DINGDANG HEALTH TECHNOLOGY GROUP LTD.
叮噹健康科技集團有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 09886

2022
ANNUAL REPORT

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors
Mr. Yang Wenlong (楊文龍) *(Chairman & President)*
Mr. Xu Ning (徐寧)
Mr. Yu Lei (俞雷)
Mr. Yu Qinglong (于慶龍)

Non-executive Directors
Ms. Lian Suping (連素萍)
Ms. Cai Li (蔡俐)

Independent Non-executive Directors
Mr. Zhang Shouchuan (張守川)
(Appointment effective on September 1, 2022)
Mr. Fan Zhenhong (樊臻宏)
(Appointment effective on September 1, 2022)
Mr. Jiang Shan (姜山)
(Appointment effective on September 1, 2022)

AUDIT COMMITTEE

Mr. Jiang Shan *(Chairman)*
Mr. Zhang Shouchuan
Mr. Fan Zhenhong

NOMINATION COMMITTEE

Mr. Yang Wenlong *(Chairman)*
Mr. Fan Zhenhong
Mr. Zhang Shouchuan

REMUNERATION COMMITTEE

Mr. Fan Zhenhong *(Chairman)*
Mr. Zhang Shouchuan
Ms. Cai Li

AUTHORIZED REPRESENTATIVES

Mr. Xu Ning
Mr. Lam Yiu Por

JOINT COMPANY SECRETARIES

Mr. Wang Yongzhi
Mr. Lam Yiu Por

REGISTERED OFFICE

Maples Corporate Services Limited
PO Box 309
Ugland House
Grand Cayman KY1-1104
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

Building 1, Yard 50
Dengshikou Street
Dongcheng District
Beijing
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 3512, 35/F
The Center, 99 Queen's Road Central
Central
Hong Kong

COMPANY WEBSITE

www.ddjkjt.com

LEGAL ADVISORS TO THE COMPANY

As to Hong Kong and U.S. laws:
Clifford Chance

As to Cayman Islands law:
Maples and Calder (Hong Kong) LLP

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants and Registered Public Interest Entity Auditor

COMPLIANCE ADVISOR

Maxa Capital Limited

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716
17th Floor, Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT

Maples Fund Services (Cayman) Limited
PO Box 1093
Boundary Hall
Cricket Square
Grand Cayman, KY1-1102
Cayman Islands

PRINCIPAL BANKER(S)

Agricultural Bank of China, Beijing Branch
China Merchants Bank, Beijing Branch
Bank of Beijing, Dengshikou Sub-branch
Pingan Bank, Beijing Branch
CMB Wing Lung Bank
China Merchants Bank, Hong Kong Branch

STOCK CODE

09886

Definitions

In this annual report, the following expressions have the meanings set out below unless the context otherwise requires:

"affiliate"	with respect to any specific person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
"AFRC"	Accounting and Financial Reporting Council
"Articles" or "Articles of Association"	the amended and restated articles of association of our Company, conditionally adopted on August 25, 2022 with effect from the Listing Date, as amended and supplemented from time to time
"Audit Committee"	the audit committee of the Company
"Auditor"	Deloitte Touche Tohmatsu, the auditor of the Company
"Board" or "Board of Directors"	the board of Directors of the Company
"Cayman Companies Act" or "Companies Act"	the Companies Act, Cap. 22 (As Revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
"CG Code"	the Corporate Governance Code as set out in Appendix 14 of the Listing Rules
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company" or "our Company" or "the Company"	Dingdang Health Technology Group Ltd., an exempted company incorporated in the Cayman Islands with limited liability on August 20, 2014
"Consolidated Affiliated Entity(ies)"	entities whose financial results have been consolidated and accounted for as subsidiaries of our Company by virtue of the Contractual Arrangements, including Dingdang Medicine Express Technology, Jiangxi Dingdang Health Pharmacy Chain Co., Ltd. (江西叮噹健康藥房連鎖有限公司), Hainan Dingdang Kuaiyi, Hainan Internet Hospital and Hainan Telemedicine Center
"Contractual Arrangements"	the series of contractual arrangements entered into by, among others, the WFOE, Dingdang Medicine Express Technology and the Registered Shareholders
"Controlling Shareholders"	has the meaning ascribed to it under the Listing Rules and refers to each of Mr. Yang Wenlong, Mr. Yang Yibin, Mr. Yang Xiao, Excel Returns Group Limited, Go Prosper Enterprises Corporation, Much Premium Investment Limited, Delight Health Limited, Future Health Limited, Delight Faith Limited and Go Far Limited

