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Sinohealth Holdings Limited

中康控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2361)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

FINANCIAL HIGHLIGHTS

The Group's revenue increased by approximately 10.0% from approximately RMB324.2 million for the year ended 31 December 2021 to approximately RMB356.7 million for the year ended 31 December 2022.

The Group's profit was approximately RMB54.2 million for the year ended 31 December 2022, while the profit for the year ended 31 December 2021 was approximately RMB72.0 million.

The Group's adjusted profit (non-HKFRS measure)⁽¹⁾ was RMB66.3 million for the year ended 31 December 2022, while for the year ended 31 December 2021 was approximately RMB92.6 million.

The Company's proposed final dividend for the year ended 31 December 2022 is HK3.98 cents per ordinary Share (2021: Nil).

Note: Listing expenses were not included in non-HKFRS measure.

REVENUE BY APPLICATION SCENARIOS

Business segments	Year ended 31 December		Year-on-year change
	2022	2021	
	RMB'000	RMB'000	
Smart Decision Cloud	182,696	202,742	-9.9%
Smart Retail Cloud	126,542	95,581	32.4%
Smart Health Management Cloud	10,457	371	2,718.6%
Smart Medical Cloud	36,973	25,472	45.2%
Total	<u>356,668</u>	<u>324,166</u>	<u>10.0%</u>

REVENUE BY PRODUCT CATEGORIES

Business segments	Year ended 31 December		Year-on-year change
	2022	2021	
	RMB'000	RMB'000	
Data Insight Solutions	225,262	161,367	39.6%
Data-driven Publications and Events	90,932	134,613	-32.4%
SaaS Products	40,474	28,186	43.6%
Total	<u>356,668</u>	<u>324,166</u>	<u>10.0%</u>

OPERATIONAL HIGHLIGHTS

The following table sets forth the major operating data of the Group:

Partnering Pharmacies and Participant Networks

	Year ended 31 December		Year-on-year change
	2022	2021	
Number of Partnering Pharmacies	1,225	1,072	14.3%
Number of Stores Covered by Partnering Pharmacies	72,535	52,882	37.2%
Number of Pharmacy Staff Using SIC Mobile App ('000)	191	173	10.4%
Number of Pharmacy Consumers Managed by Pharmacies through SIC ('000)	<u>273,533</u>	<u>201,840</u>	<u>35.5%</u>

The board (“**Board**”) of directors (the “**Directors**”) of Sinohealth Holdings Limited (the “**Company**”) is pleased to announce the audited consolidated results (the “**Annual Results**”) of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2022 (the “**Reporting Period**”). The Annual Results have been reviewed by the audit committee of the Board (the “**Audit Committee**”).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In 2022, due to the impact of COVID-19, static management was implemented in a number of regions in China, hence, various business segments of the Group faced greater challenges. In the face of market changes, the Group has always adhered to its strategic goals and achieved remarkable results in technological progress, product iteration and optimisation and market development. In order to meet the increasing needs of digitalisation in the healthcare industry, the Group has continued to enrich the types of products and services, optimise and explore innovative SaaS products based on market demand, as well as provide customers with professional services relating to marketing, retailing, category decision, supply chain management, physical inspection servicing and whole course medical management which are data-driven. As at the end of the Reporting Period, the Group's business covered major industrial enterprises such as pharmaceutical and medical device manufacturers, pharmaceutical and medical device retailers, physical examination institutions, medical institutions, and innovative pharmaceutical and medical device manufacturers, serving more than 2,000 customers in total. During the Reporting Period, the Group's revenue reached approximately RMB356.7 million, representing a year-on-year increase of approximately 10.0%, with its gross profit amounting to approximately RMB159.1 million, representing a year-on-year decrease of approximately 17.4%. The decline in gross profit was mainly due to the travel restrictions across the cities as imposed by the PRC government, thereby reducing the customer traffic, and the difficulty in market development under the impact of the COVID-19 pandemic and the Group's increased investment in market development and research and development. In order to effectively respond to market competition, the Group has further strengthened its refined and standardised management, improved operational management efficiency and market development efficiency and enhanced its risk prevention and control capabilities and profitability. Such efforts have proved efficient in the second half of the financial year, resulting in a gross profit of approximately RMB102.5 million from July to December, representing a sequential increase of approximately 80.9% as compared to the first half of the year. The Group has also paid close attention to market conditions and adjusted its business strategies, as well as carried out a series of optimisation reforms on business and management to ensure the operating advantages of the Group and continuously maintaining its strong competitiveness.

We have actively promoted big data development in the healthcare industry for 16 years, and have established a mature business model and a solid market foundation. Our "SaaS+professional services" business model driven by big data has been recognised by the industry. In the areas such as digital transformation, market development, R&D of drugs, customer management, decision-making and operation, we have helped customers to achieve efficient empowerment and establish capabilities of efficient decision-making and precise accessing, thus facilitating customers to improve their efficiency and achieve performance growth. Focusing on the health management in the whole life-cycle of patients, we have built an ecological platform in the healthcare industry, and held professional activities relating to industry foresight, resources matching, commodity circulation, R&D and innovation for healthcare industry participants, with a view to promoting high-quality development of the industry. After China adjusted its COVID-19 control measures in December 2022, the Group has continued to maintain its strong competitiveness leveraging on its data insight capabilities, product quality and service ability, and is able to effectively meet the medical product supplier customers' urgent needs for efficiency enhancement and cost reduction in the future. Leveraging on its resilience forged during the COVID-19 pandemic and boosted by a group of high calibre young managers that we have cultivated, the Group is confident to achieve stable growth in its performance in 2023.

DUAL DEVELOPMENT TREND OCCURS IN THE HEALTHCARE INDUSTRY

With the increasing importance and growing concern to the health of the people, the needs of patients have been growing in three directions. First is the elevation of accessibility, including the improvement of affordability and the availability of medical products and resources. As a result, the supply side needs to provide better solutions and products for medical treatment. Second is better treatment effect, including shortening the course of treatment and improving efficacy. Third is the need for treatment in a friendly manner, including the convenience and kindness of medical treatment and the reduction of pain. The growing needs of patients have created new market value and led to an industry trend that focuses on health management over the whole life-cycle. The scope of main medical treatment of patients has been expanded from standard market to “standard market + non-standard market”, which entails multi-level products and services for healthcare. Under this trend, industry participants must focus on the growing needs of patients, providing patients with a series of products and services for life-cycle health management. Besides, higher standards and requirements are also imposed on the market participants on areas such as marketing, patient management, supply chain management, industry insights and digital transformation.



INDUSTRY TRENDS DRIVING MARKET RESTRUCTURING



Non-standard market attaches greater importance on the needs of preventative self-care, illness rehabilitation management and personalised medical treatment. It focuses on high-end medical treatment, post-operative rehabilitation, chronic disease management and inspection and testing. The related fees are mainly paid by ways of commercial insurance and personal payment. The products in non-standard market include various subcategories of medicines and services that meet diversified health needs, which are conducive to the improvement of the daily healthy lifestyles of residents and also represent the main development direction of the healthcare industry in the future. The non-standard market will create more market opportunities for the Group in areas such as digital transformation and upgrading, precision marketing, innovative drug services, enhancement of smart health management, supply chain management and professional research.

The standard market is targeted for diagnosis and treatment. Focusing on outpatient and inpatient services, the market supplies non-patent pharmaceutical and medical devices with stable quality and lower prices, ensuring the public can enjoy affordable basic treatment with wide coverage. As for the Group, the opportunities in standard market lie in the Internet clinics, Internet hospital construction, online medical services and academic exchange platforms brought about by the enhancement of hospital digital management and the distribution of medical resources.

We hope that by expanding the dual market, we will eventually establish a closed loop system for data circulation between the standard market and the non-standard market, and provide standardised, structured and systematic data support for the healthcare industry as a whole. The data can be used in key aspects such as physical examination, prevention, diagnosis and treatment, medication, chronic disease management and insurance, so as to build a comprehensive life-cycle health management system for patients and effectively improve the level of health management.

THE ERA OF DIGITAL ECONOMY USHERING IN NEW DEVELOPMENT MOMENTUM

With the rapid development of the newly emerged information technology represented by big data, cloud computing and artificial intelligence, the digital economy is undergoing a transformation from quantitative expansion to qualitative improvement, and has affected every aspect of production activities and people's life with unprecedented depth and breadth. According to statistics, since 2012, the average annual growth rate of the digital economy in the country has reached 15.9%, which is significantly higher than the average GDP growth rate of the same period. In 2021, the scale of the digital economy in the country reached RMB45.5 trillion, representing a nominal increase of 16.2% year-on-year, with 16 provinces each exceeding RMB1 trillion in the scale of the digital economy. According to the goal of China's digital economy in the "14th Five-Year Plan", by 2025, the added value of the core industries of the digital economy will account for 10% of GDP, then the level of intelligence will be significantly enhanced and the integration of digital technology and the real economy will achieve remarkable results. The digital economy brings opportunities for the rapid development of data elements transactions and industrial digitalisation, and the Group will continue to enhance its economies of scale of data. By applying its advanced data processing capabilities, artificial intelligence, analysis models and algorithms, the Group will actively participate in the construction of the digital economy, and collaborate with data transaction institutions to set up a data trading mechanism in the healthcare industry to provide digital services for healthcare industry participants, with a view to growing with healthcare industry participants in the era of digital economy.

