to determine the identity of the members who are entitled to attend and vote at the AGM, during which period no transfer of shares will be registered. To be eligible to attend and vote at the AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong Share Registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on June 12, 2023, Monday.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the year ended December 31, 2022

*(Expressed in Renminbi ("**RMB**"))*

	Note	**2022** ***RMB'000***	2021 *RMB'000*
Revenue	*4*	**2,988,056**	1,756,731
Cost of sales		**(2,195,956)**	(1,186,707)
Gross profit		**792,100**	570,024
Other net income	*5*	**39,435**	29,916
Selling and marketing expenses		**(933,217)**	(787,280)
Administrative expenses		**(335,562)**	(269,609)
Research and development expenses		**(114,789)**	(236,244)
Impairment loss on trade receivables and other receivables under expected credit loss model		**(39,530)**	(2,718)
Loss from operations		**(591,563)**	(695,911)
Finance costs	*6 (a)*	**(8,391)**	(61,962)
Change in fair value of financial liabilities		**(1,087,874)**	(3,397,634)
Impairment loss on intangible assets		**(3,562)**	—
Impairment loss on goodwill		**(2,253)**	—
Loss before taxation		**(1,693,643)**	(4,155,507)
Income tax	*7*	**1,422**	2,314
Loss for the year		**(1,692,221)**	(4,153,193)
Attributable to:			
— Equity shareholders of the Company		**(1,688,937)**	(4,138,913)
— Non-controlling interests		**(3,284)**	(14,280)
Loss for the year		**(1,692,221)**	(4,153,193)
Loss per share	*8*		
Basic and diluted *(RMB)*		**(5.62)**	(42.88)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended December 31, 2022

*(Expressed in Renminbi ("**RMB**"))*

	Note	**2022** *RMB'000*	2021 *RMB'000*
Loss for the year		**(1,692,221)**	(4,153,193)
Other comprehensive income for the year (after tax)			
Item that may be reclassified subsequently to profit or loss:			
Exchange difference on translation of:			
— Financial statements of overseas subsidiaries		**(466,551)**	131,932
Total comprehensive income for the year		**(2,158,772)**	(4,021,261)
Attributable to:			
— Equity shareholders of the Company		**(2,155,488)**	(4,006,981)
— Non-controlling interests		**(3,284)**	(14,280)
Total comprehensive income for the year		**(2,158,772)**	(4,021,261)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*(Expressed in Renminbi ("**RMB**"))*

		At December 31	
	Note	**2022**	2021
		RMB'000	*RMB'000*
Non-current assets			
Property, plant and equipment		**137,377**	36,213
Intangible assets		**327,290**	164,583
Goodwill		**85,980**	25,625
Other non-current assets		**35,319**	—
		585,966	226,421
Current assets			
Financial assets measured at fair value through profit or loss (FVTPL)	*9*	**423,501**	28,000
Inventories	*10*	**224,809**	110,924
Trade and bills receivables	*11*	**758,533**	497,266
Prepayments, deposits and other receivables	*12*	**467,575**	420,045
Restricted bank deposits		**74,370**	134,922
Time deposits with initial term over three months		**50,000**	—
Cash and cash equivalents		**249,674**	1,090,575
		2,248,462	2,281,732
Current liabilities			
Trade payables	*13*	**120,800**	67,763
Other payables and accrued expenses	*14*	**459,870**	456,555
Contract liabilities		**99,576**	93,593
Bank and other loans		**192,543**	114,383
Lease Liabilities		**11,228**	4,123
Financial liabilities at FVTPL	*15*	**—**	8,907,708
		884,017	9,644,125
Net current assets/(liabilities)		**1,364,445**	(7,362,393)
Total assets less current liabilities		**1,950,411**	(7,135,972)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

*(Expressed in Renminbi ("**RMB**"))*

	Note	**At December 31** **2022** ***RMB'000***	2021 *RMB'000*
Non-current liabilities			
Lease liabilities		**19,611**	4,800
Deferred tax liabilities		**49,425**	14,359
		69,036	19,159
NET ASSETS/(LIABILITIES)		**1,881,375**	(7,155,131)
CAPITAL AND RESERVES			
Share capital	*16(b)*	**391**	110
Reserves		**1,848,957**	(7,138,062)
Total equity attributable to equity shareholders of the Company		**1,849,348**	(7,137,952)
Non-controlling interests		**32,027**	(17,179)
TOTAL EQUITY/(DEFICIT)		**1,881,375**	(7,155,131)

1 PRINCIPAL ACTIVITIES AND ORGANISATION

ClouDr Group Limited (the "**Company**") was incorporated in the Cayman Islands on August 24, 2015 as an exempted company with limited liability under the Companies Act (As Revised) (as consolidated and revised) of the Cayman Islands.

