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DINGDANG HEALTH TECHNOLOGY GROUP LTD.

叮噹健康科技集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 09886)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2022

FINANCIAL HIGHLIGHTS

	For the year ended December 31,		Change (%)
	2022 RMB'000	2021 RMB'000	
Revenue	4,329,075	3,678,690	17.7
Gross Profit	1,449,670	1,162,311	24.7
Loss for the year	(2,842,275)	(1,598,974)	77.8
Adjusted net loss (non-IFRS measure) ¹	(128,698)	(329,525)	(60.9)

Note:

- 1 The Company defines adjusted net loss (non-IFRS measure) as loss for the year excluding certain reconciling items as set out in the section headed "Non-IFRS Measures: Adjusted Net Loss and Adjusted Net Loss Margin."

ANNUAL RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Dingdang Health Technology Group Ltd. (the "**Company**") is pleased to announce the audited consolidated annual results of the Company, its subsidiaries and consolidated affiliated entities (collectively, the "**Group**") for the year ended December 31, 2022 together with the comparative figures for the corresponding period in 2021, as follows.

In this announcement, "we", "us", and "our" refer to the Company and where the context otherwise requires, the Group. Unless otherwise defined herein, capitalized terms used in this announcement shall have the same meanings as defined in the prospectus of the Company dated September 1, 2022 (the "**Prospectus**").

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended December 31, 2022

		Year ended December 31,	
		2022	2021
	Notes	RMB'000	RMB'000
Revenue	3B	4,329,075	3,678,690
Cost of revenue		<u>(2,879,405)</u>	<u>(2,516,379)</u>
Gross profit		1,449,670	1,162,311
Fulfillment expenses		(444,162)	(412,279)
Selling and marketing expenses		(908,238)	(834,783)
Research and development expenses		(88,951)	(96,161)
General and administrative expenses		(334,519)	(481,256)
Fair value losses on financial liabilities at fair value through profit or loss ("FVTPL")		(2,504,548)	(912,201)
Other gains and losses, net	5	27,507	27,983
Other income	6	28,862	15,905
Finance costs	7	(7,918)	(17,776)
Impairment losses under expected credit loss ("ECL") model, net of reversal	8	(1,546)	(265)
Listing expenses		<u>(48,304)</u>	<u>(33,337)</u>
Loss before income tax	4	(2,832,147)	(1,581,859)
Income tax expense	9	<u>(10,128)</u>	<u>(17,115)</u>
Loss for the year		<u>(2,842,275)</u>	<u>(1,598,974)</u>
Other comprehensive expense			
<i>Items that will not be reclassified to profit or loss:</i>			
Fair value loss on equity instruments at fair value through other comprehensive income ("FVTOCI")		<u>(9,293)</u>	<u>—</u>
Other comprehensive expense for the year		<u>(9,293)</u>	<u>—</u>
Total comprehensive expense for the year		<u>(2,851,568)</u>	<u>(1,598,974)</u>
Loss for the year attributable to:			
Owners of the Company		(2,833,395)	(1,578,026)
Non-controlling interests		<u>(8,880)</u>	<u>(20,948)</u>
		<u>(2,842,275)</u>	<u>(1,598,974)</u>
Total comprehensive expense for the year attributable to:			
Owners of the Company		(2,842,688)	(1,578,026)
Non-controlling interests		<u>(8,880)</u>	<u>(20,948)</u>
		<u>(2,851,568)</u>	<u>(1,598,974)</u>
Loss per share (present in RMB YUAN)			
– Basic	10	(3.37)	(3.31)
– Diluted	10	<u>(3.37)</u>	<u>(3.31)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As of December 31, 2022

		As of December 31,	
		2022	2021
	Notes	RMB'000	RMB'000
ASSETS			
Non-current assets			
Property and equipment		42,404	45,013
Right-of-use assets		174,956	168,518
Goodwill		255,762	255,762
Other intangible assets		169,983	199,241
Equity instruments at FVTOCI		116,158	–
Rental deposits	11	10,625	9,932
		<u>769,888</u>	<u>678,466</u>
Total non-current assets			
Current assets			
Financial assets at FVTPL		136,798	–
Inventories		607,950	434,022
Trade and other receivables and prepayments	11	449,331	279,591
Amounts due from related parties		1,959	1,086
Restricted bank deposits and time deposits		120,600	–
Cash and cash equivalents		1,210,949	1,552,994
		<u>2,527,587</u>	<u>2,267,693</u>
Total current assets			
Total assets		<u>3,297,475</u>	<u>2,946,159</u>
EQUITY AND LIABILITIES			
Equity			
Share capital		894	403
Reserves		8,053,494	422,496
Accumulated losses		(5,868,730)	(3,035,146)
		<u>2,185,658</u>	<u>(2,612,247)</u>
Equity attributable to owners of the Company			
Non-controlling interests		<u>13,538</u>	<u>22,418</u>
		<u>2,199,196</u>	<u>(2,589,829)</u>
Total equity			

		As of December 31,	
		2022	2021
	<i>Notes</i>	RMB'000	RMB'000
Liabilities			
Non-current liabilities			
Contract liabilities		3,836	8,899
Lease liabilities		91,012	95,629
Financial liabilities at FVTPL		–	4,650,950
Deferred tax liabilities		34,097	41,581
		<hr/>	<hr/>
Total non-current liabilities		128,945	4,797,059
		<hr/>	<hr/>
Current liabilities			
Trade and other payables	<i>12</i>	772,817	586,651
Amounts due to related parties		29,261	22,512
Contract liabilities		90,182	59,780
Lease liabilities		72,125	61,383
Income tax payable		4,949	8,603
		<hr/>	<hr/>
Total current liabilities		969,334	738,929
		<hr/>	<hr/>
Total liabilities		1,098,279	5,535,988
		<hr/>	<hr/>
Total equity and liabilities		3,297,475	2,946,159
		<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2022

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability and its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) since September 14, 2022. Its ultimate controlling shareholder is Mr. Yang Wenlong, who is also the Chairman and Executive Director of the Company. The address of the Company’s registered office is at Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman KY1-1104, Cayman Islands. The principal place of business of the Company is at Building 1, Yard 50, Dengshikou Street, Dongcheng District, Beijing, the People’s Republic of China (the “**PRC**”).

In preparation for the initial public offering (“**IPO**”) of the shares of the Company on the Stock Exchange, the Company and its subsidiaries (collectively, the “**Group**”) underwent a group reorganization (the “**Reorganization**”). Details of the Reorganization are set out in the prospectus of the Company dated September 1, 2022. The Group comprising the Company and its subsidiaries resulting from the Reorganization is regarded as a continuing entity, accordingly, the comparative financial information have been prepared as if the Company had always been the holding company of the Group.

The Company is an investment holding company and its subsidiaries are principally engaged in the provision of pharmaceutical and healthcare business in the PRC.

The consolidated financial statements are presented in the currency of Renminbi (“**RMB**”), which is also the functional currency of the Company.

2. APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“**IFRSs**”)

Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to IFRSs issued by the International Accounting Standards Board for the first time, which are mandatorily effective for the Group’s annual period beginning on January 1, 2022 for the preparation of the consolidated financial statements:

Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to IFRS Standards	Annual Improvements to IFRS Standards 2018-2020

The application of the amendments to IFRSs in the current year has had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in the consolidated financial statements.