DRIVEN BY DATA ELEMENTS, COVERING STANDARD AND NON-STANDARD MARKETS

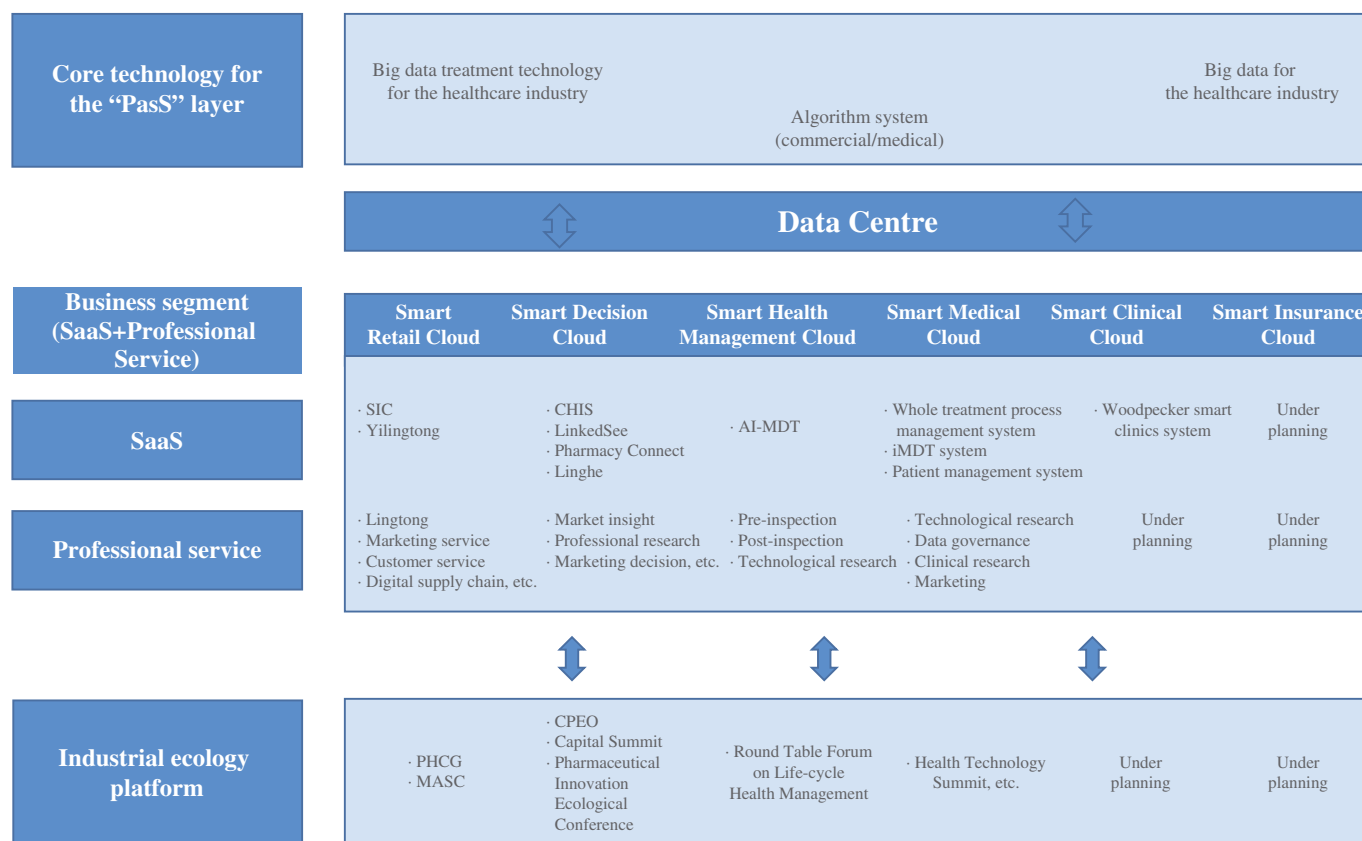
In order to better grasp the historical opportunities brought by the dual development of the healthcare industry and the digital economy, the Group has followed the industry logic of full life-cycle health management and expanded its target market from out-of-hospital market to standard and non-standard markets, so as to establish the strategic positioning of vertical cloud platform for healthcare industry. In order to better align with the development trend of the healthcare industry, promote the implementation of strategies and reflect the Group's operating philosophy and positioning in a more comprehensive manner, the Group's existing products under the three business segments, namely Data Insight Solutions, Data-driven Publications and Events and SaaS products, are reorganised according to the application scenarios, such that they are specifically classified into four business segments, namely Smart Retail Cloud, Smart Decision Cloud, Smart Health Management Cloud and Smart Medical Cloud, thus creating a data-driven product portfolio in the vertical sector that matches the whole life-cycle health management. As a result, (i) data insight solutions and data insight reports which provide decision support for customers

are integrated into Smart Decision Cloud, and data-driven marketing solutions which carry out marketing activities for customers are mainly integrated into Smart Retail Cloud; and (ii) Data-driven Publications and Events and SaaS products are integrated into the four business segments, namely Smart Retail cloud, Smart Decision Cloud, Smart Health Management Cloud and Smart Medical Cloud according to the application scenarios. In the future, the Group will also develop two new business segments, namely Smart Clinic Cloud and Smart Insurance Cloud, with a view to finally realising the strategic layout covering the whole life-cycle health management. We always adhere to the patient-oriented approach, and implement a multi-level and multi-segment vertical cloud layout covering the whole business chain with a focus on the industry trend. We will provide SaaS products and professional operation services for various healthcare industry participants, and build an ecological platform that connects the participants in the healthcare industry, aiming to establish a closed-loop system of health management of the whole life-cycle integrating prevention, treatment, maintenance, body and mind, and build a world-leading digital technology enterprise in the field of life sciences.

BUSINESS MODEL OF THE GROUP

The following chart illustrates our vertical cloud business model for the healthcare industry, which represents the interconnection between our core technology on the “PasS” layer, business segments (SaaS+professional services) and our industrial ecological platform:

Vertical Cloud for the healthcare industry



The following table sets out the performance of our four business segments, Smart Retail Cloud, Smart Decision Cloud, Smart Health Management Cloud and Smart Medical Cloud, by application scenarios:

Business segments	Year ended 31 December		Year-on-year change
	2022	2021	
	<i>RMB'000</i>	<i>RMB'000</i>	
Smart Decision Cloud	182,696	202,742	-9.9%
Smart Retail Cloud	126,542	95,581	32.4%
Smart Health Management Cloud	10,457	371	2,718.6%
Smart Medical Cloud	36,973	25,472	45.2%
Total	356,668	324,166	10.0%

Smart Retail Cloud stays ahead

Smart Retail Cloud focuses on the scenarios of pharmacies, and SaaS products mainly include SIC and the newly launched Yilingtong. SIC is the core component of Smart Retail Cloud. SIC can provide pharmacies with comprehensive services such as operation management, membership management, category management, smart marketing, chronic disease management and pharmaceutical services. It is also an important source for the Group to collect pharmaceutical retail data. As at 31 December 2022, SIC covered more than 58,000 retail stores, representing a year-on-year increase of approximately 33.5%, maintaining a rapid growth rate and the leading position in the market. Through SIC, we can effectively help chain pharmacies to strengthen their operational capabilities, including the control on operational data, improving the service for members, professional training for shop assistants, in-depth product analysis and supply chain management, thus helping chain pharmacies improve efficiency, reduce costs, generate income source and comprehensively enhance profitability and comprehensiveness. As such, the cooperative relationship between the Group and the pharmacies can also be enhanced. At the same time, based on the in-depth cooperation between the Group and chain pharmacies, we provide pharmaceutical and medical device manufacturers with professional services such as data-driven marketing solutions based on pharmacies, specific training on medicine and advertising to help them efficiently connect with pharmacies and improve sales performance of products. In 2022, we developed Lingtong which can provide customers with integrated contents, including customised data-driven marketing solutions, implementation efficiency enhancement, tracking marketing effects in real time and receiving feed-back on decision-making. Lingtong can effectively extend the business chain of Smart Retail Cloud and enhance its revenue and profitability. In terms of industrial ecology, PHCH, MASC and other industrial activities are committed to facilitating commodity transactions in the healthcare industry and promoting high-quality development of the industry through full-scenario data analysis, interpretation of policy trends, interpretation of new trends in health consumption and product presentation.

In 2022, Smart Retail Cloud achieved an operating revenue of approximately RMB126.5 million, representing a year-on-year increase of approximately 32.4% as compared to 2021, mainly attributable to the steady growth of the average recognised amount per contract in 2022, which increased by approximately 112.6% from approximately RMB79,000 for the year ended 31 December 2021 to approximately RMB168,000 for the year ended 31 December 2022. Besides, although the COVID-19 pandemic has affected the normal operation and the execution of many projects of the Group and other customers, the Group's Smart Retail Cloud can effectively meet the needs of customers for increasing efficiency and reducing costs, thus the total number of orders from customers for the Group's professional services have increased. On the other hand, due to the impact of the COVID-19, the number of customers in PHCF decreased and MASC was cancelled, thus the total operating revenue from the above businesses was affected to a certain extent. With the alleviation of the impact of the COVID-19 pandemic and industrial events returning to normal, the aforesaid businesses are expected to usher in a period of rapid recovery.

Continuous optimisation of Smart Decision Cloud

The products of Smart Decision Cloud are mainly for medical product suppliers, and such product line is a relatively mature business segment of the Group. The SaaS products of Smart Decision Cloud include CHIS, LinkedSee, Pharmacy Connect and Think Cloud: CHIS provides customers with functions such as industry information enquiry, retail data enquiry and drug database; LinkedSee provides customers with functions such as industry insight analysis, category analysis, brand analysis and data report collection; Pharmacy Connect provides customers with functions such as identification of potential in cities/markets, selection of business partners, hierarchical management of selection of pharmacies; and Think Cloud can help pharmaceutical companies combine their internal data with external data such as the Group's master data and market data, and provide a basis for their decision making on scenarios such as channel management and sales forecast, thus enhancing their efficiency on exploring potential pharmacy products, price control on brand market and the monitoring on gross profit margin of the whole business chain. In terms of professional services, we provide customers with a variety of insight products and customised services, including insight research on pharmaceutical retail market, consumer insight research, product research reports, services relating to business growth, market development and marketing services and professional training. Such products and services are integrated into a comprehensive solution to help customers enhance decision-making efficiency and achieve their business goals. In terms of industrial ecology, events such as CPEO, the Pharmaceutical Innovation Ecological Conference, the Healthcare Industry Capital Summit and the Healthcare Industry Think Tank have complemented with each other organically, providing customers with an industrial ecology platform comprising various functions including industry foresight, capital cooperation, pharmaceutical innovation and market connection. The ecological platform further improves the efficiency of inter-industry connection, promotes the optimal allocation of resources and also provides strong support for the business expansion of the Group.

In 2022, the operating revenue of Smart Decision Cloud amounted to approximately RMB182.7 million, representing a year-on-year decrease of approximately 9.9% as compared to 2021. Such decrease was mainly attributable to the travel restrictions across the cities under the static management in a number of regions due to the COVID-19 pandemic, which has suppressed the demand for offline communication. As a result, the number of participants in CPEO has decreased as compared to last year and the offline marketing activities of SaaS products and professional services were significantly restricted. Nevertheless, the number of corporate customers in this segment still managed to increase by approximately 26.0% as compared to the year ended 31 December 2021 to 576 for the year ended 31 December 2022, mainly attributable to the fact that SaaS products have been recognised by the market and have entered a stage of rapid development. For example, in 2022, a total of 123 customers purchased the Group's CHIS products, representing a year-on-year increase of approximately 53.8% as compared to 80 customers who used the products to make their decisions in 2021. After it was officially launched in October 2022, Linkhe has been highly recognised by customers and the number of new customers signed up has been continuously increasing, showing a trend of rapid growth. Besides, we have continuously enriching our insight research content, and have carried out detailed research on the three major scenarios of "people", "products" and "venue", thus satisfying various insight needs of customers in an effective way. Moreover, our customer base has been extended to customers who are not pharmaceutical and medical device manufacturers, including research institutions, securities dealers and service providers. Capitalising on our data insight capabilities, product quality and service ability, our insight research business still managed to maintain a growth trend, in spite of the pressure on the overall market under the impact of the COVID-19 pandemic. In 2022, a total of 277 customers purchased the Group's insight research services, representing a year-on-year increase of approximately 18.4% as compared to 234 customers in 2021. It is worth noting that with the efforts of all staff, CPEO was successfully held, which fully demonstrated the Group's execution ability and the industry's recognition of CPEO. With the continuous improvement of our product portfolio, enhancement of our service ability, optimisation of the industrial layout, external business environment returning to normal and the growing demand for industrial digitalisation, the Smart Decision Cloud business is expected to regain its growth momentum rapidly.