"Controlling Shareholders Group"	Mr. Yang Wenlong, Mr. Yang Yibin and Mr. Yang Xiao, Excel Returns Group Limited, Go Prosper Enterprises Corporation and Much Premium Investment Limited, Delight Health Limited, Future Health Limited, Delight Faith Limited, and Go Far Limited are deemed to be a group of Controlling Shareholders
"Dingdang Medicine Express Technology"	Dingdang Medicine Express Technology Group Ltd. (叮噹快藥科技集團有限公司), a company incorporated under the laws of the PRC on September 2, 2014 with limited liability and a Consolidated Affiliated Entity, which is a holding company of all the other Consolidated Affiliated Entities of our Group
"Dingdang No. 1"	Zhuhai Dingdang No. 1 Enterprise Management Consulting Center (Limited Partnership) (珠海叮噹一號企業管理諮詢中心(有限合夥)), a limited partnership incorporated under the laws of the PRC on July 26, 2016 and one of the Registered Shareholders
"Dingdang No. 2"	Zhuhai Dingdang No. 2 Enterprise Management Consulting Center (Limited Partnership) (珠海叮噹二號企業管理諮詢中心(有限合夥)), a limited partnership incorporated under the laws of the PRC on July 26, 2016 and one of the Registered Shareholders
"Dingdang No. 3"	Zhuhai Dingdang No. 3 Enterprise Management Consulting Center (Limited Partnership) (珠海叮噹三號企業管理諮詢中心(有限合夥)), a limited partnership incorporated under the laws of the PRC on July 26, 2016 and one of the Registered Shareholders
"Dingdang No. 4"	Zhuhai Dingdang No. 4 Investment Center (Limited Partnership) (珠海叮噹四號投資中心(有限合夥)), a limited partnership incorporated under the laws of the PRC on July 26, 2016 and one of the Registered Shareholders
"Director(s)"	the director(s) of the Company
"ESOP Plans"	Pre-IPO Share Option Scheme, Restricted Share Scheme and RSU Scheme adopted on May 1, 2020 and the Restricted Share Agreement dated May 31, 2021
"Global Offering"	the Hong Kong Public Offering and the International Offering
"Group" or "our Group" or "we" or "us"	our Company, its subsidiaries and the Consolidated Affiliated Entities (or our Company and any one or more of its subsidiaries or the Consolidated Affiliated Entities, as the context may require)
"Hainan Dingdang Kuaiyi"	Dingdang Kuaiyi (Hainan) Medical Technology Co., Ltd. (叮噹快醫(海南)醫療科技有限公司), a company incorporated under the laws of the PRC on April 18, 2019 with limited liability and our Consolidated Affiliated Entity