The Company and its subsidiaries (together, "**the Group**") are principally engaged in providing supplies and software as a service ("**SaaS**") to hospitals and pharmacies, digital marketing services to pharmaceutical companies, and online consultation and prescriptions to patients, all centered around chronic condition management.

On July 6, 2022 (the "**Listing Date**"), the Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

2 STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards (IFRSs), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards (IASs) and interpretations issued by the International Accounting Standards ("**IASB**"), and the applicable disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange.

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current accounting period reflected in these financial statements.

3 CHANGES IN ACCOUNTING POLICIES

The Group has applied the following amendments to IFRSs issued by the IASB to these financial statements for the current accounting period:

- Amendments to IAS 16, Property, plant and equipment: Proceeds before intended use

- Amendment Amendments to IAS 37, Provisions, contingent liabilities and contingent assets: Onerous contracts — cost of fulfilling a contract

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the amended IFRSs are discussed below:

Amendments to IAS 16, Property, plant and equipment: Proceeds before intended use

The amendments prohibit an entity from deducting the proceeds from selling items produced before that asset is available for use from the cost of an item of property, plant and equipment. Instead, the sales proceeds and the related costs should be included in profit and loss. The amendments do not have a material impact on these financial statements as the Group does not sell items produced before an item of property, plant and equipment is available for use.

Amendments to IAS 37, Provisions, contingent liabilities and contingent assets: Onerous contracts — cost of fulfilling a contract

The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts.

Previously, the Group included only incremental costs when determining whether a contract was onerous. In accordance with the transitional provisions, the Group has applied the new accounting policy to contracts for which it has not yet fulfilled all its obligations at January 1, 2022, and has concluded that none of them is onerous.

4 REVENUE AND SEGMENT REPORTING

(a) Revenue from contracts with customers

(i) Disaggregation of revenue

The Group's product portfolio consists essentially of three major product or service lines, namely in-hospital solution, pharmacy solution and individual chronic condition management solution and others, which were categorised into below three solutions:

— Value added solutions include sales of hospital supplies and providing hospital SaaS under In-hospital solution and, sales of pharmacy supplies under Pharmacy Solution;

— Subscription solutions include rendering of digital marketing services under In-hospital solution, and providing pharmacy SaaS under Pharmacy Solution;

— Individual chronic condition management solution and others include sales of chronic condition products, providing premium membership services, insurance brokerage services and others under individual chronic condition management solution and others.

Disaggregation of revenue from contracts with customers by major products or service lines is as follows:

	Year ended December 31	
	2022	2021
	RMB'000	*RMB'000*
Type of goods or services:		
In-hospital solution		
Value added solution	**1,645,086**	869,780
Subscription solution	**539,391**	402,958
Pharmacy solution		
Value added solution	**560,668**	300,961
Subscription solution	**55,144**	49,006
Individual chronic condition management solution and others		
Chronic condition products	**86,264**	53,031
Premium membership services, insurance brokerage services and others	**101,503**	80,995
	2,988,056	1,756,731
Timing of revenue recognition:		
Point in time	**2,924,504**	1,669,371
Over time	**63,552**	87,360
	2,988,056	1,756,731

The Group's customers with whom transactions have exceeded 10% of the Group's revenue during the year are set out below:

	Year ended December 31	
	2022	2021
	RMB'000	*RMB'000*
Customer A	**312,648**	(*)

* Less than 10% of the Group's revenue in the respective year

(ii) Revenue that expected to be recognised in the future arising from contracts in existence as at the end of the year

The following table includes the aggregated amount of the transaction price allocated to the remaining unsatisfied performance obligations under the Group's existing contracts. This amount represents revenue expected to be recognised in the future when the Group satisfies the remaining performance obligations, which is expected to occur over the next 1 year to 2 years after the respective year.