New and amendments to IFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to IFRSs that have been issued but are not yet effective:

Standards/Amendments	Content	Effective for annual periods beginning on or after
IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17)	Insurance Contracts	January 1, 2023
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback	January 1, 2024
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	January 1, 2024
Amendments to IAS 1	Non-current Liabilities with Covenants	January 1, 2024
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	January 1, 2023
Amendments to IAS 8	Definition of Accounting Estimates	January 1, 2023
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	January 1, 2023

The directors of the Company anticipate that the application of the above new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3A. SEGMENT INFORMATION

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

The Group's chief operating decision maker, who has been identified as the president, reviews the consolidated results when making decisions about allocating resources and assessing performance of the Group as a whole and hence, the Group has only one reportable segment. The Group does not distinguish between markets or segments for the purpose of internal reports. As the Group's non-current assets (excluding equity instruments at FVTOCI) are all located in the PRC and all the Group's revenue are derived from the PRC, no geographical information is presented. During the year ended December 31, 2022, there is no revenue derived from transactions with a single external customer which amounted to 10% or more of the Group's revenue (2021: none).

3B. REVENUE

Disaggregation of revenue from contracts with customers:

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
<i>Type of goods or services:</i>		
Product revenue:		
Pharmaceutical and healthcare business	4,201,618	3,561,336
Others*	127,457	117,354
	<hr/>	<hr/>
Total revenue from contracts with customers	4,329,075	3,678,690
	<hr/>	<hr/>
<i>Timing of revenue recognition:</i>		
A point in time	4,201,618	3,561,336
Overtime	127,457	117,354
	<hr/>	<hr/>
Total	4,329,075	3,678,690
	<hr/> <hr/>	<hr/> <hr/>

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

4. LOSS BEFORE INCOME TAX

Loss before income tax has been arrived at after charging:

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
Cost of inventories sold (including write-down/(reversals of write-down) of inventories amounting to RMB149,000 (2021: RMB(720,000))	2,873,722	2,510,206
Employee benefit expenses		
– Salaries and bonuses	373,245	357,803
– Share-based payments expenses	160,725	323,911
– Welfare, medical and other benefits	85,476	107,420
	<hr/>	<hr/>
Total employee benefit expenses	619,446	789,134
Depreciation of property and equipment	20,181	21,650
Depreciation of right-of-use assets	77,890	78,404
Amortization of other intangible assets	37,236	35,232
Auditor's remuneration*	16,368	6,025
	<hr/> <hr/>	<hr/> <hr/>

* Service fee in connection with IPO for the year ended December 31, 2022 was RMB10,988,000 (2021: RMB6,025,000).

5. OTHER GAINS AND LOSSES, NET

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
Net foreign exchange gains	14,369	11,922
(Loss)/gain on disposal of property and equipment	(14)	90
Loss on disposal/deregistration of subsidiaries	–	(434)
Gain on fair value changes of financial assets at FVTPL	11,262	10,273
Gain/(loss) on early termination of leases (<i>Note</i>)	58	(31)
Others	1,832	6,163
	<u>27,507</u>	<u>27,983</u>

Note: For the year ended December 31, 2022, gain on early termination of a lease represented the net difference of RMB58,000 comprising a RMB4,901,000 decrease in right-of-use assets and a RMB4,959,000 decrease in lease liabilities.

6. OTHER INCOME

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
Interest income		
– Bank deposits	16,730	3,781
– Lease deposits	421	384
Government grants (<i>Note</i>)	7,678	8,390
Rental income – fixed	4,033	3,350
	<u>28,862</u>	<u>15,905</u>

Note: The amounts represented subsidies received from the local governments for rewarding the Group's contribution to local economies. There were no specific conditions attached to the grants and the amounts were recognized in profit or loss when the grants were received.

7. FINANCE COSTS

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
Interest on other borrowing (<i>Note</i>)	–	10,169
Interest on lease liabilities	7,918	7,607
	<u>7,918</u>	<u>17,776</u>

Note: The Company's other borrowing raised on May 24, 2021 from CMB International Finance Limited (招銀國際財務有限公司) was secured by interests in subsidiaries held by the Company and was guaranteed by certain subsidiaries of the Company. The principal amount was United States dollars (“USD”) 197,973,499.61, equivalent to RMB1,270,000,000, which carried a fixed interest rate of 0.8% per month. This borrowing was repaid in full in June 2021.

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

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
Impairment losses, net of reversals, recognized on:		
– Trade receivables	220	(1,521)
– Other receivables	1,326	1,786
	<u>1,546</u>	<u>265</u>
Total	<u><u>1,546</u></u>	<u><u>265</u></u>

9. INCOME TAX EXPENSE

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

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
PRC Enterprise Income Tax		
Current income tax		
– Current year	17,302	24,458
– Under provision in respect of prior year	310	141
Deferred income tax	(7,484)	(7,484)
	<u>10,128</u>	<u>17,115</u>
Total	<u><u>10,128</u></u>	<u><u>17,115</u></u>

10. LOSS PER SHARE

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

Loss figures are calculated as follows:

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
Loss for the year attributable to owners of the Company for the purpose of basic and diluted loss per share	<u>(2,833,395)</u>	<u>(1,578,026)</u>

Number of shares

	Year ended December 31,	
	2022	2021
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	<u>841,076,782</u>	<u>477,002,288</u>

The weighted average number of ordinary shares for the purpose of calculating basic loss per share for the year ended December 31, 2021 has been determined on the assumption that the Reorganization and the shares subdivision, surrender and consolidation had been effected since January 1, 2021.

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company had potential ordinary shares of shares with preferred rights/preferred shares and over-allotment option (set out in the prospectus of the Company dated September 1, 2022). For the year ended December 31, 2022, the potential ordinary shares were not included in the calculation of diluted loss per share, as the inclusion of preferred shares and over-allotment option would be anti-dilutive (2021: anti-dilutive). Accordingly, diluted loss per share for the year ended December 31, 2022 is the same as basic loss per share.

11. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	As of December 31,	
	2022	2021
	RMB'000	RMB'000
Current:		
(a) Trade receivables		
Trade receivables from third parties	106,125	91,351
Less: allowance for ECL	(563)	(343)
	<u>105,562</u>	<u>91,008</u>
Subtotal	<u>105,562</u>	<u>91,008</u>
(b) Other receivables and prepayments		
Welfare receivable	1,926	1,534
Advance to suppliers	115,212	41,378
Prepaid expenses	43,957	34,280
Recoverable value-added tax	27,462	32,238
Receivable from non-controlling shareholders	3,900	3,900
Receivable from third-party online platforms	132,029	53,769
Deposits receivables	15,181	11,455
Deferred issue costs	–	5,338
Others	7,231	6,494
Less: allowances for credit losses	(3,129)	(1,803)
	<u>343,769</u>	<u>188,583</u>
Subtotal	<u>343,769</u>	<u>188,583</u>
Total	<u>449,331</u>	<u>279,591</u>
Non-current:		
Rental deposits	<u>10,625</u>	<u>9,932</u>
	<u>10,625</u>	<u>9,932</u>

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

	As of December 31,	
	2022	2021
	RMB'000	RMB'000
Within 3 months	100,281	87,298
3 to 6 months	1,936	2,231
6 to 12 months	2,615	1,570
Over 12 months	1,293	252
	<u>(563)</u>	<u>(343)</u>
Less: allowance for ECL	<u>(563)</u>	<u>(343)</u>
	<u>105,562</u>	<u>91,008</u>

As of December 31, 2022, included in the Group's trade receivables balance was debtors with aggregate carrying amount of RMB39.7 million (2021: RMB28.4 million), which were past due but not impaired as of the reporting date. The Group has not provided an impairment loss as the Group is satisfied with the subsequent settlements and the credit quality of these customers had not seen deteriorated. The Group does not hold any collateral over these balances.