"Hainan Internet Hospital"	Dingdang Kuaiyi (Hainan) Internet Hospital Co., Ltd. (叮噹快醫(海南)互聯網醫院有限公司), a company incorporated under the laws of the PRC on September 4, 2019 with limited liability and our Consolidated Affiliated Entity
"Hainan Telemedicine Center"	Dingdang Kuaiyi (Hainan) Telemedicine Center Co., Ltd. (叮噹快醫(海南)遠程醫療中心有限公司), a company incorporated under the laws of the PRC on August 26, 2019 with limited liability and our Consolidated Affiliated Entity
"HK$" or "HK dollars" or "HKD"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Listing Rules" or "Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
"Hong Kong Offer Shares"	the 3,354,000 Offer Shares initially offered by our Company for subscription at the Offer Price pursuant to the Hong Kong Public Offering
"Hong Kong Public Offering"	the offer of the 3,354,000 Offer Shares initially offered by our Company for subscription by the public in Hong Kong at the Offer Price (plus brokerage, SFC transaction levy, AFRC transaction levy and the Stock Exchange trading fees)
"IFRS(s)"	International Financial Reporting Standards, which include standards, amendments and interpretations promulgated by the International Accounting Standards Board and the International Accounting Standards and interpretation issued by the International Accounting Standards Committee
"International Offer Shares"	the 30,183,000 Shares initially offered by our Company for subscription pursuant to the International Offering together with up to an aggregate of 5,030,500 Shares which may be issued by our Company pursuant to the exercise of the Over-allotment Option
"International Offering"	the offer of the International Offer Shares by the International Underwriters outside the United States in offshore transactions in accordance with Regulation S under the U.S. Securities Act and in the United States to QIBs (a qualified institutional buyer within the meaning of Rule 144A under the U.S. Securities Act) only in reliance on Rule 144A under the U.S. Securities Act or any other available exemption from registration under the U.S. Securities Act
"International Underwriters"	the group of international underwriters, led by the Joint Global Coordinators, that is expected to enter into the international underwriting agreement to underwrite the International Offering

"Jiangxi Dingdang E-Commerce"	Jiangxi Dingdang E-Commerce Co., Ltd. (江西叮噹電子商務有限公司), a company incorporated under the laws of the PRC on February 22, 2016 with limited liability and our indirect wholly-owned subsidiary
"Jiangxi Health Pharmacy"	Jiangxi Dingdang Health Pharmacy Chain Co., Ltd. (江西叮噹健康藥房連鎖有限公司), a company incorporated under the laws of the PRC on September 21, 2020 with limited liability and our Consolidated Affiliated Entity
"Jiangxi Renhetang"	Jiangxi Renhetang Pharmaceutical Chain Co., Ltd. (江西仁和堂醫藥連鎖有限公司), a company incorporated under the laws of the PRC on March 12, 2015 with limited liability and our subsidiary
"Joint Global Coordinators"	China International Capital Corporation Hong Kong Securities Limited and CMB International Capital Limited (in no particular order)
"Listing"	listing of the Shares on the Main Board of the Hong Kong Stock Exchange
"Listing Date"	September 14, 2022, on which our Shares are listed and from which dealings therein are permitted to take place on the Hong Kong Stock Exchange
"Main Board"	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules
"Nanjing Zhaoyin Gongying"	Nanjing Zhaoyin Gongying Equity Investment Partnership (Limited Partnership) (南京市招銀共贏股權投資合夥企業(有限合夥)), a limited partnership incorporated under the laws of the PRC on July 10, 2019
"Nomination Committee"	the nomination committee of the Company
"Offer Price"	HK$12.00 per Offer Share (exclusive of brokerage fee of 1.0%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and Stock Exchange trading fee of 0.005%)
"Offer Share(s)"	the Hong Kong Offer Shares and the International Offer Shares, together with up to an aggregate of 5,030,500 Shares which may be issued by our Company pursuant to the exercise of the Over-allotment Option
"Over-allotment Option"	the option that has been granted by our Company to the International Underwriters, exercisable by the Joint Global Coordinators pursuant to the international underwriting agreement, pursuant to which our Company may be required to allot and issue up to an aggregate of 5,030,500 additional Shares at the Offer Price to, among other things, cover over-allocations in the International Offering