	At December 31	
	2022	2021
	RMB'000	*RMB'000*
Hospital SaaS	**—**	6,106
Pharmacy SaaS	**47,939**	47,477
Premium membership services	**21,218**	22,309
	69,157	75,892

(b) Segment reporting

IFRS 8, Operating Segments, requires identification and disclosure of operating segment information based on internal financial reports that are regularly reviewed by the Group's chief operating decision maker for the purpose of resources allocation and performance assessment. On this basis, as for the purpose of making decisions about resources allocation and performance assessment, the Group's management reviews on the operating results of the Group as a whole, the Group has determined that it only has one operating segment during the year.

5 OTHER NET INCOME

	Year ended December 31	
	2022	2021
	RMB'000	*RMB'000*
Government grants	**25,390**	17,715
Interest income	**3,637**	2,332
Fair value gains on financial assets measured at FVTPL	**10,873**	8,397
Net gain on disposal of a subsidiary	**—**	618
Foreign exchange loss	**(459)**	(153)
Others	**(6)**	1,007
	39,435	29,916

6 LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

(a) Finance costs

	Year ended December 31	
	2022	2021
	RMB'000	*RMB'000*
Interest expenses	**7,028**	9,269
Interest on lease liabilities	**993**	338
Issuance cost of convertible redeemable preferred shares *(note (i))*	**—**	51,554
Other financial cost	**370**	801
	8,391	61,962

Note:

(i) Issuance cost of financial liabilities at FVTPL include primarily the financial advisory fees, lawyer fees, due diligence fees and registration fees in connection with issuance of convertible redeemable preferred shares.

(b) Staff costs

	Year ended December 31	
	2022	2021
	RMB'000	*RMB'000*
Salaries, wages and other benefits	**400,920**	445,168
Contributions to defined contribution retirement plan *(note (i))*	**20,532**	19,872
Equity-settled share-based payment expenses	**188,722**	222,619
	610,174	687,659

Note:

(i) Employees of the Group are required to participate in a defined contribution retirement scheme administered and operated by the local municipal governments where the subsidiaries are registered. The Group contributes funds which are calculated on certain percentages of the average employee salary as agreed by the respective local municipal governments to the scheme to fund the retirement benefits of the employees.

The Group has no further material obligation for payment of other retirement benefits beyond the above contributions.

(c) Other items

	Year ended December 31	
	2022	2021
	RMB'000	*RMB'000*
Amortisation of intangible assets	**75,507**	71,132
Depreciation expenses	**26,435**	15,409
Write down of inventories	**1,078**	2,134
Costs incurred in connection with the listing of the Company's shares	**70,230**	37,391
Auditors' remuneration — audit services	**4,500**	—
Cost of inventories	**2,044,758**	1,084,105

7 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(a) Taxation in the consolidated statement of profit or loss represents:

	Year ended December 31	
	2022	2021
	RMB'000	*RMB'000*
Current tax expense		
Provision for PRC income tax for the year	**3,630**	1,774
Deferred tax expense		
Reversal of temporary differences	**(5,052)**	(4,088)
	(1,422)	(2,314)

(b) Reconciliation between tax expense and accounting loss at applicable tax rates:

	Year ended December 31	
	2022	2021
	RMB'000	*RMB'000*
Loss before taxation	**(1,693,643)**	(4,155,507)
Notional tax calculated *(note (i))*	**(423,411)**	(1,039,579)
Different tax rates in foreign tax jurisdictions *(notes (ii)(iii))*	**309,848**	835,383
Tax effect of non-deductible expenses	**6,095**	38,739
Additional deduction qualified research and development costs *(note (iv))*	**(18,040)**	(44,296)
Utilisation of tax losses previously unrecognised	**(983)**	(3,806)
Deductible temporary differences not recognized as deferred taxes	**8,389**	3,495
Unrecognized tax losses	**116,680**	207,750
	(1,422)	(2,314)

Notes:

(i) The subsidiaries of the Group established in the Mainland China (excluding Hong Kong) are subject to PRC Corporate Income Tax rate of 25%, except for the following subsidiaries:

According to the PRC income tax law and its relevant regulations, entities that qualified as small and low profit enterprise are entitled to a preferential income tax rate of 5% (for taxable income less than RMB1,000,000) or 10% (for taxable income range from RMB1,000,000 to RMB3,000,000). Certain subsidiaries of the Group were qualified as small and low profit enterprise and entitled preferential income tax rate for the years ended December 31, 2022 and 2021.