12. TRADE AND OTHER PAYABLES

	As of December 31,	
	2022	2021
	RMB'000	RMB'000
Trade payables	345,904	285,940
Notes payables	7,966	–
Subtotal	<u>353,870</u>	<u>285,940</u>
Salary and welfare payables	159,955	140,164
Other tax payable	15,215	10,262
Payables for delivery	50,063	34,441
Payables for service fee	35,001	7,770
Accrued expenses	78,542	56,237
Receipt on behalf of third-party merchants	46,890	11,758
Dividend payable to non-controlling interests	–	10,102
Rental received in advance	757	771
Accrued listing expenses and issue costs	12,031	10,060
Deposits payable	16,332	16,323
Others	4,161	2,823
Subtotal	<u>418,947</u>	<u>300,711</u>
Total	<u><u>772,817</u></u>	<u><u>586,651</u></u>

The credit period of trade payables is ranging from 30 to 60 days. An aging analysis of the trade payables based on the invoice date as of December 31, 2022 is as follows:

	As of December 31,	
	2022	2021
	RMB'000	RMB'000
Within 3 months	319,622	259,166
3 to 6 months	12,293	8,235
6 to 12 months	13,311	6,330
Over 12 months	8,644	12,209
Total	<u><u>353,870</u></u>	<u><u>285,940</u></u>

13. DIVIDENDS

In 2021, a final dividend to the non-controlling interests of RMB10,102,000 was declared for the year ended December 31, 2020 by certain subsidiaries of the Company. In 2022, the dividend to the non-controlling interests of RMB10,102,000 was paid.

Other than the above, no dividend was paid or declared by the Company and other companies comprising the Group during the year ended December 31, 2022.

CHAIRMAN’S STATEMENT

Dear Shareholders,

Firstly, on behalf of the Board and the Company, I would like to express my heartfelt gratitude to all sectors of society for their concern and support for the Company, as well as to our shareholders (the “**Shareholders**”) for their trust and support. 2022 was the year in which the Company successfully entered the Hong Kong capital market and embarked on a new starting point for digital health service innovation in the future. The Company will always focus on providing professional, safe, extensive and convenient services, adhere to a user-centric approach, build a “Treatment, Diagnosis, Pharmaceutical Products and Medical Insurance” service ecosystem, promote digital transformation and upgrading of the industry, accelerate the deep integration of online and offline medical and health services, thereby achieving high-quality development of the Group, while creating long-term value for our users, Shareholders and the society.

We believe that, with the active support and policy guidance of regulatory authorities and governments at all levels, the Internet medical and digital health industry will usher in unprecedented opportunities for development. The 14th Five-Year Plan for Business Development and the 14th Five-Year Plan for Digital Economic Development clearly define that Internet medical service is an important component of the digital economy. The 14th Five-Year Plan for National Health explicitly proposes to promote the application of the Internet in aspects such as chronic disease management and medical services. The Rules for Regulation of Internet Medical Treatment (Trial) and the Measures for the Supervision and Administration of Online Pharmaceuticals Sales promote the regulation of Internet medical services and Internet medicines. The 20th National Congress Report of the Communist Party of China also emphasizes the need to “accelerate the construction of digital economy, promote the deep integration of digital economy and real economy, and build a digital industrial cluster with international competitiveness.” The National Healthcare Security Administration and the National Health Commission jointly issued the “Management Notice on Further Improving the Incorporation of Designated Retail Pharmacies into Outpatient Organization,” which encourages the utilization of eligible designated retail pharmacies and incorporates them into outpatient organization. The release of these policies will strongly guide the vigorous development of “Internet + medical health” and promote the innovative development of a “new type of digital smart pharmacy with deep integration of real economy and digital economy”, with continuous participation in new service coverage. As a provider in digital health on-demand service, the Company deeply understands the responsibilities and missions entrusted by this era. Leveraging continuous policy support, we will continue to increase technological innovation and business innovation, vigorously promote digital technology’s empowerment on physical pharmacies, and focus on building a “new type of multi-functional smart pharmacy with deep integration of digital and physical pharmacies.” We upgrade our corporate strategies and business layout with “digitalization”, rely on advanced digital technology capabilities and leading digital professional operation capabilities, comprehensively implement digital transformation and empowerment of physical pharmacies, and improve integrated operational efficiency.

In 2022, we and the general public together faced, fought and triumphed over the COVID-19 epidemic. During the epidemic period when the supply chain was tense and delivery was difficult, the Company leveraged its local on-demand health service capabilities as well as nationwide supply chain and warehousing advantages to take practical actions to “guarantee supply, price, quality and service”, mobilized the Company’s resources, transportation capacity and supply chain to the maximum extent, and helped users to solve the difficulties and needs of medical consultations, medicine purchases and chronic disease management. The unique advantages of digital smart pharmacy were also utilized in the epidemic to provide supply assurance services for anti-epidemic products such as medicines and antigens in the last mile. At the same time, several companies under the Group were listed as government drug supply assurance units, and Dingdang Medicine Express Technology Group Ltd. was listed as a national key scarce medicine reserve enterprise by the Ministry of Industry and Information Technology and other four ministries and commissions, and was praised and appreciated by the E-commerce Department under the Ministry of Commerce for its outstanding contributions during the epidemic.

We are well aware that the industry we are in is closely related to the life and health of our users, and we assume great responsibility thereon. The Company actively explores the effective path of integrating ESG concepts into the corporate development strategy and business development, achieving a double harvest of economic and social benefits. In 2022, the Company coordinated the establishment of an ESG management system, refined and strengthened various functional responsibilities, improved product safety and information security levels, and continued to contribute values to employees, users, partners and the general public. By actively identifying the short-term, medium-term and long-term actual and potential impacts of relevant risks on the Company's business development and strategic planning, we timely formulated relevant risk management and response plans, with an aimed to continuously improve the Company's ESG management standard. With the continuous development of our business and the continuous improvement of our corporate governance standard, we have strengthened the construction of internal professional committees and compliance management systems, established an integrated online and offline service performance system and a complete traceable quality control system, effectively combining digital medical and health services with innovation, while enabling the sustainable development of the Company's business to achieve long-term and stable development.

Looking ahead to 2023, the return of spring marks the revival of the world. The Company will also seize the opportunities arisen in new high-quality development stage of the economy and actively engage in the industry's reform and opportunities. Through the digital supply chain layout and smart pharmacy network layout of the Company in core cities across China, as well as the supporting on-demand service system, we will continuously meet the growing demands for localized medical and health services, and continuously improve the accessibility and convenience of medical and pharmaceutical services for our users. We will leverage and consolidate our business advantages of the existing layout in 19 cities, improve the existing smart pharmacy network's online integration and service capabilities, increase the proportion of pharmacies included in medical insurance designated pharmacies, steadily carry out "improving quality and efficiency", strengthen the establishment of the FSC Pharmaceutical Enterprise Alliance, and enhance the management standard in terms of, among other things, extending health product categories, expanding service population, and increasing user loyalty. We will further enhance the professional medical and pharmaceutical service capabilities, provide users with value-added services such as medical and pharmaceutical services, and fully integrate and optimize the health service system throughout the entire cycle for our users.