"PRC" or "China"	the People's Republic of China, excluding, for the purposes of this report only, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Pre-IPO Share Option Scheme"	the Pre-IPO share option scheme adopted by the Company on May 1, 2020
"Prospectus"	the prospectus of the Company dated September 1, 2022
"Registered Shareholders"	the registered shareholders of Dingdang Medicine Express Technology, namely Mr. Yang Wenlong, Dingdang No. 1, Dingdang No. 2, Dingdang No. 3, and Dingdang No. 4
"Remuneration Committee"	the remuneration committee of the Company
"Renhe"	Renhe (Group) Development Co., Ltd. (仁和(集團)發展有限公司) (together with its subsidiaries, "**Renhe Group**"), a company incorporated under the laws of the PRC on July 6, 2001 with limited liability, in which Mr. Yang Wenlong (by himself and together with his close associates) directly controls 100% of the equity interests
"Renhe Pharmacy"	Renhe Pharmacy Co., Ltd. (仁和藥業股份有限公司) (together with its subsidiaries, "**Renhe Pharmacy Group**"), a joint stock company incorporated under the laws of the PRC on December 4, 1996 and listed on Shenzhen Stock Exchange (stock code: 000650), in which Mr. Yang Wenlong (by himself and together with his close associates) indirectly controls approximately 28.73% of the equity interests
"Reporting Period"	the year ended December 31, 2022
"Restricted Share Agreement"	the restricted share agreement entered into by the Company, Mr. Yang Wenlong and Future Health Limited, a company held as to 60% of its equity interests by Mr. Yang Wenlong on May 31, 2021 which has been approved by the Shareholders of the Company on May 25, 2021
"Restricted Share Scheme"	the restricted share scheme adopted by the Company on May 1, 2020
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"RSU Scheme"	the restricted share unit scheme adopted by the Company on May 1, 2020
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share Incentive Schemes"	Pre-IPO Share Option Scheme, Restricted Share Scheme and RSU Scheme adopted on May 1, 2020

"Share(s)"	ordinary shares in the share capital of our Company with a par value of US$0.0001
"Shareholder(s)"	holder(s) of our Shares
"Stock Exchange" or "Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed thereto in section 15 of the Companies Ordinance
"substantial shareholder(s)"	has the meaning ascribed to it in the Listing Rules
"U.S." or "United States"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"U.S. Securities Act"	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
"US$" or "USD"	United States dollars, the legal currency of the United States
"WFOE"	Dingdang Kuaiyao (Beijing) Technology Development Co., Ltd. (叮噹快藥（北京）技術開發有限公司), a company incorporated under the laws of the PRC on September 30, 2016 with limited liability and our indirect wholly-owned subsidiary
"%"	per cent

Financial Summary

	Year ended December, 31				
	2022	2021	2020	2019	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
RESULTS					
Revenue	**4,329,075**	3,678,690	2,228,563	1,275,589	584,612
Gross profit	**1,449,670**	1,162,311	766,193	469,954	240,239
Loss before income tax	**(2,832,147)**	(1,581,859)	(900,887)	(265,696)	(96,749)
Income tax expense	**(10,128)**	(17,115)	(18,793)	(8,236)	(6,423)
Loss for the year	**(2,842,275)**	(1,598,974)	(919,680)	(273,932)	(103,172)
Attributable to:					
Owners of the Company	**(2,833,395)**	(1,578,026)	(924,250)	(276,635)	(107,583)
Non-controlling interests	**(8,880)**	(20,948)	4,570	2,703	4,411
	(2,842,275)	(1,598,974)	(919,680)	(273,932)	(103,172)