Hangzhou Kangsheng Health Management Consultant Co., Ltd. ("**Kangsheng**") obtained the qualification as a high-tech enterprise and was entitled to a preferential income tax rate of 15% from 2021 to 2023.

(ii) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands ("**BVI**"), the Company and the Group's BVI subsidiaries are not subject to income tax in those jurisdictions.

(iii) The Company's subsidiary incorporated in Hong Kong is subject to Hong Kong profit tax at 16.5% of the estimated assessable profit. No provision for Hong Kong Profits Tax has been made, as the subsidiary of the Group incorporated in Hong Kong did not have assessable profits which are subject to Hong Kong Profits Tax during the years ended December 31, 2022 and 2021.

(iv) Effective from January 1, 2010 to December 31, 2023, an additional 75% of qualified research and development expenses incurred by the Group is allowed to be deducted from taxable income under the PRC income tax law and its relevant regulations.

8 LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to ordinary equity shareholders of the Company of RMB1,688,937,000 (2021: RMB4,138,913,000) divided by the weighted average number of ordinary shares in issue of 300,298,000 during the year (2021: 96,533,000).

The calculation of the weighted average number of ordinary shares for the years ended December 31, 2022 and 2021 is as follows:

	Year ended December 31	
	2022	2021
	Number of shares	Number of shares
	'000	*'000*
Issued ordinary shares at January 1	**96,756**	92,206
Effect of shares issued by initial public offering on the Listing Date	**9,266**	—
Effect of conversion of convertible redeemable preferred shares	**194,070**	—
Effect of equity instruments vested and transferred	**1,007**	4,327
Effect of treasury shares repurchased	**(801)**	—
Weighted average number of ordinary shares for the year	**300,298**	96,533

(b) Diluted loss per share

The convertible redeemable preferred shares and the equity instruments were excluded from the calculation of diluted loss per share because their effect would have been anti-dilutive. The diluted loss per share is the same as the basic loss per share for the years ended December 31, 2022 and 2021.

9 FINANCIAL ASSETS MEASURED AT FAIR VALUE THOUGH PROFIT OR LOSS

	Year ended December 31	
	2022	2021
	RMB'000	*RMB'000*
Financial products issued by financial institutions		
— Wealth management products	**45,399**	28,000
— Fund management products	**378,102**	—
	423,501	28,000

As at December 31, 2022, the Group's financial products mainly represent various financial products issued by commercial banks in PRC and other financial institutions in Hong Kong, Cayman Islands and British Virgin Islands with expected annual rates of return ranging from 1.21% to 6.23% (2021: 2%) and will mature within one year.

10 INVENTORIES

	At December 31	
	2022	2021
	RMB'000	*RMB'000*
Finished goods	**224,809**	110,924

The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	Year ended December 31	
	2022	2021
	RMB'000	*RMB'000*
Carrying amount of inventories sold	**2,044,758**	1,084,105
Write down of inventories	**1,078**	2,134
	2,045,836	1,086,239

The write down of inventories is due to expiry of medicines.

11 TRADE AND BILLS RECEIVABLES

	At December 31	
	2022	2021
	RMB'000	*RMB'000*
Trade receivables	**797,023**	484,250
Less: Loss allowance	**(43,463)**	(15,800)
	753,560	468,450
Bills receivables	**4,973**	28,816
	758,533	497,266

(a) Ageing analyses

At the year ended December 31, 2022 and 2021, the ageing analysis of trade and bills receivable, based on the date revenue is recognised and net of loss allowance, of the Group are as follows:

	At December 31	
	2022	2021
	RMB'000	*RMB'000*
Within 3 months	**733,943**	348,533
4 to 6 months	**17,058**	78,413
7 to 12 months	**7,532**	70,320
	758,533	497,266

All the trade and bills receivables are expected to be recovered within one year.