Accelerated market expansion of Smart Health Management Cloud

The Group has cooperated with physical examination institutions and hospitals to build an AI-MDT (artificial intelligence multi-disciplinary treatment) system to provide physical examination users with physical examination reports on AI-MDT. Different from traditional physical examination reports, AI-MDT is committed to providing physical examination users with more systematic, detailed and comprehensive multi-disciplinary physical examination reports. Its lower cost is more affordable to the general public and it has higher market potential. We have established a relatively comprehensive health management system in the post-examination stage focusing on the needs of patients, which can meet the health management requirements of patients for the whole process after examination through early warning and monitoring, chronic disease management, drug purchasing, re-examination and continuous evaluation. As such, the system can further improve health management capabilities and facilitate relevant institutions improving their capabilities on disease treatment and drug research and development.

In 2022, the operating revenue of our Smart Health Management Cloud business increased exponentially to approximately RMB10.5 million from RMB371,000 for 2021, representing a year-on-year increase of approximately 2,718.6%. Benefited from its mature technology and differentiated advantages, AI-MDT has been unanimously recognised by cooperative customers and physical examination users. On the basis of the usage of AI-MDT by physical examination users, we charge our cooperative customers certain service fees. Therefore, the greater the demand and frequency of the usage of AI-MDT services by physical examination users, the more service fees we could charge. Consequently, the number of cooperative customers, the number of physical examination users using AI-MDT and the average recognised amount per contract grew steadily in 2022. At present, its market scale has begun to take shape and has made contact with approximately 160 hospitals and 7 private physical examination centers in Guangdong, Hubei, Sichuan, Anhui and other regions, and the average recognised amount per contract for the purchase of the Group's Smart Health Management Cloud increased 1,478.1% as well from approximately RMB26,000 for the year ended 31 December 2021 to approximately RMB418,000 for the year ended 31 December 2022. With the release of the demographic advantage of physical examination, the growing demand for health management and the continuous growth of the market as well as the increasing popularity of AI-MDT due to its sound reputation, our Smart Health Management Cloud business may enter a stage of rapid growth.

Smart Medical Cloud gaining momentum

The main business of this sector covers smart medical SaaS, research and consulting, data and marketing services for innovative drugs, real-world study and patient management services. As at the end of 2022, we had served nearly 200,000 patients by providing patient management services for pharmaceutical companies, effectively improving the continuity, convenience and autonomy of patients in the treatment process, and have been highly recognised by customers. Our Smart Medical Cloud business achieved an operating revenue of approximately RMB37.0 million in the financial year, representing a year-on-year increase of approximately 45.2% as compared to 2021. As a result, the average recognised amount per contract for the purchase of the Group's smart medical services increased by approximately 30.9% from approximately RMB553,000 for the year ended 31 December 2021 to approximately RMB724,000 for the year ended 31 December 2022, laying a solid foundation for the Company to serve as an "accelerator for the commercialisation of innovative drugs".

The Group has accumulated extensive resources and capabilities in medical research, data technology, service personnel and ecological resources, which can help innovative pharmaceutical and device companies effectively connect the three cornerstones in the commercialisation process in terms of program design, intelligent system, and operational service. The three cornerstones are patients, doctors and hospitals. Firstly, at the patient level, we provide individual patient care service throughout the entire treatment process, and provide pharmaceutical companies with customised and one-stop patient services, as well as cooperate with medical service institutions to provide more diverse medical services. We can reach more patients with the provision of digital therapy in the whole medical management process combining with operation solutions for patients in private domain. Secondly, at the doctor and hospital level, we have provided hospital experts with one-stop personalised dynamic management services through our AI technology team, medical research team, expert think tank, medical database and digital tools. We have also developed a doctor-patient platform equipped with case managers, in order to reach patents in all scenarios online and offline, in-hospital and out-of-hospital, providing convenient tools and paths for long-term interaction between doctors and patients.

The following table sets out the performance of our three business segments, Data Insight Solutions, Data-driven Publications and Events and SaaS products, by product categories:

Business segments	Year ended 31 December		Year-on-year change
	2022	2021	
	RMB'000	RMB'000	
Data Insight Solutions ⁽¹⁾	225,262	161,367	39.6%
Data-driven Publications and Events ⁽²⁾	90,932	134,613	-32.4%
SaaS Products ⁽³⁾	40,474	28,186	43.6%
Total	356,668	324,166	10.0%

Notes:

- 1) The revenue from the Data Insight Solutions segment in 2022 was approximately RMB225.3 million, representing an increase of approximately 39.6% as compared to the same period in 2021. Although the COVID-19 has affected the normal operation and the execution of many projects of the Group and other customers, the Data Insight Solutions can effectively meet the needs of customers for increasing efficiency and reducing costs, thus both the number of customers and the total number of orders from customers for the Group's Data Insight Solutions have grown steadily, resulting in an increase in the revenue of this business segment.
- 2) The revenue from the Data-driven Publications and Events segment in 2022 was approximately RMB90.9 million, representing a decrease of approximately 32.4% as compared to the same period in 2021, mainly due to the fact that under the tightening measures against the outbreak of the COVID-19, the number of participants in the activities of PHCF and CPEO declined substantially. In addition, the Group has also canceled MASC and other offline activities. All of the above factors have affected the revenue of the Data-driven Publications and Events segment.
- 3) The revenue from the SaaS segment in 2022 was approximately RMB40.5 million, representing an increase of approximately 43.6% as compared to the same period in 2021. The increase was mainly attributable to the Group's mature technology and differentiated advantages, the growing public demand for health management and the continuous growth of the market, as well as the increasing popularity of AI-MDT due to its sound reputation, and the steadily increasing number of health management institution customers using the Group's AI-MDT products and the average recognised amount per contract in 2022, thus resulting in an increase in the segment's revenue.

CONSOLIDATING OUR THREE CORE ADVANTAGES

As a pioneer in the digitalisation of the healthcare industry, the Group possesses cutting-edge innovative technologies and profound insights. Leveraging on its industry-leading data network, technical capabilities and industrial insight ability, the Group continues to improve its product quality and professional service capabilities, as well as increase its market share, enhance the cooperation with its key customers and expand its product portfolio and business scale, so as to contribute to the long-term sustainable development of the healthcare industry. We have established three core competitiveness in terms of extensive data collection network, leading big data processing technology and ecological industrial platform.

- 1) **Data collection network.** We focus on data such as pharmaceutical retail, physical examination, clinical diagnosis and treatment scenarios, and have established an extensive data collection network. The scale and quality of the data we possess are at a leading level in the market. As at 31 December 2022, our data network covers more than 72,000 pharmacy stores spanning 299 cities in 29 provinces, of which 80% can assess data in real time and more than 80% of the order-related data can be obtained instantly. Due to the continuous elevation of business dimensions and breadth, the Group has stored and analysed data of more than 30TB, an increase of nearly 50% compared with the same period in 2021, so that the advantage of the scale of data has been further enhanced.

The following table sets out the Group's partnering pharmacies and participant networks

	As at 31 December 2022	As at 31 December 2021	Year-on-year change
Number of Partnering Pharmacies	1,225	1,072	14.3%
Number of Stores Covered by Partnering Pharmacies	72,535	52,882	37.2%
Number of Pharmacy Staff Using SIC Mobile App ('000)	191	173	10.4%
Number of Pharmacy Consumers Managed by Pharmacies through SIC ('000)	<u>273,533</u>	<u>201,840</u>	<u>35.5%</u>

- 2) **Big data processing technology.** Sinohealth-Engine is our core platform for data processing. Its data processing and analysis capabilities allow us to discover correlations and patterns from raw data in the healthcare industry, thereby cultivating insights and knowledge. Through data governance, analysis, interpretation and prediction, we provide industry participants with SaaS products and professional services. Our core technical capabilities are fully demonstrated from three aspects. The first aspect is our data scale and data processing capabilities. The original and scattered data collected from retail pharmacies and medical institutions can be transformed into structured, standardised and systematically analysable data through a high-speed and precise data governance process. According to statistics from iResearch Consulting, our data governance is at an industry-leading level in terms of project response time, data size, data cleansing rate and granularity. The second aspect consists of our professional knowledge, insight capabilities and artificial intelligence analysis model. Such capabilities are continuously optimised and expanded during the application process, driving us to provide customers with better solutions. For example, our newly developed Yilingtong, which is positioned to represent a digital OTC, can help pharmaceutical manufacturers and retail pharmacies improve their supply chain management. The third aspect is that we aim at various operational scenarios and service capabilities to help customers better achieve their business goals and connect with the industrial ecosphere. For example, our SaaS product

“Linghe” for the empowerment of marketing decision-making developed by us integrates the in-depth opinions of the industry leaders who are supervisors of the strategy department, marketing department and sales department from more than 100 top enterprises in the industry. Combining with the study results of more than 400 in-depth market research and typical consulting cases which are unique to Sinohealth, Linghe can consolidate standardised information relating to “people” (profile of consumers), “goods” (pharmaceutical sales performance) and “venue” (the characteristics and distribution of pharmacies) to satisfy the requirements of decision-making in the first place and solving core problems.

The Group’s efforts in data technology and data governance have been recognised by the relevant authorities. Zhongkang Technology, a subsidiary of the Company, successfully obtained a Certificate of Guangzhou Big Data Artificial Intelligence Enterprise Database Registration (廣州市大數據人工智能企業庫登記證書) issued by Guangzhou Artificial Intelligence Industry Development Promotion Association (廣州市人工智能產業發展促進會) in February 2022, and was accredited as a High and New Technology Enterprise and admitted into the Top List of the Most Promising Artificial Intelligence Enterprises in Guangzhou respectively in December 2022. Sinohealth Information has received a series of the ISO certifications on information technology, information security and private information, indicating the Group’s strong capability and high standard to provide customers with big data processing, privacy information management and system operation services.

- 3) **Ecological industrial platform.** We have built a leading portfolio of healthcare industry conferences/exhibition events and media services to create a valuable ecological chain for industry participants. Meanwhile, we have set up product marketing and “traffic monetisation” scenarios for the Group, effectively reducing marketing costs and improving marketing efficiency. For example, CPEO has become a forward-looking industry conference with leading position in China’s healthcare industry in terms of specifications, scale and influence, providing forward-looking and systematic exchanges of ideas and information for the industry and realising the strategic integration, cooperation and interaction of diversified resources.

BUSINESS OUTLOOK

At present, a new round of scientific and technological revolution and industrial transformation is underway intensively, and the digital transformation of various industries has become the main trend. “Opinions of the Central Committee of the Communist Party of China and the State Council on Building a Basic System for Data to Fully Utilise Data as the Core Element” proposed to fully capitalise the value of data elements to empower the development of the real economy. After years of rapid development, the healthcare industry has gradually entered the stage of structural optimisation and inventory competition with the elevation of patients’ needs. Against this background, participants in the healthcare industry need faster, more comprehensive and more precise digital empowerment systems to support their business decisions and marketing activities, and to achieve more efficient connections with upstream and downstream enterprises, which will brought more market opportunities for the Group. Standing at the forefront of the wave of digital transformation of healthcare industry participants empowered by the application of big data technology, artificial intelligence and cloud computing, the Group will uphold the corporate mission of “developing smart healthcare industry and promoting smart healthy life”, and focus on helping industry participants establish the core capabilities of efficient decision-making and precise connection through the means of technological innovation, so that we can grow in tandem with our customers.