In 2023, the Company will continue to practice its corporate value and philosophy known as "Serving People's Health and Bringing the Ultimate To-Home Health Service (服務百姓健康, 引領極致健康到家服務)", continuously prioritize the needs of its users, deeply build a "Treatment, Diagnosis, Pharmaceutical Products and Medical Insurance" service ecosystem, and promote the digital transformation and upgrading of the industry. Embracing new industry development opportunities, the Company will also launch a new "five-year plan". We will continue to promote technological innovation and business innovation, vigorously strengthen the digital empowerment on physical pharmacies, create new types of multi-functional digital smart pharmacies, and comprehensively promote the high-quality and in-depth integration of digital economy and real economy. We will vigorously enhance the competitive advantages and market share of cities where we deployed, continue to create value for users, Shareholders and the society, better serve users and give back to the general public. Finally, I would like to thank all Shareholders, partners, users, and community who have been supporting and helping the Company in moving forward together.

Yang Wenlong
Chairman & President
March 28, 2023

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Looking back at 2022, digital health on-demand services have played an increasingly important role in epidemic prevention and control, as well as the construction of national health services. Digital health on-demand service providers have become the closest health guardians to people. Relevant policies and regulations issued by governments and regulatory authorities at all levels reflect support for innovative development of digital health services, bringing unprecedented development opportunities for the digital health industry. The 14th Five-Year Plan for Business Development and the 14th Five-Year Plan for Digital Economy Development clearly define that Internet medical service is an important component of the digital economy and encourage its development as a key cultivated new digital industry format. The 14th Five-Year Plan for National Health explicitly proposes to promote the application of the Internet in aspects such as chronic disease management and medical services, and promote the construction of Internet hospitals and Internet + chronic disease management. The Rules for Regulation of Internet Medical Treatment (Trial), the Measures for the Supervision and Administration of Online Pharmaceuticals Sales and Quality Management Practice for Pharmaceutical Products: Quality Management of Pharmaceutical Retail and Distribution, promote the regulation of Internet medical services and Internet medicines, laying a foundation for the standardized and orderly development of medicine network sales and medicine retail and distribution services. The 20th National Congress Report of the Communist Party of China also emphasizes the need to “accelerate the construction of digital economy, promote the deep integration of digital economy and real economy, and build a digital industrial cluster with international competitiveness”, making the health industry one of the four major strategic directions for people’s livelihood and well-being. The National Healthcare Security Administration and the National Health Commission jointly issued the “Management Notice on Further Improving the Incorporation of Designated Retail Pharmacies into Outpatient Organization,” which encourages the utilization of eligible designated retail pharmacies and incorporates them into outpatient organization. Under the support and guidance of this series of policies and regulations, we believe that “Internet + medical health” will thrive, and the innovative application of digital health services is developing rapidly. The “new type of digital smart pharmacy with deep integration of real economy and digital economy” will unleash unprecedented development opportunities and will continue to participate in the field of health service coverage.

As a provider of digital health on-demand services, the Company actively follows policy trends and upholds the corporate value and concept of “Serving People’s Health and Bringing the Ultimate To-Home Health Service (服務百姓健康，引領極致健康到家服務)”. We adhere to a user-centered approach, with compliance operations and quality control as the foundation, and business and technological innovations as the dual driving forces. We fully upgrade our business layout with a “digital strategy” and focus on building “new types of multi-functional smart pharmacies that deeply integrate digital pharmacies and physical pharmacies”, while continuously strengthen our moat and provide users with fast, professional and comprehensive medical and health to-home services. We work with ecosystem partners to promote the upgrading of people’s health services and lead the digital transformation of the health service industry.

During the year ended December 31, 2022 (the “**Reporting Period**”), in the face of challenges and risks, the Company broadened its business landscape and recorded a growth in performance, achieving increases in revenue, users and gross profit margin. For the year ended December 31, 2022, our total revenue increased to RMB4,329.1 million (2021: RMB3,678.7 million), with a year-on-year increase of 17.7%, and the gross profit margin reached 33.5% (2021: 31.6%). Benefiting from the Company’s “digital strategy” business implementation and relying on advanced digital technology innovation capabilities and leading digital professional operation capabilities, we have implemented refined operation strategies and innovative strategies of technology products, comprehensively implemented digital transformation and empowerment of physical pharmacies, continuously optimized user experience, improved the comprehensive operation efficiency of pharmacies, and achieved high-quality development.

- **Drug Express Business**

As a service provider in the digital health on-demand business, we always put users at the center, while continuously expand our range of health products and deeply penetrate the covered areas. Through business innovation and technological innovation, we ensure full-time, full-area, full-scene, and all-weather digital health on-demand services within 28 minutes on a 24/7 basis, allowing users to experience our speed, professionalism and comprehensiveness. In particular, in the most critical moments of epidemic prevention and control, we regarded user health as our mission, adhered to operation and service, and insisted on contactless delivery services. We opened green channels for worry-free chronic disease management and epidemic prevention psychological counseling to make users feel not only our speed but also our care.

During the Reporting Period, we actively expanded our deep strategic cooperation with upstream high-quality brand owners and distributors. We continuously strengthened the depth of cooperation within the FSC Pharmaceutical Enterprise Alliance based on our unique advantages, and achieved comprehensive, multi-dimensional and innovative cooperation that integrates online and offline. We achieved resource linkage and marketing co-creation between brand owners and retailers, and helped promote the digital transformation and upgrading of brand owners and distributors. Leveraging our professional and leading technological innovation capabilities, we cooperated with Futalin (扶他林) on the digital self-testing project with mini program “Know Your Body Condition and Pain Risk Early (自測體態狀況，疼痛風險早知道)” and with Fushuliang (輔舒良) on the digital self-testing project on allegrgy with mini program “1 Minute to Know Your Allergic Rhinitis Risk Level (1分鐘了解過敏鼻炎風險等級)”. Meanwhile, we are becoming a marketing platform for brand owners’ new product launches. New products such as Shansong Caierqi granules (善存鈣爾奇顆粒), Fenbid small tablets (芬必得小粉片) and Fenkbulofen effervescent tablets (芬克布洛芬泡騰片) were all launched first on our platform. Based on our supply chain performance capabilities and leading digital advantages, we have become a key reserve enterprise of the Ministry of Industry and Information Technology for key shortage of medicines. We actively participated in the supply guarantee of shortage of medicines to meet users’ health needs.

We also continuously expanded our business categories. In 2022, we added 153 stores with qualifications for in vitro diagnostic reagents, and became one of the first domestic sales platforms for COVID-19 antigen self-test products. We added 135 stores with qualifications for selling contact lenses, and achieved a new retail model of contact lenses delivery within 28 minutes on a 24/7 basis. We also kept up with national policies, added 70 medical security pharmacies, and successively obtained medical security dual-channel qualifications in Jinan, Shenzhen and other cities. We deeply cooperated with multiple commercial insurance companies, continuously enriched the application scenarios of the “Treatment, Diagnosis, Pharmaceutical Products and Medical Insurance” ecosystem both online and offline, and further improved the accessibility of medicines and the convenience of purchasing medicines for insured users.