12 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	At December 31	
	2022	2021
	RMB'000	*RMB'000*
Prepayments for inventories and services	**230,690**	164,679
Deposits	**142,168**	139,538
Advances due from third parties *(note (i))*	**25,968**	33,601
Purchase rebate with suppliers	**29,004**	15,616
Value-added tax recoverable	**35,380**	29,949
Amounts due from staffs in relation to share-based payment and others	**9,699**	18,641
Prepayments for costs incurred in connection with the proposed offering of the Company's shares	**—**	9,002
Others	**6,533**	9,019
	479,442	420,045
Less: loss allowance *(note (ii))*	**(11,867)**	—
	467,575	420,045

Notes:

All of the prepayments, deposits and other receivables are expected to be recovered and recognised as expenses within one year.

(i) Amounts due from third parties were non-trade, unsecured, non-interest bearing and repayable on demand.

(ii) Deposits, advances due from third parties, purchase rebate with suppliers and amounts due from staffs in relation to share-based payment and others have been classified as other receivables. The Group determines the expected credit losses for other receivables by assessment of probability of default, loss given default and exposure at default. As at December 31, 2022, in view of the nature of these balances and historical settlement record, the Group considers that the provision of ECL allowance for these assets was RMB11.9 million (2021: RMB0).

13 TRADE PAYABLES

	At December 31	
	2022	2021
	RMB'000	*RMB'000*
Payables for inventories and services	**120,800**	67,763

All of the trade payables are expected to be settled within one year or are repayable on demand.

The aging analyses of trade payables, based on the transaction date, are as follows:

	At December 31	
	2022	2021
	RMB'000	*RMB'000*
Within 1 year	**114,309**	67,763
More than 1 year	**6,491**	—
	120,800	67,763

14 OTHER PAYABLES AND ACCRUED EXPENSES

	At December 31	
	2022	2021
	RMB'000	*RMB'000*
Salary and welfare payables	**81,202**	86,041
Payables for flexible staffs	**183,858**	124,203
VAT payable and other tax payables	**6,844**	9,928
Payables for acquiring of subsidiaries and exclusive rights	**18,888**	13,420
Refund liabilities	**21,024**	18,424
Payables for listing expenses	**2,042**	25,333
Advance from non-controlling shareholders of the Group	**5,291**	1,000
Advance from third parties and staffs	**22,334**	—
Payables for issuance cost of convertible redeemable preferred shares	**12,536**	13,477
Payables for Insurance premium	**74,370**	134,922
Deposits and others	**31,481**	29,807
	459,870	456,555

All of the other payables and accrued expenses are expected to be settled or recognised as income within one year or are repayable on demand.

Insurance premium payables are insurance premiums collected from the insured on behalf of insurance companies but not yet remitted to the insurance companies as of December 31, 2022 and 2021.

15 FINANCIAL LIABILITIES AT FVTPL

	At December 31	
	2022	2021
	RMB'000	*RMB'000*
Convertible redeemable preferred shares	**—**	8,907,708
Total	**—**	8,907,708

(a) Convertible redeemable preferred shares ("Preferred Shares")

Since the date of incorporation, the Group has completed several rounds of financing by issuing Preferred Shares to investors.

The Preferred Shares are redeemable by the investors upon specified contingent events including but not limited to failure to complete the qualified IPO before December 31, 2022. The holders of the Preferred Shares are entitled to discretionary dividends prior and in preference to any declaration or payment of any dividend on the ordinary shares.

The Company accounts for the Preferred Shares issued to investors as financial liabilities at fair value through profit or loss.

The movements of the Preferred Shares issued to investors are set out below:

	Preferred Shares issued to investors *RMB'000*
At January 1, 2021	4,329,603
Issuance of Preferred Shares	1,181,569
Conversion from Convertible loan	213,930
Changes in fair value through profit or loss	3,331,837
Exchange realignment	(149,231)
At December 31, 2021	8,907,708
Changes in fair value through profit or loss	1,087,874
Exchange realignment	526,638
Conversion of convertible redeemable preferred shares	(10,522,220)
At December 31, 2022	—

All the convertible redeemable preferred shares were automatically converted into ordinary shares on a one-to-one ratio upon the Company's listing on the Stock Exchange on July 6, 2022. The difference between the fair value of the convertible redeemable preferred shares as at December 31, 2021 and the listing offer price of HKD30.50 per share is accounted for as fair value changes of convertible redeemable preferred shares in the consolidated statement of profit or loss.