Jointly establishing digital economy in the healthcare industry

The “14th Five-Year Plan” period is a critical period for the digital transformation of industries in the country. The “14th Five-Year Plan for Digital Economy Development” proposes to fully utilise data as the core element and “cultivate transformation to support the service of ecology”, therefore the digital transformation should be realised starting from the three aspects of enterprises, key industries, and industrial parks and industrial clusters. As an important partner in the digital transformation of the healthcare industry, the Group will actively respond to the digital planning guidelines, ensure the supply of high-quality data elements, carry out data collection in accordance with laws and regulations, and focus on different steps such as data labeling, data cleansing, desensitisation, decryption, aggregation and analysis in order to improve its data resources processing capabilities. It will also promote the construction of standard systems of data resources in the healthcare industry, improve data management levels and data quality, and is committed to helping customers deeply integrate digital application technologies. Besides, it will promote digital transformation in the development and design, production and processing, operation management and sales services of enterprises in the healthcare industry, in order to help the industry speed up the remedy for the shortcomings of digital transformation and empower the industry to transform and upgrade, thus realising the enhancement of the digital level of the entire industry chain and creating an industrial structure of high-quality development.

Maximising the value of data element

Data element is the core engine for the in-depth development of the digital economy. It is not only increasingly important in multiplying the production efficiency of the healthcare industry prominent, but also is the core asset on which the Group relies for its development. In order to further consolidate our leading position in the industry and play a leading role in the development of data elements, we will (i) expand the depth and breadth of data collection, consolidate the core value of data and connect more pharmaceutical and medical device retail markets, medical institutions and physical examination centers to enhance our data scale; (ii) strengthen data governance, artificial intelligence and cloud computing capabilities, maintain our industry-leading data governance capabilities, create structured and standardised data benchmarks, enhance the applicability and authority of data, and continuously enrich and deepen insights into the market as well as the understanding and application of various disease areas; (iii) adhere to market orientation and continuously realise the iteration and optimisation of products and services to meet the high-quality development needs of the industry; (iv) use industrial data to empower the industrial ecology and fully utilise the function of connection to establish an efficient communication and cooperation platform for the industry participants, meanwhile using the platform to efficiently connect with customers to improve the conversion rate and penetration rate of our various businesses; and (v) further expand our database, create a new and extensive product matrix and open up new market segments through strategic cooperation, project investment and equity mergers and acquisitions.

Expanding the advantage of market leadership

At the aspect of market strategy, the Group has established a “Top30+KA100+Long Tail” customer classification and hierarchical management system, based on customers’ annual income level of more than 20 million, 5 million to 20 million and less than 5 million. The system relies on our resources to develop key customers and key markets and focuses on the needs of major customers to establish a more effective operating mechanism, customisation capabilities and marketing capabilities. Focusing on deepening cooperative relations, the Group ensures the continuous growth of the number of industry-leading customers and enterprise-level customers, the increase of unit price of customer and the number of products per customer, and develops the long-tail market relying chiefly on its standard products, so as to realise the rapid development of its business scale in an all-round way. At the same time, we will promptly follow up the needs of new customer groups such as securities dealers, funds and business research institutions, and provide customised SaaS products and business insight reports. While expanding new customer groups, we will enhance the influence of the Group’s data on the industry and its benchmarking attributes, with a view to establishing its market leadership in a multi-dimension.

In order to consolidate its position in the industry and further increase its market recognition, the Group is carrying out a comprehensive brand upgrade campaign to create a brand image representing “data + technology + ecology” in the healthcare industry, so as to comprehensively enhance the value of its brand assets and its reputation in the industry and increase the influence and competitiveness of Sinohealth brand for the empowerment of its market development.

Outlook on main businesses

In order to maximise the efficiency of resource allocation, optimise its strategic development layout and achieve high-quality sustainable development, the Group has formulated its business development plans in “short-, medium – and long-term”. We will maintain our leading edge in Smart Retail Cloud and Smart Decision Cloud segments to gain a larger market share, and will continue to optimise the products under Smart Medical Cloud and Smart Health Management Cloud segments, accelerate market expansion, expand its business scale, thus forming new drivers for its profit growth. In the future, the Group will build a closed-loop database of “patients, pharmacies, hospitals, physical examinations and pharmaceutical and medical device production”, so as to establish the advantage of large-scale and standardised data covering the whole industry, thereby rapidly penetrating into the field of commercial insurance and life sciences to maximise the value of data element.



- 1) **Smart Decision Cloud.** Combining industry trends, customer needs and its own operating experience, the Group will continue to optimise existing products and develop new products to achieve more efficient ecological links in order to meet the diverse needs of pharmaceutical manufacturers and other customers. On the one hand, the Group will continue to enhance its competitive advantages in multiple dimensions such as data scale, industrial ecology, market insight, decision support and industry foresight, especially to accelerate the establishment of forward-looking insight capabilities, create differentiated product competitiveness, and provide customers with a portfolio of products and services featured with precise connection and efficient decision-making, so as to reduce costs, enhance efficiency and create higher market value. Meanwhile, the Group will be committed to creating data standards for the healthcare industry, improving the influence of the industry and enabling Sinohealth’s data to contribute to the high-quality development of the industry. On the other hand, the Group is improving the specifications and scale of CPEO and optimising the innovative contents of the conference through empowering the forward-looking insight of the healthcare industry by its data, with a view to organising an international healthcare industry conference. The Group is also organising the Pharmaceutical Innovation Ecological Conference, which will be our key effort and an important ecological platform for us to develop the innovative drug market and the medical market.

- 2) **Smart Retail Cloud.** We will further expand SIC's pharmacy coverage and the cooperation depth, optimise the function types of SIC, improve the empowerment level of pharmacy management, further help pharmacies improve quality and efficiency, increase pharmacies' dependence on the SIC system and promote a more stable relationship between the Group and chain pharmacies, so as to ensure that the Group maintains its leading position in aspects such as data scale, granularity, coverage and timeliness. The Group will step up its efforts to promote its two main products, Lingtong and Yilingtong, and make full use of the Group's data advantages and insight capabilities to help customers solve their core problems and difficulties in scenarios of digital marketing and digital supply chain management, and provide various professional services such as dynamic sales, targeted sales activities, brand promotion, to help customers realise digital transformation in their pharmacy retail sales and improve operating efficiency.
- 3) **Smart Health Management Cloud.** According to public available statistics, the number of physical examinations in China has exceeded 500 million per year. With the improvement of national health awareness and the trend of aging population, the number of physical examinations and the demand for health management will continue to grow, which will create a larger market space for AI-MDT and supporting health management services. We will continue to utilise our advantages in data, knowledge and expert network to provide more in-depth and effective AI-MDT physical examination reports for the physical examination population. We will also further optimise and expand product functions, and enter into more cooperation content with hospitals and physical examination institutions, such as providing product packages for post-examination service, optimising post-examination management services and chronic disease management services, so as to meet the needs for post-examination health management of multi-level population. At the same time, we will accelerate market expansion and build diversified customer acquisition channels, so that more people can access AI-MDT to enjoy better health management services.
- 4) **Smart Medical Cloud.** We will continue to expand our business layout, enhance our data scale and explore more commercial models. The Group has been operating in the medical sector for many years, and has established and operated a full-range care service system for patients, multiple tumor MDT academic platforms and full-course management and evaluation systems for hospitals. We will integrate existing resources and, focusing on the goal of "serving as an accelerator for the commercialisation of innovative pharmaceutical and medical devices", help innovative pharmaceutical and medical device companies to effectively connect patients, doctors and experts in the aspects of program design, intelligent systems and operational services. Based on the core competence of Sinohealth-Engine and the network of hospitals and experts accumulated in the big data platform and the solution sector, and focusing on the full life-cycle of pharmaceutical and medical devices from clinical development to post-launch marketing, we provide enterprises with personalised digital products, including products for IP scientific research collaboration, artificial intelligence and medical inter-disciplinary research and the R&D of AI technology-based patient management products, thereby rapidly achieving the best commercialisation solutions.
- 5) **Smart Clinic Cloud.** The "Opinions on Further Deepening Reform and Promoting the Healthy Development of the Rural Medical and Health System" issued by the State Council of China proposes to support the construction of county-level hospital facilities and service capabilities, in order to achieve significant improvement in infrastructure conditions and gradually popularise intelligent and digital applications for the prevention and treatment of diseases and the significant improvement in health management capabilities. With the support of this policy, county-level outpatient clinics will accelerate their digital transformation and Woodpecker outpatient clinics may usher in a larger room for growth.

- 6) **Smart Insurance Cloud.** With the continuous expansion of smart health management, smart medical care, smart clinics and other businesses, it is expected that the scale of the Group's medical data, physical examination data and innovative pharmaceutical and medical device data will achieve a rapid growth, thus forming a closed-loop healthcare industry database together with the already leading retail market data, so that the effects of scale and network can be fully leveraged. As such, the Group is enabled to develop products and services that can meet the needs of big data intelligent application for commercial insurance, and provide commercial insurance institutions with professional SaaS products and supporting professional services at various aspects such as product design, sales channels, customer profile and business strategies, thus finally achieving a closed-loop in the Group's business of full life-cycle health management at the insurance service sector.

Under the long-term trend of the dualisation of the healthcare industry and the rapid development of the digital industry, the Group has ushered in an unprecedented opportunity to achieve a leapfrog development. We will continue to explore and practice in the field of healthcare industry services, improve product quality and professional service capabilities, and provide customers with multi-level and diversified digital applications and solutions. We are aiming to establish industry benchmarks and leading capabilities and create a one-stop service system integrating various scenarios such as "market insight, operation management, marketing decision-making and marketing activities", so as to promote high-quality development of the industry.

FINANCIAL REVIEW

Revenue

In 2022, the Group's revenue increased by approximately 10.0% from approximately RMB324.2 million for the year ended 31 December 2021 to approximately RMB356.7 million for the year ended 31 December 2022. In terms of application scenarios, the revenue growth was mainly due to the increase in revenue from Smart Retail Cloud and Smart Medical Cloud segments. In terms of product categories, the revenue growth was mainly due to increased revenue from Data Insight Solutions.

Cost of Sales

The Group's cost of sales primarily consisted of (i) staff costs related to our employee benefits for our employees in relation to the daily operation and maintenance of our solutions and products; (ii) promotion costs mainly in relation to our direct sales efforts, marketing campaigns and advertising production and services for our clients; and (iii) event costs mainly relating to venue and equipment rentals, event planning and organisation services fees, accommodation and catering costs. The Group's cost of sales increased by approximately 50.2% from approximately RMB131.5 million for the year ended 31 December 2021 to approximately RMB197.6 million for the year ended 31 December 2022, mainly due to an increase of cost of sales driven by the growth of the Group's business.