In 2022, we actively explored the application of leading digital technologies such as AI, 5G, IoT and cloud computing. We used “E-zoning” technology to scientifically plan pharmacy locations and applied intelligent systems such as “electronic route planning”, “Dingdang sandbox”, “smartphone intelligent picking” and “smartphone dynamic inventory” to comprehensively improve operational efficiency. We used semantic recognition technology to create intelligent user search and relied on AI technology to launch the medical dictionary think tank system and smart medication reminder service, hence comprehensively enhancing

professional intelligent services. We actively developed safe temperature-controlled smart drug boxes, and relied on big data algorithms to build a digital dispatching model, flexibly configuring and combining multiple transportation capacities, and comprehensively reducing operating costs. Innovative digital technology runs through our entire operation process, and the deep integration of digital economy and real economy is continuing. Digital innovation technology is benefiting people's health through us.

➤ **Online Direct Sales**

In terms of online direct sales channel, the Company provides direct services and product sales to users via online platforms. During the Reporting Period, the Company recorded revenue of RMB3,091.0 million (2021: RMB2,583.6 million), representing a year-on-year increase of 19.6%. Through the establishment of online-to-offline performance service model and direct e-commerce service model, the number of registered users in our self-owned platform has reached 37.5 million in aggregate, and users are reached via omni-platform channel. The Company focuses on the provision of instant pharmaceutical, medical and health services. With our smart pharmacy and E-zoning deployment and experienced riders, efficient and safe performance and delivery is conducted via smart allocation system. For direct e-commerce model, we could conduct routine delivery and booked delivery through third-party carriers with coverage of major areas and population nationwide. During the Reporting Period, total order of online direct sales channel reached 61.7 million, representing an average revenue per order of RMB50.1.

➤ **Business Distribution**

The Company's supply chain possesses the capability of concentrated procurement and OEM customization. By obtaining supply chain resources, we could cooperate with distributors to conduct resale to users via e-commerce platforms. During the Reporting Period, our distribution business recorded revenue of RMB436.6 million (2021: RMB408.9 million), representing a year-on-year increase of 6.8%. The Company will utilize its distribution capability and commence cooperation with distributors, thereby putting its end-to-end business capability into play, helping its partners in terms of supply chain empowerment and technology empowerment, and providing services to customers via various channels.

➤ **Offline Retail**

Apart from online direct sales and business distribution, users could also directly purchase goods and service experience from our pharmacy network extensively distributed across major cities in China. During the Reporting Period, our offline retail recorded revenue of RMB674.0 million (2021: RMB568.8 million), representing a year-on-year increase of 18.5%.

➤ **Other Business**

The Company has cooperated with over 5,000 pharmaceutical manufacturers and pharmaceutical distribution companies in aggregate. While establishing alliance and continuously deepening cooperation with pharmaceutical manufacturers and enterprises, the Company also realized in-depth cooperation in terms of advertisement, promotion,

marketing service and research and development for pharmaceutical products. During the Reporting Period, our other business recorded revenue of RMB127.5 million (2021: RMB117.4 million), representing a year-on-year increase of 8.6%.

- **Online Medical Consultation**

During the Reporting Period, we provided over 8 million online health consultations in aggregate. We continuously upgraded our online diagnosis and treatment system, comprehensively connected medical master data information and pharmaceutical master data information, and constructed the unique Dingdang medical dictionary think tank system, which significantly improved the efficiency and accuracy of online diagnosis and treatment. Meanwhile, based on the medical dictionary think tank system, we continuously improved the construction of the medication safety system, upgraded the smart medication reminder service, and adopted intelligent professional notification methods for medication reminders such as drug usage, dosage and contraindications, greatly improving the safety of user medication. We further upgraded the full-life-cycle health management system, helping users solve post-diagnosis medication and health maintenance issues outside hospitals, strengthening the follow-up management of user medication after diagnosis, and effectively improving user medication adherence.

- **Chronic Disease and Health Management**

In the field of chronic disease and health management, we continue to deepen strategic cooperation with well-known pharmaceutical enterprises, leveraging our unique digital advantages to create activities highlighting disease and specialty characteristics, connecting patients, doctors and pharmaceutical enterprises, popularizing health knowledge, improving accurate understanding, and providing precise health management solutions. During the Reporting Period, we actively cooperated with Roche in digital academic dissemination and digital doctor and patient education, promoting the practice and development of precision diagnosis and treatment of tumors, and providing more accurate digital medical solutions for patients. We jointly launched a series of live broadcasts and expert consultations in the fields of digestion and pediatrics with Hanmi Pharmaceutical and renowned 3A physicians, systematically popularizing knowledge of digestive and pediatric diseases and providing accurate health management plans for patients. We also initiated the “Prostate Health Week” campaign with Qianliekang (前列康) under Conba and People’s Health Strategy (人民健康戰略) on Male Health Day and released the China Male Prostate Health White Paper for the first time, popularizing scientific knowledge, improving correct understanding of male prostate diseases in the society, and enhancing men’s attention to their own health.

Public Welfare and Social Responsibility

We always prioritize user health as a core value of our corporate development and actively fulfill our social responsibility. During the period of epidemic prevention and control with supply chain tension and difficulties in delivery, the Company leveraged its local instant health service capabilities and national supply chain and warehousing advantages to “ensure supply, maintain prices, guarantee quality, and provide services” with practical actions. We maximized the Company’s resources, transportation capacity and supply chain to help users solve difficulties and needs in medical consultations, medication purchases and chronic disease management. We also utilized the unique advantages of digital smart pharmacies during the pandemic to open up green channels for worry-free chronic disease management and psychological consultation channels for epidemic prevention, providing supply guarantee services for epidemic products such as medicines and antigens in the last mile, and solving users’ health consultation problems. In 2022, we provided online health consultations and on-demand health performance services, making users and patients deeply feel the value and care of the Company, and also gaining their favor. At the same

time, several companies under the Group were listed as government drug supply assurance units, and were praised and thanked by the E-commerce Department under the Ministry of Commerce for their outstanding contributions during the epidemic.

During the 2022 epidemic, the Company successively donated large amounts of epidemic prevention materials to institutions such as schools and non-profit organizations. We continued to open the “green channels” for COVID-19 protection consultation, providing users with free scientific knowledge on epidemic prevention, guidance on home medical observation and health assessments and other services, helping users to protect themselves against the epidemic scientifically.

In September 2022, in the Tencent 99 Public Welfare Campaign, we actively organized and mobilized the staff and delivery personnel of Dingdang Smart Pharmacy to participate in the “Love You, Love Me AIDS Testing Public Welfare Project” initiated by the Chinese Preventive Medicine Association and the China Population Welfare Foundation as volunteers. The project aimed to strengthen the promotion and education of AIDS prevention and control, and enabled more people to know about AIDS prevention.

Social Honours

During the Reporting Period, we received the following social honours:

- 2022 Most Socially Influential Startups in China as released by Fortune, a world renowned financial magazine;
- Global Unicorn List of Hurun Research Institute;
- “Chinese Pharmaceutical New Retail Leader” as released by 2022 China Medical and Health Industry Symbiosis Conference (MHIS);
- Selected for the second batch of specialization, refinement, differentiation, innovation of “Little Giant” Enterprises Plan in Beijing as published by Beijing Municipal Bureau of Economy and Information Technology;
- “Most Valuable Brand for Investment” by Chinese Venture;
- “Most Valuable Investment Brand” at China Information Innovation Industry Award by iiMedia Research;
- “2022 Top 100 Pharmaceutical Retail Enterprises” and “2022 Top 10 E-commerce Pharmaceutical Retail Enterprises” by CHEO;
- “Award for Innovation on Operation” by Chinese Drug Store

Future Prospects

As a service provider in the digital health on-demand business, the Company will continue to put its corporate value and concept of “Serving People’s Health and Bringing the Ultimate To-Home Health Service” into practice. We will continue to put users at the center and deeply build a service ecosystem of “Treatment, Diagnosis, Pharmaceutical Products and Medical Insurance”, while closely coordinate with our ecological partners to promote the digital transformation and upgrading of the industry.