(b) Convertible loans

The movement of the convertible loans is set out as below:

	Convertible loan *RMB'000*
At January 1, 2021	148,557
Loans converted to Preferred Shares	(214,354)
Fair value changes	65,797
At December 31, 2021, January 1, 2022 and December 31, 2022	—

The Group issued convertible loans to certain B round financing investor, B-1 round financing investor and C-1 round financing investors before its listing on the Stock Exchange.

The convertible loans have an original maturity of 3 years from the respective issue dates ("**Maturity Date**"). Upon the completion of the Overseas Direct Investments registration within the period from the issue date of the loans to the Maturity Date, the outstanding principal amount of the convertible loans were converted into Series B, Series B-1 and Series C-1 Preferred Shares respectively.

Valuation

As of December 31, 2021, the Company applied the discounted cash flow method ("**DCF method**") to determine the underlying equity value of the Company and used the option-pricing method and equity allocation model to determine the fair value of the Preferred Shares and convertible loans as of December 31, 2021.

The DCF method involves applying appropriate weighted average cost of capital ("**WACC**"), to discount the future cash flow forecast to present value. The WACC was determined based on a consideration of the factors including risk-free rate, comparative industry risk, equity risk premium, company size and non-systematic risk factors. The Group also applied a discount for lack of marketability ("**DLOM**"), which was quantified by Black-Scholes Option Pricing Model and the Finnerty Model. Under this option-pricing method, which assumed that the put option is struck at the spot price of the stock before the privately held shares can be sold, the cost of the put option was considered as a basis to determine the DLOM.

Key valuation assumptions are set as below:

	At December 31 2021
WACC	17.00%
DLOM	6.00%

16 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

The directors of the Company did not propose any declaration of dividend for the years ended December 31, 2022 and 2021.

(b) Share capital

Authorized

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on August 24, 2015.

As of December 31, 2022 and 2021, the authorized share capital of the Company was USD100,000 divided into 1,000,000,000 ordinary shares of a nominal or par value of US$0.0001 each.

Issued share capital

	December 31, 2022		December 31, 2021	
	Number of shares	**Share capital**	Number of shares	Share capital
		RMB'000		*RMB'000*
Ordinary shares, issued and fully paid:				
At January 1	**170,085,661**	**110**	85,830,926	56
Issuance of shares by initial public offering *(note (i))*	**19,000,000**	**13**	—	—
Conversion of convertible redeemable preferred shares	**397,952,558**	**268**	—	—
Issuance of shares to exercise share options	**—**	**—**	10,925,100	7
Issuance of shares to Prime Forest *(note (ii))*	**—**	**—**	73,329,635	47
At December 31	**587,038,219**	**391**	170,085,661	110

(i) On July 6, 2022, the Company was listed on the Main Board of the Stock Exchange of Hong Kong Limited. 19,000,000 ordinary shares of par value of USD0.0001 each were issued at a price of HK$30.50 per ordinary share upon the listing of the shares of the Company. The proceeds of HKD14,910 (equivalent to approximately RMB12,777), representing the par value, were credited to the Company's share capital. The remaining proceeds, net of share issuance expenses (including issuance expenses of RMB8,762,000 paid prior to 2022), of approximately HK$550,815,000 (equivalent to approximately RMB472,020,000) were credited to the Company's capital reserve account.

(ii) Prime Forest Assets Limited ("**Prime Forest**") was incorporated in British Virgin Islands and was appointed as the holding company in July 2021 to hold the ordinary shares of the Company on trust for the Group's share-based payment plan. As the Company has power to govern the relevant activities of Prime Forest and can derive benefits from the contributions of the eligible employees who are awarded with the shares under the share-based payment plan, the directors of the Company consider that it is appropriate to regard Prime Forest as a branch of the Company. As at December 31, 2022, the 63,911,991 ordinary shares of the Company hold by Prime Forest were presented as treasury shares.

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.cloudr.cn). The annual report of the Company for the year ended December 31, 2022 will be dispatched to the Company's shareholders and made available for review on the same websites in due course.

By order of the Board
ClouDr Group Limited
Kuang Ming
Chairman, Executive Director and
Chief Executive Officer

Hong Kong, March 22, 2023

As at the date of this announcement, the Board comprises Mr. Kuang Ming as the executive Director, Mr. Lee Kar Chung Felix as the non-executive Director, and Dr. Hong Weili, Mr. Zhang Saiyin and Mr. Ang Khai Meng as the independent non-executive Directors.

* *For identification purpose only*