Gross Profit and Gross Profit Margin

Due to the increase in cost of sales driven by the business growth of the Group, the gross profit of the Group decreased by approximately 17.4% from approximately RMB192.6 million for the year ended 31 December 2021 to approximately RMB159.1 million for the year ended 31 December 2022. The rapidly rising cost of sales led to a decline in gross profit despite of a rising revenue. As a result, the Group's gross margin decreased to approximately 44.6% for the year ended 31 December 2022 from approximately 59.4% for the year ended 31 December 2021.

Other Income and Gains

Other income and gains primarily consisted of (i) government grants; (ii) foreign exchange gains; (iii) investment income from financial assets at fair value through profit or loss; and (iv) bank interest income. The Group recorded other income and gains of approximately RMB37.7 million for the year ended 31 December 2022, representing an increase of approximately 27.7% as compared to approximately RMB29.5 million for the year ended 31 December 2021. Such increase was mainly attributable to (i) the increase in foreign exchange gains and (ii) the increase in interest income, especially due to the proceeds from the Global Offering.

Selling and Distribution Expenses

Selling and distribution expenses mainly consist of (i) employee benefit expenses for employees responsible for sales and marketing functions; (ii) travel and transportation expenses related to offline marketing campaigns, the development and maintenance of customer relationship and production of advertising materials; and (iii) general office expenses. Selling and distribution expenses increased approximately 27.7% to approximately RMB31.7 million for the year ended 31 December 2022 from approximately RMB24.8 million for the year ended 31 December 2021, mainly attributable to the increase in our sales and marketing employee numbers.

Administrative Expenses

The Group's administrative expenses primarily consisted of (i) employee benefits expenses; (ii) listing expenses and (iii) professional fees. The Group's administrative expenses increased by approximately 4.4% from approximately RMB44.2 million for the year ended 31 December 2021 to approximately RMB46.1 million for the year ended 31 December 2022, primarily due to (i) an increase in employee benefits expenses and (ii) an increase in professional fees payable to intermediaries such as auditors, legal advisers, compliance adviser and company secretarial service provider after the Company's listing, partially offset by a decrease in listing expenses.

Research and Development Costs

The Group's research and development costs primarily consisted of (i) employee benefits expenses; (ii) depreciation of right-of-use assets and (iii) technology services fees and general office expenses. The Group's research and development costs increased by approximately 12.5% from approximately RMB53.7 million for the year ended 31 December 2021 to approximately RMB60.4 million for the year ended 31 December 2022, primarily due to an increase in employee benefits expenses.

Profit before Tax

With the lower gross profit and the higher expenses, the Group's profit before tax declined by approximately 43.0% from approximately RMB95.5 million for the year ended 31 December 2021 to approximately RMB54.5 million for the year ended 31 December 2022.

Income Tax Expense

The Group's income tax expense decreased by approximately 98.9% from approximately RMB23.6 million for the year ended 31 December 2021 to approximately RMB0.3 million for the year ended 31 December 2022, primarily due to (i) a decrease in our profit before tax and (ii) a lower effective tax rate as the Group enjoyed a reduced tax rate resulted from the successful application for the recognition as a high and new technology enterprise by Zhongkang Technology in 2022.

Profit for the Year

As a result of the foregoing, the Group's profit for the year decreased by approximately 24.7% from approximately RMB72.0 million for the year ended 31 December 2021 to approximately RMB54.2 million for the year ended 31 December 2022.

Non-HKFRS Measure

To supplement the Group's consolidated financial statements which are presented in accordance with HKFRS, the Group also presents adjusted net profit as an additional financial measure, which is not required by, nor presented in accordance with, HKFRS. The Group presents this additional financial measure as it is used by the management to evaluate the Group's financial performance. The management of the Group also believes that this non-HKFRS measure provides useful information to investors and others in understanding and evaluating the Group's consolidated results of operations in the same manner as the management and in comparing financial results across accounting years and to those of the Group's peer companies.

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

The following table sets forth the reconciliation of the Group's non-HKFRS financial measure for the years ended 31 December 2022 and 31 December 2021 presented to the most directly comparable financial measure calculated and presented in accordance with HKFRS:

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Profit for the Year	54,213	71,978
Add:		
Listing Expenses ⁽¹⁾	12,056	20,648
Adjusted Net Profit (Non-HKFRS measure)	66,269	92,626
Adjusted Net Profit Margin (Non-HKFRS measure)(%)	18.6%	28.6%

Note:

(1) Listing expenses were not included in non-HKFRS financial measure.

Liquidity and Capital Resources

For the year ended 31 December 2022, the Group financed its operations mainly through cash generated from the Group's operating activities and the net proceeds from the Global Offering. The Group intends to continue to finance its expansion and business operations using a combination of cash generated from operating activities and the net proceeds from the Global Offering.

Cash and Cash Equivalents

The Group maintains a strong cash position. For the year ended 31 December 2022, the Group's total cash and cash equivalents amounted to approximately RMB409.3 million, representing an increase of approximately 1,105.5% from 31 December 2021. Such increase was mainly due to the net proceeds of the Company from the Global Offering. As at 31 December 2022, the Group's cash and cash equivalents were mainly denominated in RMB.

Borrowings

During the year ended 31 December 2022, the Group did not have any short-term or long-term bank borrowings and had no outstanding bank and other borrowings and other indebtedness apart from lease liabilities for the relevant lease terms amounting to approximately RMB7.1 million in aggregate.

Gearing Ratio

The gearing ratio, which is calculated by dividing total liabilities by total equity, was 14.9% as at 31 December 2022 (31 December 2021: approximately 24.3%).

Foreign Currency Risk

The Group has transactional currency exposures and are subject to foreign currency risk arising from fluctuations in exchange rates between RMB and US\$. As at 31 December 2022, the Group had transactional currency exposures. Such exposures arose from its cash and cash equivalents in US\$. The Group is currently not engaged in hedging activities that are designed or intended to manage foreign exchange rate risk. The Group will continue to monitor foreign exchange activities and make its best efforts to protect the cash value of the Group.

Charge on Assets

As at 31 December 2022, the Group did not pledge any of its assets.

Cash Flow and Capital Expenditure

In 2022, the Group's capital expenditures were mainly incurred for the acquisition of equipment and software and renovation of leased properties, which remained at a limited level of approximately RMB4.2 million, representing an increase of approximately 37.0% as compared to the year ended 31 December 2021.

The Group intends to fund future capital expenditures from cash balance, cash generated from operating activities and proceeds from the Global Offering. The Group will continue to incur capital expenditures to meet the expected growth of the business, and may reallocate funds for capital expenditures and long-term investments based on the Group's ongoing business needs.

Contingent Liabilities and Guarantees

As at 31 December 2022, the Group did not have any significant contingent liabilities, guarantees or any material litigation against the Group.

Significant Acquisitions or Disposals and Future Plans for Significant Investments

The Group did not have any significant acquisitions or disposals of subsidiaries, associates and joint ventures as at 31 December 2022.

As at 31 December 2022, none of each individual investment held by the Group constituted 5% or more of the total assets of the Group, and there is no future plan for any material investment or capital assets.

Employees and Staff Costs

As at 31 December 2022, the Group had a total of 680 (31 December 2021: 624) full time employees, all of whom were located in Mainland China. For the year ended 31 December 2022, the Group recognised staff costs of approximately RMB145.9 million, representing an increase of approximately 12.8% as compared to the year ended 31 December 2021.

The increase in the number of employees of the Group in 2022 was primarily due to the Group's expansion of the solutions and products team and research and development team in response to the Group's business needs. As at 31 December 2022, 103, 96 and 159 of the Group's employees possessed medical expertise, medicine expertise and computer science expertise, respectively. The Group's specialised talents have more than six years' industrial experience on average.

The following table sets forth the number of employees by function, and the percentage of each function to the Group's total number of employees as at 31 December 2022.

Function	Number	Percentage to the total number of employees
Solutions and Products	249	37%
Research and Development	248	36%
Sales and Marketing	117	17%
General and Administrative	66	10%
Total	<u>680</u>	<u>100%</u>

The Group embraces diversity and focuses on equal opportunity during its recruitment process. The Group also highly values employees and places an emphasis on the development of employees. In order to advance the skills and knowledge of employees as well as to explore new potential from within the Group's workforce, the Group invests in continuing education and training programs for the management and other staff members to update their skills and knowledge periodically. Generally, the Group's training focuses on operations, technical knowledge, intellectual property protection and work safety standards. The Group has also established various internal professional committees working on a variety of areas such as pharmacy and medicine, data and technology, and industry development, to promote employees' professional development and encourage exchange of information.

The remuneration package of the Group's employees includes basic salary, performance bonuses and allowances. The Group determines employee remuneration based on factors such as competency, performance, qualifications, expertise and years of experience. The Group typically enters into employment contracts and confidentiality agreements with its employees.

The Group participates in and makes contributions to housing funds and social insurance contribution plans organised by the relevant local municipal and provincial governments, including pension, medical insurance, unemployment insurance, work-related injury insurance, maternity insurance, and housing fund plans.

In addition, to provide incentive or reward to eligible persons for their contribution to, and continuing efforts to promote the interests of the Group, the Company has adopted the Share Option Scheme and the Share Award Scheme.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2022

	<i>Notes</i>	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
REVENUE	<i>5</i>	356,668	324,166
Cost of sales		<u>(197,560)</u>	<u>(131,527)</u>
Gross profit		159,108	192,639
Other income and gains	<i>5</i>	37,707	29,537
Selling and distribution expenses		(31,661)	(24,786)
Administrative expenses		(46,110)	(44,163)
Research and development costs		(60,412)	(53,711)
Impairment losses on financial assets, net		(2,678)	(2,855)
Other expenses		(1,068)	(184)
Finance costs	<i>7</i>	(412)	(532)
Share of losses of associates		<u>–</u>	<u>(416)</u>
PROFIT BEFORE TAX	<i>6</i>	54,474	95,529
Income tax expense	<i>8</i>	(261)	(23,551)
PROFIT FOR THE YEAR		<u>54,213</u>	<u>71,978</u>
Attributable to:			
Owners of the parent		55,758	78,813
Non-controlling interests		(1,545)	(6,835)
		<u>54,213</u>	<u>71,978</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>54,213</u>	<u>71,978</u>
Attributable to:			
Owners of the parent		55,758	78,813
Non-controlling interests		(1,545)	(6,835)
		<u>54,213</u>	<u>71,978</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	<i>10</i>	<u>RMB13.58</u> cents	<u>RMB21.12</u> cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 December 2022

	<i>Notes</i>	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		4,383	4,471
Right-of-use assets		6,854	9,018
Other intangible assets		1,590	1,152
Investments in associates		–	184
Time deposits		80,772	–
Other receivables		–	868
Deferred tax assets		686	916
		<hr/>	<hr/>
Total non-current assets		94,285	16,609
CURRENT ASSETS			
Inventories		2,317	680
Trade and notes receivables	<i>11</i>	91,993	81,866
Prepayments, other receivables and other assets		20,988	10,451
Financial assets at fair value through profit or loss		2,098	373,389
Due from a related party		–	73
Time deposits		175,474	–
Cash and cash equivalents		409,318	33,955
		<hr/>	<hr/>
Total current assets		702,188	500,414
CURRENT LIABILITIES			
Trade payables	<i>12</i>	14,665	16,859
Other payables and accruals		74,139	67,586
Lease liabilities		3,223	4,640
Due to a related party		355	–
Tax payable		5,407	7,053
		<hr/>	<hr/>
Total current liabilities		97,789	96,138
NET CURRENT ASSETS		604,399	404,276
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		698,684	420,885
NON-CURRENT LIABILITIES			
Lease liabilities		3,904	4,974
Deferred tax liabilities		1,544	–
		<hr/>	<hr/>
Total non-current liabilities		5,448	4,974
		<hr/>	<hr/>
Net assets		693,236	415,911
		<hr/> <hr/>	<hr/> <hr/>

	<i>Notes</i>	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Net assets		<u>693,236</u>	<u>415,911</u>
EQUITY			
Equity attributable to owners of the parent			
Share capital	<i>13</i>	30,384	322
Treasury shares	<i>13</i>	(101,121)	–
Reserves		<u>765,775</u>	<u>416,536</u>
		695,038	416,858
Non-controlling interests		<u>(1,802)</u>	<u>(947)</u>
Total equity		<u>693,236</u>	<u>415,911</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 December 2022

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands on 4 March 2019. The registered address of the Company is at the office of Ogier Global (Cayman) Limited, of 89 Nexus Way, Grand Cayman, KY1-9009, Cayman Islands. The principal place of business in China is located at Room 1111, No. 5 Wangjiang Second Street, Huangge Town, Nansha District, Guangzhou, Guangdong Province, People's Republic of China (the "PRC").