In the face of new industry development opportunities, we will embark on a new “five-year plan” and fully utilize the advantages of Dingdang brand and digital operational capabilities to create new multi-functional digital smart pharmacies. We will comprehensively promote the high-quality and deep integration development of digital economy and real economy. We will continue to strengthen the construction of the FSC Pharmaceutical Enterprise Alliance, build up strong supply chain capability, deepen upstream and downstream strategic cooperation, and fully assist pharmaceutical enterprises in their digital transformation and upgrading. We will continue to expand new users and new product categories, comprehensively meet users’ differentiated and diversified needs, and provide one-stop health solutions for users. We will continue to promote technological innovation and business innovation, comprehensively improve operational efficiency and user experience, enhance digital level and capabilities, and create user value. We will vigorously enhance the competitive advantages and market share of our city layout, deeply penetrate and continue to provide users with fast, professional and comprehensive medical and health on-demand services.

FINANCIAL REVIEW

Revenue

Revenue increased by 17.7% from RMB3,678.7 million for the year ended December 31, 2021 to RMB4,329.1 million for the year ended December 31, 2022. The increase in our total revenue was primarily due to the increase in the revenue from our pharmaceutical and healthcare business by 18.0% from RMB3,561.3 million for the year ended December 31, 2021 to RMB4,201.6 million for the year ended December 31, 2022. The increase in revenue from the pharmaceutical and healthcare business was primarily attributable to the growing user base, continuous expansion of our smart pharmacy network, growth of the sales orders, and the enrichment of product categories.

Revenue from other business (representing marketing services, market services and other revenues) increased by 8.6% from RMB117.4 million for the year ended December 31, 2021 to RMB127.5 million for the year ended December 31, 2022. The growth of revenue from other business was primarily attributable to the expansion of the scale of our business, enhanced cooperation with our marketing services customers, and the increased influence of our platform, which enabled us to acquire more marketing services customers.

Cost of Revenue

Cost of revenue increased by 14.4% from RMB2,516.4 million for the year ended December 31, 2021 to RMB2,879.4 million for the year ended December 31, 2022, primarily due to the increase in the sales volume of our pharmaceutical and healthcare business, which was generally in line with the growth of our pharmaceutical and healthcare business revenue.

Gross Profit and Gross Profit Margin

As a result of the foregoing, we recorded a gross profit of RMB1,449.7 million for the year ended December 31, 2022, representing a gross profit margin of 33.5%; and a gross profit of RMB1,162.3 million for the year ended December 31, 2021, representing a gross profit margin of 31.6%. The increase in the gross profit margin was mainly due to centralized procurement, optimization of product mix, pilot charging of delivery fees in some cities and product price adjustment strategies that we adopted.

Fulfillment Expenses

The fulfillment expenses increased by 7.7% from RMB412.3 million for the year ended December 31, 2021 to RMB444.2 million for the year ended December 31, 2022. The increase was primarily due to increased demand from our users for our product and service offerings and the expansion of our business. The fulfillment expenses as a percentage of revenue decreased from 11.2% for the year ended December 31, 2021 to 10.3% for the year ended December 31, 2022.

Selling and Marketing Expenses

The selling and marketing expenses increased by 8.8% from RMB834.8 million for the year ended December 31, 2021 to RMB908.2 million for the year ended December 31, 2022. The increase was primarily attributable to the increase in staff costs, which was related to the expansion of the network of our smart pharmacies and the increased number of staff to support smart pharmacy and platform operation; and technical service fees resulting from increased selling and marketing activities. The selling and marketing expenses as a percentage of revenue decreased from 22.7% for the year ended December 31, 2021 to 21.0% for the year ended December 31, 2022.

Research and Development Expenses

The research and development expenses decreased by 7.5% from RMB96.2 million for the year ended December 31, 2021 to RMB89.0 million for the year ended December 31, 2022. Research and development expenses as a percentage of revenue decreased from 2.6% for the year ended December 31, 2021 to 2.1% for the year ended December 31, 2022.

General and Administrative Expenses

General and administrative expenses decreased by 30.5% from RMB481.3 million for the year ended December 31, 2021 to RMB334.5 million for the year ended December 31, 2022. The decrease was primarily due to the decrease in staff costs caused by the decrease in the share-based payment, which decrease by 50.1% from RMB316.1 million for the year ended December 31, 2021 to RMB157.6 million for the year ended December 31, 2022.

The general and administrative expenses as a percentage of revenue decreased from 13.1% for the year ended December 31, 2021 to 7.7% for the year ended December 31, 2022, which was primarily attributable to the aforementioned decrease in share-based payment fees. Excluding the impact of share-based payments, the general and administrative expenses as a percentage of revenue decreased from 4.5% for the year ended December 31, 2021 to 4.1% for the year ended December 31, 2022.

Fair Value Losses on Financial Liabilities at Fair Value Through Profit or Loss (“FVTPL”)

Fair value losses on financial liabilities at FVTPL increased by 174.6% from RMB912.2 million for the year ended December 31, 2021 to RMB2,504.5 million for the year ended December 31, 2022. Such increase was primarily attributable to the increase in the fair value losses on the Company’s shares with preferred rights (which were preference shares issued to pre-IPO investors) as financial liabilities at FVTPL. The Company accounts for the shares with preferred rights as financial liabilities at FVTPL. The shares with preferred rights have been automatically converted into ordinary shares upon the completion of the listing (the “**Listing**”), and no further loss or gain on fair value changes is expected to be recognized afterwards.

Other Gains and Losses, Net

Other net gains and losses decreased by 1.8% from RMB28.0 million for the year ended December 31, 2021 to RMB27.5 million for the year ended December 31, 2022.

Other Income

Other income increased by 81.8% from RMB15.9 million for the year ended December 31, 2021 to RMB28.9 million for the year ended December 31, 2022. Such increase was primarily attributable to the increase in interest income.

Finance Costs

Finance costs decreased by 55.6% from RMB17.8 million for the year ended December 31, 2021 to RMB7.9 million for the year ended December 31, 2022. Such decrease was primarily attributable to the decrease in interest on other borrowings.

Listing Expenses

Listing expenses increased by 45.0% from RMB33.3 million for the year ended December 31, 2021 to RMB48.3 million for the year ended December 31, 2022.

Income Tax Expenses

Income tax expenses decreased by 40.9% from RMB17.1 million for the year ended December 31, 2021 to RMB10.1 million for the year ended December 31, 2022, which was primarily due to the decrease in our taxable income.

Loss for the Year

As a result of the above, our net loss increased by 77.8% from RMB1,599.0 million for the year ended December 31, 2021 to RMB2,842.3 million for the year ended December 31, 2022.

Non-IFRS Measures: Adjusted Net Loss and Adjusted Net Loss Margin

To supplement the condensed consolidated financial statements which are presented in accordance with IFRS, the Company also use adjusted net loss (non-IFRS measure) and adjusted net loss margin (non-IFRS measure) as additional financial indicators, which are not required by, or presented in accordance with IFRS. The Company believes that the adjusted net loss (non-IFRS measure) and the adjusted net loss margin (non-IFRS measure) facilitate comparisons of operating performance from period to period and company to company.

The Company believes that the adjusted net loss (non-IFRS measure) and the adjusted net loss margin (non-IFRS measure) provide useful information to investors and others in understanding and evaluating the consolidated results of operations in the same manner as it helped the management of the Company. However, the presentation of the adjusted net loss (non-IFRS measure) and adjusted net loss margin (non-IFRS measure) may not be comparable to similarly titled measures presented by other companies. The use of the adjusted net loss (non-IFRS measure) and the adjusted net loss margin (non-IFRS measure) has limitations as analytical tools, and Shareholders and potential investors should not consider them in isolation from, or as substitutes for analysis of, the results of operations or financial conditions of the Company as reported under IFRS.

The Company defines adjusted net loss (non-IFRS measure) as net loss for the year adjusted by adding back fair value losses on financial liabilities at FVTPL related to the shares with preferred rights issued to pre-IPO investors, share-based payments and listing expenses. The Company accounts for the shares with preferred rights as financial liabilities at FVTPL. The shares with preferred rights have been automatically converted into ordinary shares upon the completion of the Company's Listing, and no further loss or gain on fair value changes has been recognized afterwards. Accordingly, the Company expects its net liabilities position to turn into net assets position, and the reconciling item is non-cash and does not result in cash outflow. In addition, the Company accounts for the compensation cost from share-based payment transactions with employees, and the reconciling item is non-cash and does not result in cash outflow. Further, the Company excludes listing expenses, which arise from activities relating to the Listing. The Company defines adjusted net loss margin (non-IFRS measure) as adjusted net loss (non-IFRS measure) divided by revenue for the year and multiplied by 100%.

The following table reconciles our adjusted net loss (non-IFRS measure) for the years indicated:

	For the year ended	
	December 31,	
	2022	2021
	<i>(RMB'000,</i>	
	<i>except for percentages)</i>	
Reconciliation of net loss to adjusted net loss:		
Net loss for the year	(2,842,275)	(1,598,974)
Add		
Fair value losses on financial liabilities at FVTPL	2,504,548	912,201
Share-based payments	160,725	323,911
Listing expenses	48,304	33,337
	<u>(128,698)</u>	<u>(329,525)</u>
Adjusted net loss for the year (non-IFRS measure)	(128,698)	(329,525)
	<u>(3.0%)</u>	<u>(9.0%)</u>
Adjusted net loss margin (non-IFRS measure)	(3.0%)	(9.0%)

LIQUIDITY AND CAPITAL RESOURCES

The Group financed its operations through internally generated cash flows and proceeds from the Global Offering and issuance of shares with preferred rights. As at December 31, 2022, we had cash and cash equivalents of RMB1,210.9 million (2021: RMB1,553.0 million). The following table sets forth our cash flows for the years indicated:

	For the year ended December 31,	
	2022	2021
	RMB'000	RMB'000
Operating cash flows before movements in working capital	(64,780)	(219,125)
Changes in working capital	(151,825)	(50,245)
Income taxes paid	(21,266)	(26,120)
	<u>(237,871)</u>	<u>(295,490)</u>
Net cash used in operating activities	(237,871)	(295,490)
Net cash (used in)/from investing activities	(353,416)	306,635
Net cash from financing activities	232,896	1,271,553
	<u>(358,391)</u>	<u>1,282,698</u>
Net (decrease)/increase in cash and cash equivalents	(358,391)	1,282,698
Cash and cash equivalents at the beginning of the year	1,552,994	260,574
Effect of foreign exchange rate changes on cash and cash equivalents	16,346	9,722
	<u>16,346</u>	<u>9,722</u>
Cash and cash equivalents at the end of the year, represented by	<u><u>1,210,949</u></u>	<u><u>1,552,994</u></u>

Net Cash Used in Operating Activities

For the year ended December 31, 2022, net cash used in operating activities was RMB237.9 million compared to net cash used in operating activities of RMB295.5 million in the same period last year, which was primarily attributable to the loss before income tax of RMB2,832.1 million, as adjusted by (i) non-cash and non-operating items, which primarily consisted of loss on fair value changes of financial liabilities at FVTPL of RMB2,504.5 million, share-based payments expenses of RMB160.7 million and depreciation of right-of-use assets of RMB77.9 million; and (ii) changes in working capital, which primarily resulted from an increase in trade and other payables of RMB195.3 million and an increase in contract liabilities of RMB25.3 million, partially offset by an increase in inventories of RMB174.1 million, an increase in restricted bank deposits of RMB31.3 million and increase in trade and other receivables and prepayments of RMB173.2 million.

Net Cash Used in Investing Activities

For the year ended December 31, 2022, net cash used in investing activities was RMB353.4 million, which was primarily attributable to purchase of financial assets at FVTPL of RMB6,427.6 million and partially offset by redemption of financial assets at FVTPL of RMB6,302.0 million.

Net Cash From Financing Activities

For the year ended December 31, 2022, net cash from financing activities was RMB232.9 million, which was primarily attributable to net proceeds from issuance of ordinary shares of the Company relating to the Global Offering of RMB325.8 million and partially offset by repayments of lease liabilities of RMB73.9 million and dividends paid to non-controlling Shareholders of RMB10.1 million.

Borrowings and Gearing

As of December 31, 2022, we did not have any bank borrowings and therefore we did not present gearing ratio.

Financial Liabilities at FVTPL

The Company accounts for the shares with preferred rights as financial liabilities at FVTPL. Upon the completion of the Company's Listing, all the preference shares have been converted into ordinary shares on the conversion ratio of 1:1. The Company did not have financial liabilities at FVTPL as at December 31, 2022 (2021: RMB4,651.0 million).

Capital Expenditures

Our capital expenditures primarily consisted of purchases of property and equipment, payments for right-of-use assets and purchases of intangible assets. Our capital expenditures were RMB30.0 million for the year ended December 31, 2022 and RMB29.3 million for the year ended December 31, 2021.

We plan to fund our future capital expenditures by our internal resources including our cash and cash equivalents and the net proceeds received from the Global Offering.

Capital Commitments

As of December 31, 2022, we had no material capital commitment.

Pledges of Assets

As of December 31, 2022, we did not have any material pledge of asset.

Significant Investments Held

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.

Future Plans for Material Investments and Capital Assets

As of December 31, 2022, save for the "Future Plans and Use of Proceeds" disclosed in the Prospectus, the Group did not have other plans for material investments and capital assets.

Material Acquisitions and/or Disposals of Subsidiaries and Affiliated Companies

Save for the Group's reorganization as described in the section headed "History, Reorganization and Corporate Structure" in the Prospectus, the Group did not have any material acquisitions and/or disposals of subsidiaries and affiliated companies during the year ended December 31, 2022.

Foreign Exchange Risk

The functional currency of the Group's entities is RMB. Foreign exchange risk arises when future commercial transactions or recognized financial assets and liabilities are denominated in currencies that are not the respective functional currency of the Group's entities.

As of December 31, 2022, the Group had the following financial assets and financial liabilities, which included cash and cash equivalents, time deposits, rental deposits, lease liabilities and other payables, denominated in currencies other than RMB.

	As of December 31,	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Assets:		
– HKD	181,855	2,814
– USD	153,125	698,053
Liabilities:		
– HKD	3,136	3,770
– USD	23,593	4,655,552

CONTINGENT LIABILITIES

As of December 31, 2022, we did not have any material contingent liabilities.