The Company is an investment holding company. During the year, the Company's subsidiaries were principally engaged in the provision of Data Insight Solutions, Data-driven Publications and Events and SaaS products.

The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 12 July 2022.

2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 3
Amendments to HKAS 16
Amendments to HKAS 37
*Annual Improvements to
HKFRSs 2018-2020*

*Reference to the Conceptual Framework
Property, Plant and Equipment: Proceeds before Intended Use
Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRS 1, HKFRS 9, Illustrative
Examples accompanying HKFRS 16, and HKAS 41*

The nature and the impact of the revised HKFRSs that are applicable to the Group are described below:

- (a) Amendments to HKFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* (the "Conceptual Framework") issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no business combinations during the year, the amendments did not have any impact on the financial position and performance of the Group.

- (b) Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items as determined by HKAS 2 Inventories, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced prior to the property, plant and equipment being available for use, the amendments did not have any impact on the financial position or performance of the Group.
- (c) Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.
- (d) Annual Improvements to HKFRSs 2018-2020 sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendment that is applicable to the Group are as follows:
- (e) HKFRS 9 Financial Instruments: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively from 1 January 2022. As there was no modification or exchange of the Group's financial liabilities during the year, the amendment did not have any impact on the financial position or performance of the Group.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is not organised into business units based on their services and only has one reportable operating segment. Management monitors the operating results of the Group's operating segment as a whole for the purpose of making decisions about resource allocation and performance assessment.

Geographical information

(a) Revenue from external customers

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Mainland China*	356,361	323,205
Singapore	307	577
England	–	263
Germany	–	43
France	–	38
Hong Kong	–	21
Korea	–	19
	<u>356,668</u>	<u>324,166</u>

* Mainland China means the PRC excluding Hong Kong, Macau and Taiwan.

The revenue information above is based on the locations of the customers.

(b) Non-current assets

All non-current assets of the Group are in Mainland China. Accordingly, no geographical information of segment assets is presented.

Information about major customers

No revenue from the Group's sales to a single customer amounted to 10% or more of the Group's total revenue during the year (2021: Nil).

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Revenue from contracts with customers	<u>356,668</u>	<u>324,166</u>

Revenue from contracts with customers

(a) Disaggregated revenue information

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Types of services		
Data Insight Solutions	225,262	161,367
Data-driven Publications and Events	90,932	134,613
SaaS products	<u>40,474</u>	<u>28,186</u>
	<u>356,668</u>	<u>324,166</u>
Geographical markets		
Mainland China	356,361	323,205
Overseas	<u>307</u>	<u>961</u>
	<u>356,668</u>	<u>324,166</u>
Timing of revenue recognition		
Services transferred at a point in time	131,976	116,538
Services transferred over time	<u>224,692</u>	<u>207,628</u>
	<u>356,668</u>	<u>324,166</u>

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting periods and recognised from performance obligations satisfied in the previous period:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
<i>Revenue recognised that was included in contract liabilities at the beginning of the year:</i>		
Data Insight Solutions	8,990	8,120
Data-driven Publications and Events	2,191	270
SaaS products	<u>9,345</u>	<u>4,170</u>
	<u>20,526</u>	<u>12,560</u>

(b) Performance obligations

Information about the Group's performance obligations is summarised below:

Data Insight Solutions

The performance obligation for delivery of customised research reports is generally satisfied at the point of time when the individual research report is delivered and accepted by the customers and payment is generally due within 90 days from the date of billing. The performance obligation for provision of individual marketing solution is satisfied over time as services are rendered and payment in advance is normally required.

Data-driven Publications and Events

The performance obligation is satisfied over time as services are rendered, where payment in advance is normally required. The services related to Data-driven Publications and Events are generally completed within one week.

SaaS products

The performance obligation for granting right to access the proprietary cloud-based software is satisfied over time as services are rendered, where payment in advance is normally required. The performance obligation for the use of API is satisfied at the point of time when the right to use is granted and payment is generally due immediately. The performance obligation for application software development is satisfied at the point of time when the application software together with relevant licence is accepted by the customers, and payment is generally due when the service was completed.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2022 are as follows:

	2022	2021
	RMB'000	RMB'000
Amounts expected to be recognised as revenue:		
Within one year	79,811	49,442
After one year	6,218	3,018
	86,029	52,460

The amounts of transaction prices allocated to the remaining performance obligations which are expected to be recognised as revenue after one year mainly relate to Data Insight Solutions services, of which the performance obligations are to be satisfied within two years. All the other amounts of transaction prices allocated to the remaining performance obligations are expected to be recognised as revenue within one year. The amounts disclosed above do not include variable consideration which is constrained.

An analysis of other income and gains is as follows:

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
<u>Other income</u>		
Bank interest income	6,615	248
Government grants*	12,496	16,354
Investment income from financial assets at fair value through profit or loss	8,499	6,721
Others	8	256
	27,618	23,579
	<u>27,618</u>	<u>23,579</u>
<u>Gains</u>		
Fair value gains on financial assets at fair value through profit or loss	38	4,815
Foreign exchange gains, net	9,530	36
Gain on de-registration of a subsidiary	320	–
Gain on disposal of a subsidiary	201	–
Gains on lease modifications	–	1,107
	37,707	29,537
	<u>37,707</u>	<u>29,537</u>

* The government grants mainly represent incentives awarded by the local governments to support the Group's operation. There were no unfulfilled conditions or contingencies attached to these grants.

6. PROFIT BEFORE TAX

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

	<i>Notes</i>	2022 RMB'000	2021 <i>RMB'000</i>
Cost of services provided		197,560	131,527
Depreciation of property, plant and equipment		2,659	2,083
Depreciation of right-of-use assets		5,179	4,849
Amortisation of other intangible assets*		891	420
Research and development costs		60,412	53,711
Listing expenses		12,056	20,648
Lease payments not included in the measurement of lease liabilities		66	364
Bank interest income	5	(6,615)	(248)
Government grants	5	(12,496)	(16,354)
Investment income from financial assets			
at fair value through profit or loss	5	(8,499)	(6,721)
Gain on disposal of a subsidiary	5	(201)	–
Fair value gains on financial assets at fair value through profit or loss	5	(38)	(4,815)
Gains on lease modifications	5	–	(1,107)
Gain on de-registration of a subsidiary	5	(320)	–
Loss on de-registration of a subsidiary		690	–
Foreign exchange gain, net	5	(9,530)	(36)
Loss on disposal of items of property, plant and equipment		3	74
Auditor's remuneration		2,180	55
Employee benefit expense (excluding directors' and chief executive's remuneration):			
Wages and salaries		138,325	118,924
Pension scheme contributions**		4,313	8,361
Staff welfare expense		1,457	625
Impairment of trade receivables, net	11	2,678	2,510
Impairment of other receivables, net		–	345

* The amortisation of other intangible assets is included in "Administrative expenses" in the consolidated statements of profit or loss.

** There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2022 RMB'000	2021 <i>RMB'000</i>
Interest on lease liabilities	412	532

8. INCOME TAX

(a) The major components of the income tax expense of the Group during the year are analysed as follows:

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Current – Mainland China		
Charge for the year	1,880	21,907
Overprovision in prior years	(3,393)	–
Deferred tax	1,774	1,644
	<hr/>	<hr/>
Total tax charge for the year	261	23,551
	<hr/> <hr/>	<hr/> <hr/>

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

Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Company and its subsidiary are not subject to any income tax in the Cayman Islands and the BVI.

The statutory tax rate for the subsidiary in Hong Kong is 16.5%. No Hong Kong profits tax on the subsidiary has been provided as there was no assessable profit arising in Hong Kong during the year.

The provision for current income tax in Mainland China is based on a statutory tax rate of 25% of the assessable profits of the PRC subsidiaries of the Group as determined in accordance with the PRC Corporate Income Tax Law.

Sinohealth Information was accredited as a high and new technology enterprise (“HNTE”) in 2019, and the certifications were valid for three years. Sinohealth Information did not renew the HNTE Certificate in 2022, thus could no longer enjoy the preferential income tax rate of 15%. For the year ended 31 December 2022, Sinohealth Information was entitled to a PRC Corporate Income tax rate of 25% (31 December 2021: 15%).

Zhongkang Technology was accredited as a high and new technology enterprise (“HNTE”) in 2022, and the certifications were valid for three years. For the year ended 31 December 2022, Guangzhou Zhongkang Digital was entitled to a preferential PRC Corporate Income tax rate of 15% (31 December 2021: 25%).

Certain of the subsidiaries, which operate in Mainland China, are identified as Small and Micro Enterprises and were entitled to a preferential tax rate of 2.5% or 5% during the year ended 31 December 2022.

- (b) A reconciliation of the tax expense applicable to profit before tax at the statutory rate in Mainland China to the tax expense at the effective tax rate is as follows:

	2022 RMB'000	2021 <i>RMB'000</i>
Profit before tax	54,474	95,529
Tax at the statutory tax rate of 25% in Mainland China	13,618	23,882
Lower tax rates enacted by local authority	(7,818)	(1,718)
Adjustments in respect of current tax of previous years	(3,393)	–
Effect on deferred tax balance due to change in income tax rate	(94)	–
Additional deductible allowance for research and development costs	(5,523)	(4,181)
Expenses not deductible for tax	44	5,097
Tax losses utilised from previous years	(2)	(90)
Losses attributable to associates	–	10
Tax losses not recognised	1,885	551
Effect of withholding tax at 10% on the distributable profits of the Group's PRC subsidiaries	1,544	–
Tax charge at the Group's effective rate	261	23,551
Effective tax rate	0.5%	24.7%

9. DIVIDEND

	2022 RMB'000	2021 <i>RMB'000</i>
Proposed final – HK 3.98 cents (2021: Nil) per ordinary share	15,443	–

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

On 27 January 2021, Sinohealth Information declared and approved a dividend of RMB120,086,000 to its then shareholders.

10. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 410,666,838 (2021: 373,123,325) in issue during the year, as adjusted to reflect the rights issue during the year.

The weighted average number of shares has been retrospectively adjusted for the effect of the share subdivision (note 13) and capitalisation issue (note 13) on the assumption that the share subdivision and capitalisation issue had been completed on 1 January 2021.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2022 and 2021.

The calculation of basic earnings per share is based on:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
<u>Earnings</u>		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	<u>55,758</u>	<u>78,813</u>
	Number of shares	
	2022	2021
<u>Shares</u>		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	<u>410,666,838</u>	<u>373,123,325</u>

11. TRADE AND NOTES RECEIVABLES

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Trade receivables	92,028	78,712
Notes receivable	6,287	7,695
Impairment	<u>(6,322)</u>	<u>(4,541)</u>
	<u>91,993</u>	<u>81,866</u>

The Group's trading terms with its customers are mainly on credit. The credit terms granted generally ranged from 7 days to 120 days, depending on the specific payment terms in each contract. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at the end of the reporting period, based on the transaction dates and net of loss allowance, is as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Within 6 months	66,345	71,273
6 to 12 months	11,084	2,513
1 to 2 years	8,162	383
2 to 3 years	<u>115</u>	<u>2</u>
	<u>85,706</u>	<u>74,171</u>

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
At beginning of year	4,541	3,270
Impairment losses, net (<i>note 6</i>)	2,678	2,510
Amount written off as uncollectible	<u>(897)</u>	<u>(1,239)</u>
At end of year	<u>6,322</u>	<u>4,541</u>

The increase in the loss allowance of RMB1,781,000 (2021: RMB1,271,000) was due to an increase of trade receivable which were aged over 1 year and past due.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on the days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2022

	Gross carrying amount <i>RMB'000</i>	Expected credit loss rate	Expected credit loss <i>RMB'000</i>
Current	63,479	1.4%	913
Past due:			
Within 1 year	24,013	8.9%	2,125
Between 1 and 2 years	3,408	65.9%	2,246
Between 2 and 3 years	728	87.6%	638
Over 3 years	400	100.0%	400
	<u>92,028</u>	<u>6.9%</u>	<u>6,322</u>

As at 31 December 2021

	Gross carrying amount <i>RMB'000</i>	Expected credit loss rate	Expected credit loss <i>RMB'000</i>
Current	49,193	1.1%	553
Past due:			
Within 1 year	27,357	7.9%	2,144
Between 1 and 2 years	831	62.3%	518
Between 2 and 3 years	38	86.8%	33
Over 3 years	1,293	100.0%	1,293
	<u>78,712</u>	<u>5.8%</u>	<u>4,541</u>

The Group's notes receivable are all aged within one year and were neither past due nor impaired.

12. TRADE PAYABLES

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Trade payables	<u>14,665</u>	<u>16,859</u>

An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Within 3 months	11,834	16,422
4 to 6 months	623	67
7 to 12 months	1,968	250
Over 1 years	<u>240</u>	<u>120</u>
	<u>14,665</u>	<u>16,859</u>

The trade payables are non-interest-bearing and are normally settled within 90 days.

13. SHARE CAPITAL AND TREASURY SHARES

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Authorised:		
2,000,000,000 (2021: 5,000,000) ordinary shares of US\$0.01 each		
US\$'000	4,518	50
RMB'000	<u>30,384</u>	<u>335</u>
Issued and fully paid:		
451,770,000 (2021: 5,000,000) ordinary shares of US\$0.01 each		
US\$'000	4,518	50
RMB'000	<u>30,384</u>	<u>322</u>

A summary of movements in the Company's share capital is as follows:

	<i>Notes</i>	Number of shares in issue	Share capital <i>RMB'000</i>	Treasury shares <i>RMB'000</i>
At 1 January 2021	<i>(a)</i>	1	–	–
Share subdivision	<i>(b)</i>	100	–	–
Issue of shares	<i>(c)</i>	<u>4,999,900</u>	<u>322</u>	–
At 31 December 2021 and 1 January 2022		5,000,000	322	–
Initial public offering	<i>(d)</i>	75,000,000	5,047	–
Capitalisation issue	<i>(e)</i>	370,000,000	24,896	–
Exercise of the over-allotment option	<i>(f)</i>	1,770,000	119	–
Shares repurchased	<i>(g)</i>	<u>–</u>	<u>–</u>	<u>(101,121)</u>
At 31 December 2022		<u>451,770,000</u>	<u>30,384</u>	<u>(101,121)</u>

Notes:

- (a) The Company was incorporated on 4 March 2019 with authorised share capital of US\$50,000 divided into 50,000 shares with par value of US\$1.00 each. Upon its incorporation, one share was allotted and issued to the initial subscriber, which was transferred to Wellmark Link Limited on the same day.
- (b) On 18 May 2021, the Company resolved to subdivide each of its existing issued and unissued shares with a par value of US\$1.00 each in its share capital into 100 ordinary shares with a par value of US\$0.01 each, and all the subdivided shares be ranked pari passu in all respects with each other, such that the authorised share capital of the Company became US\$50,000 divided into 5,000,000 shares with a par value of US\$0.01 each thereafter.
- (c) On 18 May 2021, the Company allotted and issued an aggregate of 2,686,400 shares for cash of RMB174,000 to Wellmark Link Limited and WLF Investment Holdings Limited at par value and allotted and issued an aggregate of 2,313,500 shares for cash to Rikan Industry Investment Limited Partnership, Montesy Capital Holding Ltd., Tianyi (BVI) Limited, Jiequan Zhongwei Tengyun Limited and Hansson Holdings Limited for a consideration of RMB184,006,000. The consideration was credited to share capital in an amount of RMB322,000 and to share premium in an amount of RMB183,858,000, respectively.
- (d) On 12 July 2022, 75,000,000 ordinary shares of par value US\$0.01 each were issued at a price of HK\$5.36 per share in connection with the Company's initial public offering ("Listing Date"). The proceeds of US\$750,000 (equivalent to RMB5,047,000) representing the par value, were credited to the Company's share capital. The remaining proceeds of approximately US\$47,466,000 (equivalent to approximately RMB319,399,000) before listing expenses were credited to the share premium account.
- (e) Pursuant to the written resolutions of the shareholders of the Company passed on 27 April 2022 and 22 June 2022, a total of 370,000,000 shares of US\$0.01 each were allotted and issued at par value to the shareholders whose names were on the register of members of the Company as at the date of the passing of the resolutions, on a pro rata basis, and such shares were allotted and issued by way of capitalisation of US\$3,700,000 (approximately RMB24,896,000) from the Company's share premium account on the Listing Date.
- (f) On 4 August 2022, 1,770,000 over-allotment ordinary shares of par value US\$0.01 each were issued at a price of HK\$5.36 per share. The proceeds of US\$17,700 (equivalent to approximately RMB119,000) representing the par value, were credited to the Company's share capital. The remaining proceeds of approximately US\$1,191,000 (equivalent to approximately RMB8,055,000) before listing expenses were credited to the share premium account.
- (g) The Company purchased 20,585,500 of its shares on the Stock Exchange at a total consideration of approximately HK\$112,865,000 (equivalent to approximately RMB101,121,000) for a share award scheme.

OTHER INFORMATION

Dividend

The Board has recommended the payment of a final dividend of HK3.98 cents per Share for the year ended 31 December 2022 out of the Company's share premium account to Shareholders whose names appear on the register of members of the Company at the close of business on Wednesday, 28 June 2023. Subject to the approval of Shareholders at the forthcoming annual general meeting of the Company, it is expected that the final dividend will be payable on or around Tuesday, 25 July 2023.

Purchase, Sale or Redemption of Listed Securities of the Company

The shares of the Company were listed on the Stock Exchange on the Listing Date and over-allotment option was partially exercised on 4 August 2022. Save as the aforesaid, from the Listing Date to 31 December 2022, neither the Company nor its subsidiaries have purchased, redeemed or sold any of its listed securities.

Closure of Register of Members

The register of members of the Company will be closed from Wednesday, 14 June 2023 to Monday, 19 June 2023, both dates inclusive, during which period no transfer of shares will be registered. For determining the entitlement of the Shareholders of the Company to attend and vote at the annual general meeting, all Share transfer document(s) accompanied by the relevant share certificate(s) must be lodged with the Company's Hong Kong branch share registrar and transfer office, Boardroom Share Registrars Limited at 2103B, 21/F, 148 Electric Road, North Point, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 13 June 2023.

The proposed final dividend is subject to the approval of the Shareholders at the annual general meeting. The record date for the proposed final dividend is at the close of business on Wednesday, 28 June 2023. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Monday, 26 June 2023 to Wednesday, 28 June 2023 (both dates inclusive), during which period no transfer of Shares will be registered. In order to qualify for the proposed final dividend, Shareholder must return all relevant transfer document(s) and share certificate(s) to the Company's Hong Kong branch share registrar and transfer office, Boardroom Share Registrars Limited at 2103B, 21/F, 148 Electric Road, North Point, Hong Kong for registration no later than 4:30 p.m. on Friday, 23 June 2023.

Use of Net Proceeds Use of Net Proceeds from the Listing

The Company has been listed on the Main Board of the Stock Exchange since 12 July 2022. The Group received net proceeds (including the partial exercise of the over-allotment option and after deduction of underwriting commissions and related costs and expenses) from the Global Offering of approximately HK\$339.6 million (the "**Net Proceeds**"). The Group will continue to utilise the Net Proceeds as set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus.

The intended application of the Net Proceeds as stated in the Prospectus and the actual utilisation of the Net Proceeds since the Listing Date and up to 31 December 2022 is set out below:

	Approximate percentage of the Net Proceeds	Actual Allocation of the Net Proceeds <i>(HK\$ million)</i>	Utilised Net Proceeds as at 31 December 2022 <i>(HK\$ million)</i>	Unutilised Net Proceeds as at 31 December 2022 <i>(HK\$ million)</i>	Expected timeline for the use of the unutilised Net Proceeds
Upgrade and enhance SaaS products	50.8%	172.5	4.5	168.0	By 31 December 2025
Conduct further research and development of the Group's technology and data warehouse	49.2%	167.1	3.0	164.1	By 31 December 2025
Total	<u>100%</u>	<u>339.6</u>	<u>7.5</u>	<u>332.1</u>	

Since the Listing Date and up to 31 December 2022, the net proceeds have been and will be used in accordance with the purposes set out in the Prospectus, and there has been no material change or delay in the use of the net proceeds.

Events after the Reporting Period

Subsequent to 31 December 2022 and up to the date of this announcement, none of the Directors became aware of any significant events requiring disclosure.