EMPLOYEES

As of December 31, 2022, we had 2,565 full-time employees, most of whom were based in China, mostly in Beijing, with the rest based in major cities across China such as Shenzhen, Zhangshu, Shanghai and Guangzhou.

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

Employee function	Number of employees
Sales, Marketing and Business Development	1,768
Technology, Research and Development	247
Management	340
Administration	210
Total	2,565

We believe that we maintain a good working relationship with our employees and we have not experienced any significant labor disputes or any difficulty in recruiting staff for our operations.

We entered into employment contracts and agreements regarding confidentiality, intellectual property rights and non-competition with our senior management, managers and core employees. The remuneration package for our employees generally includes salary and bonuses. We determine employees' remuneration based on factors such as qualifications and years of experience. Employees also receive welfare benefits, including medical care, retirement benefits, occupational injury insurance and other miscellaneous items. We make contributions to mandatory social security funds for our employees to provide for pension, medical, work-related injury, maternity and unemployment benefits.

We endeavor to hire the best talented employees in the market by offering competitive wages and benefits, systematic training opportunities and internal promotion path. We also conduct introductory training for new staff and have periodic training for our full-time employees.

In order to provide incentives and rewards to members of the Board, employees and consultants of the Group, the Company adopted the Pre-IPO Share Option Scheme, the Restricted Share Scheme and the Restricted Share Unit Scheme on May 1, 2020, which shall continue in effect for a term of ten (10) years since the adoption. The total number of shares subject to the Share Incentive Schemes shall not be more than 87,993,330 ordinary shares of the Company, representing approximately 6.56% of the total issued share capital of the Company as at December 31, 2022. For details, please refer to "Statutory and General Information – D. ESOP Plans – Share Incentive Schemes" in Appendix IV to the Prospectus.

USE OF NET PROCEEDS FROM THE GLOBAL OFFERING

On September 14, 2022, the shares were successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**"). The Company issued a total of 33,537,000 ordinary shares with a nominal value of USD0.0001 in the Global Offering at the offer price of HKD12.00. The net proceeds raised from the Company's Global Offering after deduction of the underwriting commissions and other estimated expenses paid and payable by the Company in connection with the Global Offering were approximately HK\$341.6 million.

As of the date of this announcement, there was no change in the intended use of net proceeds and the expected timeline as previously disclosed in the section headed “Future Plans and Use of Proceeds” in the Prospectus. The following table sets forth a summary of the utilization of the net proceeds from the Global Offering as of December 31, 2022:

Purpose	Percentage of total net proceeds	Net proceeds incurred from the Global Offering <i>HK\$ million</i>	Actual use of proceeds up to December 31, 2022 <i>HK\$ million</i>	Unutilized amount as of December 31, 2022 <i>HK\$ million</i>	Expected timeline for full utilization of the remaining net proceeds
Business expansion, such as the further development of smart pharmacy network, and enhancement of user growth and engagement	45.0%	153.7	48.7	105.0	December 31, 2024
Optimizing of our technology systems and operating platforms	15.0%	51.2	9.3	41.9	December 31, 2024
Upgrading our services and business, such as building professional structure of full-time doctors and pharmacists	10.0%	34.2	17.0	17.2	December 31, 2024
Potential investments and acquisitions or strategic alliances along with the value chain of the healthcare industry in which we operate	20.0%	68.3	–	68.3	December 31, 2024
Working capital and other general corporate purpose	10.0%	34.2	34.2	–	December 31, 2024
Total	<u>100.0%</u>	<u>341.6</u>	<u>109.2</u>	<u>232.4</u>	

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company was incorporated in the Cayman Islands on August 20, 2014 with limited liability, and the shares of the Company were listed on the Main Board of the Hong Kong Stock Exchange on September 14, 2022 (the “**Listing Date**”).

The Company is committed to achieving high standards of corporate governance to safeguard the interests of Shareholders of the Company, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability. The Company has adopted the code provisions (the “**Code Provisions**”) as set out in the Corporate Governance Code (the “**CG Code**”) contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”). The corporate governance principles of the Company emphasise a quality Board, sound internal controls, and transparency and accountability to all Shareholders. Throughout the period from the Listing Date up to the date of this announcement, the Company has complied with the Code Provisions as set out in the CG Code except for the following deviation.

Pursuant to Code Provision C.2.1 which the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. However, our Company does not have a separate chairman and president, and the responsibilities of both chairman and president vest in Mr. Yang Wenlong. Our Board believes that vesting the responsibilities of both chairman and president in the same person has the benefit of ensuring the consistent leadership within our Group and enables more effective and efficient overall strategic planning. Besides, with three independent non-executive Directors out of a total of nine Directors in our Board, there will be sufficient independent opinions within our Board to protect the interests of our Company and our Shareholders as a whole. Therefore, our Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable our Company to make and implement decisions promptly and effectively. Our Board will continue to review and consider splitting the roles of chairman and president at a time when it is appropriate and suitable by taking into account the circumstances of our Group as a whole.

The Company will continue to regularly review and monitor its corporate governance practices to ensure compliance with the CG Code, and maintain a high standard of corporate governance practices of the Company.

Further information of the corporate governance practices of the Company will be set out in the corporate governance report in the annual report of the Company for the year ended December 31, 2022, which shall be sent to the Shareholders in due course.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as its code of conduct regarding the Directors’ dealings in the securities of the Company since the Listing Date.

Having made specific enquiry to all Directors, each of the Directors confirmed that he/she has complied with the required standards set out in the Model Code since the Listing Date up to December 31, 2022.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

Since the Listing Date up to December 31, 2022, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s or its subsidiaries’ listed securities.

DIVIDENDS

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

SUBSEQUENT EVENTS

There were no substantial events subsequent to the Reporting Period and up to the date of this announcement, which would have a material impact on the Group’s business operations.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, 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 preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the audited consolidated financial statements of the Group for the year as approved by the Board of Directors on March 28, 2023. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

AUDIT COMMITTEE

The Company has established the audit committee (the "**Audit Committee**"), which comprises three independent non-executive Directors, namely Mr. Jiang Shan (chairman), Mr. Zhang Shouchuan and Mr. Fan Zhenhong. Mr. Jiang Shan is the chairman of the Audit Committee. The primary functions of the Audit Committee are to review and supervise the financial reporting process, internal control and risk management system of the Group, oversee the audit process, provide advice and comments to the Board, perform other duties and responsibilities as may be assigned by the Board, and review and oversee the risk management of the Company.

The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended December 31, 2022 and discussed matters with respect to the accounting policies and practices adopted by the Company and internal control with senior management members and the Group's auditor, Messrs, Deloitte Touche Tohmatsu.

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the website of the Hong Kong Stock Exchange at www.hkexnews.hk and the website of the Company at www.ddjkt.com.

The annual report of the Group for the year ended December 31, 2022 will be published on the aforesaid websites of the Hong Kong Stock Exchange and the Company and will be dispatched to the Shareholders in due course.

By order of the Board
DINGDANG HEALTH TECHNOLOGY GROUP LTD.
YANG WENLONG
Chairman

Hong Kong, March 28, 2023

As of the date of this announcement, the executive Directors are Mr. YANG Wenlong, Mr. XU Ning, Mr. YU Lei and Mr. YU Qinglong, the non-executive Directors are Ms. CAI Li and Ms. LIAN Suping, and the independent non-executive Directors are Mr. ZHANG Shouchuan, Mr. FAN Zhenhong and Mr. JIANG Shan.