Corporate Governance Practices

The Company is committed to maintaining good corporate governance practices and procedures. The Company was listed on the Main Board of the Stock Exchange on 12 July 2022 and has adopted the code provisions of the CG Code as its own corporate governance code. The Company's corporate governance principles aim to implement effective internal control measures and uphold high standards of ethics, transparency, responsibility and integrity in all aspects of business, in order to ensure that its business and operations are conducted in accordance with applicable laws and regulations.

Since the Listing Date to 31 December 2022, the Company has complied with all applicable code provisions as set forth in Part 2 of the CG Code, except for a deviation from the code provision C.2.1 of the CG Code that the roles of the chairman and chief executive should be separate and should not be performed by the same individual.

Mr. Wu Yushu is the founder of the Group. He is the Chairman, the chief executive officer of the Group and an executive Director. He was appointed as a Director on 4 March 2019. He currently holds directorship in each of the subsidiaries of the Group except Guangzhou Kangzhi. He is also the chairman of the nomination committee of the Board. Mr. Wu is in charge of the overall strategic planning and general management and daily operation of the Group.

Mr. Wu has over 20 years of experience in healthcare information and data analysis industries. Mr. Wu founded the Group in 2007 and has since played a critical role to the growth and business expansion of the Company. The Board believes that vesting the roles of both the chairman and chief executive officer in the same person has the benefit of ensuring consistent leadership within the Group for more effective and efficient overall strategic planning for the Group. The Board considers that the balance of power and authority within the Group will not be impaired by the present arrangement and the current structure will enable the Company to make and implement decisions more promptly and effectively. The Board currently comprises two executive Directors (including Ms. Wang), one non-executive Director and three independent non-executive Directors and therefore, in the Company's view, has an appropriate level of independence element in its composition.

Save for compliance with code provision C.2.1 of the CG Code as stated above, the Company has complied with all applicable code provisions set out in the CG Code from the Listing Date up to 31 December 2022.

The Board reviews the Company's corporate governance practices from time to time in order to meet the expectations of stakeholders and to comply with increasingly stringent regulatory requirements, as well as to fulfill its commitment to excellence in corporate governance.

Compliance with the Model Code for Securities Transactions by Directors of Listed Issuers

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as its own code of conduct for securities transactions by the Directors. Relevant employees of the Company who may be in possession of inside information of the Company by reason of their position or employment are also subject to the Model Code.

Having made specific inquiry of all Directors and relevant employees, each of them confirmed that he/she had complied with all the required standards under the Model Code during the Listing Date and up to 31 December 2022.

Scope of Work for Annual Results Announcement by Auditor

The financial information set out in this announcement does not constitute the Group's audited accounts for the year ended 31 December 2022, but represents an extract from the consolidated financial statements for the year ended 31 December 2022 which have been audited by the auditor of the Company, Ernst & Young in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants.

Audit Committee

The Company has established the Audit Committee with written terms of reference in compliance with the Rule 3.21 of the Listing Rules and the Corporate Governance Code. As of the date of this announcement, the Audit Committee comprises three independent nonexecutive directors of the Company, namely, Ms. Wang Danzhou, Ms. Du Yilin and Mr. Wei Bin. Mr. Wei Bin is the chairman of the Audit Committee.

Change in Information of Directors and Senior Management

Changes in information of the Directors and senior management during the Reporting Period are as follows:

Due to work arrangements, Mr. Zhuang Weijin resigned from the position of vice president of the Company with effect from 1 October 2022, and will continue to hold other positions in the Group after resignation.

Pursuant to the disclosure requirement under Rule 13.51B(1) of the Listing Rules, the changes in information of Directors are as follows:

Ms. Wang Danzhou, an independent non-executive Director, ceased to serve as an independent non-executive director of Guangdong Brandmax Marketing Co., Ltd., (a company listed on the Shenzhen Stock Exchange (stock code: 300805), in September 2022.

Save as disclosed above, since the Listing Date and up to the date of this announcement, there was no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

Publication of Annual Results and Annual Report

This announcement is published on the HKEXnews website (www.hkexnews.hk) and the Company's website (ir.sinohealth.cn). The annual report of the Company for the Reporting Period containing all the information required by the Listing Rules will be despatched to the Shareholders and published on the same websites in due course.

DEFINITIONS

“AI”	artificial intelligence
“AI-MDT”	artificial intelligence multi-disciplinary treatment
“aPaaS”	application platform as a service, a category of cloud service that offers development and deployment environments for application services
“Audit Committee”	the audit committee of the Board
“Board”	the board of Directors
“CG Code”	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
“China” or “PRC”	the People's Republic of China, but for the purpose of this announcement only and except where the context requires otherwise, references in this announcement to “China” or “PRC” do not include Hong Kong, the Macau Special Administrative Region and Taiwan

“CHIS”	one of the SaaS products in our Smart Decision Cloud business segment, which is an intelligent intelligence system for the healthcare industry that provides customers with functions such as industry consulting enquiries, retail data enquiries and drug databases
“CPEO”	Pharmaceutical Enterprises Co-operation and Development Organisation, our event held for healthcare industry players
“CMH”	the cooperation under the CMH Cooperation Agreements
“CMH Cooperation Agreement(s)”	the agreements with retail pharmacies in the PRC in respect of data cooperation arrangements. Under the agreements, retail pharmacies provide, on a monthly basis retail data, while the Group provides data insights and reports to the retail pharmacies in return
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
“Company”	Sinohealth Holdings Limited, an exempted company with limited liability incorporated in the Cayman Islands on 4 March 2019 and registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 7 July 2021
“COVID-19”	the coronavirus disease 2019, a disease caused by a novel coronavirus designated as severe acute respiratory syndrome coronavirus 2, and including its mutations and variants discovered from time to time
“Director(s)”	the director(s) of the Company
“Global Offering”	the Hong Kong public offering and international offering of the Shares
“Group” or “we”	the Company and its subsidiaries
“Healthcare Industry Ecological Platform”	our platform for the events established for healthcare industry players, including CPEO, PHCF, MASC and other small-scale events we organize throughout the year
“High and New Technology Enterprise”	high and new technology enterprise recognised by the Ministry of Science of Guangdong Province, the Ministry of Finance and the State Administration of Taxation in accordance with the Administrative Measures for the Determination of High and New Tech Enterprises
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

“HKFRS”	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“ISO”	International Organisation for Standardisation
“Linghe”	one of the SaaS products in our Smart Decision Cloud business segment, which is an intelligent and efficient marketing decision-making system focusing on the marketing decision-making scenarios of the corporate strategy department, marketing department and sales department
“Lingtong”	one of the products in our Smart Decision Cloud business segment, which is a digital marketing empowerment system that helps customers efficiently formulate deployment strategies, improve deployment efficiency, track marketing effects in real time and collect feed-back on decision-making
“LinkedSee”	one of the SaaS products in our Smart Decision Cloud business segment, which is a consumer insight system that provides customers with functions such as industry insight analysis, category analysis, brand analysis and collection of data report
“Listing Date”	12 July 2022, on which the Shares were listed on the Stock Exchange and from which dealings in the Shares were permitted to commence on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“MASC”	Marketing and Sales Conference, our event held for healthcare industry players
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
“non-standard market”	the terminal market for pharmaceuticals and comprehensive health products with retail pharmacies (including pharmaceutical e-commerce) and private medical institutions as the main players, which are not subject to government bidding and procurement restrictions and not dependent on the payment methods supported by national medical insurance
“PasS layer”	carrying out secondary development on the PaaS framework, realising the standardisation, software as service, modularisation and servicing of professional analysis capabilities and knowledge graphs in the massive healthcare industry through big data management, algorithm models, artificial intelligence and application development, as well as providing process engines and general services such as authorisation setting

“partnering pharmacies”	retail pharmacies with whom we enter into CMH Cooperation Agreements or SIC Services Agreements
“Pharmacy Connect”	one of the SaaS products in our Smart Decision Cloud business segment, which is a retail terminal insight system providing analysis based on multi-dimensional data of pharmacies
“PHCF”	Pharma & Healthcare Conference and Fair, our event held for healthcare industry players
“Prospectus”	The prospectus of the Company dated 28 June 2022 in connection with the Global Offering
“real-world study”	collecting patient-related data in a real-world environment, and through analysis, obtaining clinical evidence of the use value and potential benefits or risks of medical products. The main type of research is observational research, which can also be clinical trials
“Reporting Period”	the year ended 31 December 2022
“RMB”	Renminbi, the lawful currency of China
“SaaS”	software as a service, a cloud-based software licensing and delivery model in which software and associated data are centrally hosted
“Share Award Scheme”	the share award scheme adopted by the Company on 5 December 2022
“Share Option Scheme”	the share option scheme adopted by the Company on 27 April 2022
“Shareholder(s)”	holder(s) of the Share(s)
“Share(s)”	ordinary share(s) of nominal value of US\$0.01 each in the share capital of the Company
“SIC”	one of the SaaS products in our Smart Retail Cloud business segment for chain pharmacies, empowering chain pharmacy customers, pharmacy staff, categories and store operations through intelligent systems, professional operations and insights into the entire industry chain and market
“SIC Services Agreement(s)”	the agreement(s) with the Group’s SIC user(s) governing (i) the provision of SIC, and (ii) data cooperation arrangement

“Sinohealth Information”	Guangzhou Sinohealth Information Co., Ltd (廣州中康資訊股份有限公司), a joint stock company with limited liability established in the PRC on 20 December 2007 and deemed to be a wholly-owned subsidiary of the Group pursuant to the Contractual Arrangements
“standard market”	all the medical supplies markets available for targeted hospitals and all levels of public medical institutions focusing on outpatient and inpatient services, which are subject to government bidding and procurement restrictions
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Think Cloud”	one of the SaaS products in our Smart Decision Cloud business segment, which focuses on the system for decision-making in channel management, sales forecast and other scenarios
“Top List of the Most Promising Artificial Intelligence Enterprises in Guangzhou”	the top list of the most promising artificial intelligence enterprises in Guangzhou under the guidance of Guangzhou Science and Technology Bureau and selected by Guangzhou Technology Financial Group
“US\$”	United States dollars, the lawful currency of the United States of America
“VIE Shareholders”	Mr. Wu Yushu and Ms. Wang Lifang, being the registered shareholders of Sinohealth Information
“Yilingtong”	one of the SaaS products in our Smart Retail Cloud business segment, which focuses on real-time remote monitoring of data such as inventory, supply and distribution of goods
“Zhongkang Technology”	Guangzhou Zhongkang Digital Technology Co Ltd (廣州中康數字科技有限公司), a limited liability company established in the PRC on 8 April 2019, which is directly held as to 100% by Sinohealth Technology Limited (中康健康科技有限公司) and an indirect wholly-owned subsidiary of the Group
“%”	per cent

By order of the Board
Sinohealth Holdings Limited
Wu Yushu
Chairman

Hong Kong, 29 March 2023

As at the date of this announcement, the executive Directors are Mr. Wu Yushu and Ms. Wang Lifang, the non-executive Director is Mr. Fu Haitao, and the independent non-executive Directors are Ms. Wang Danzhou, Ms. Du Yilin and Mr. Wei Bin.