	As of December, 31				
	2022	2021	2020	2019	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
ASSETS AND LIABILITIES					
ASSETS					
Non-current assets	**769,888**	678,466	692,729	308,924	122,089
Current assets	**2,527,587**	2,267,693	1,093,417	445,253	226,400
Total assets	**3,297,475**	2,946,159	1,786,146	754,177	348,489
EQUITY					
Equity attributable to owners of the Company	**2,185,658**	(2,612,247)	(1,358,415)	(447,062)	(170,427)
Non-controlling interests	**13,538**	22,418	53,373	9,652	9,245
Total equity	**2,199,196**	(2,589,829)	(1,305,042)	(437,410)	(161,182)
LIABILITIES					
Non-current liabilities	**128,945**	4,797,059	2,489,683	859,363	150,473
Current liabilities	**969,334**	738,929	601,505	332,224	359,198
Total liabilities	**1,098,279**	5,535,988	3,091,188	1,191,587	509,671
Total equity and liabilities	**3,297,475**	2,946,159	1,786,146	754,177	348,489

Dear Shareholders,

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

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

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

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

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

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

Yang Wenlong
Chairman & President

March 28, 2023

BUSINESS REVIEW

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

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

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

- **Drug Express Business**

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

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

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

In 2022, we actively explored the application of leading digital technologies such as AI, 5G, IoT and cloud computing. We used "E-zoning" technology to scientifically plan pharmacy locations and applied intelligent systems such as "electronic route planning", "Dingdang sandbox", "smartphone intelligent picking" and "smartphone dynamic inventory" to comprehensively improve operational efficiency. We used semantic recognition technology to create intelligent user search and relied on AI technology to launch the medical dictionary think tank system and smart medication reminder service, hence comprehensively enhancing professional intelligent services. We actively developed safe temperature-controlled smart drug boxes, and relied on big data algorithms to build a digital dispatching model, flexibly configuring and combining multiple transportation capacities, and comprehensively reducing operating costs. Innovative digital technology runs through our entire operation process, and the deep integration of digital economy and real economy is continuing. Digital innovation technology is benefiting people's health through us.

➢ Online Direct Sales

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

➢ Business Distribution

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

➢ Offline Retail

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

➢ **Other Business**

The Company has cooperated with over 5,000 pharmaceutical manufacturers and pharmaceutical distribution companies in aggregate. While establishing alliance and continuously deepening cooperation with pharmaceutical manufacturers and enterprises, the Company also realized in-depth cooperation in terms of advertisement, promotion, marketing service and research and development for pharmaceutical products. During the Reporting Period, our other business recorded revenue of RMB127.5 million (2021: RMB117.4 million), representing a year-on-year increase of 8.6%.

- **Online Medical Consultation**

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

- **Chronic Disease and Health Management**

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

Public Welfare and Social Responsibility

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

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

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

Social Honours

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

- 2022 Most Socially Influential Startups in China as released by Fortune, a world renowned financial magazine;
- Global Unicorn List of Hurun Research Institute;
- "Chinese Pharmaceutical New Retail Leader" as released by 2022 China Medical and Health Industry Symbiosis Conference (MHIS);

- Selected for the second batch of specialization, refinement, differentiation, innovation of "Little Giant" Enterprises List in Beijing as published by Beijing Municipal Bureau of Economy and Information Technology;

- "Most Valuable Brand for Investment" by Chinese Venture;

- "Most Valuable Investment Brand" at China Information Innovation Industry Award by iiMedia Research;

- "2022 Top 100 Pharmaceutical Retail Enterprises" and "2022 Top 10 E-commerce Pharmaceutical Retail Enterprises" by CHEO;

- "Award for Innovation on Operation" by Chinese Drug Store

Future Prospects

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

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

FINANCIAL REVIEW

Revenue

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

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

Cost of Revenue

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

Gross Profit and Gross Profit Margin

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

Fulfillment Expenses

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

Selling and Marketing Expenses

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

Research and Development Expenses

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

General and Administrative Expenses

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

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

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

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

Other Gains and Losses, Net

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

Other Income

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

Finance Costs

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

Listing Expenses

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

Income Tax Expenses

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

Loss for the Year

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

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

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

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

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

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

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

LIQUIDITY AND CAPITAL RESOURCES

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

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

Net Cash Used in Operating Activities

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

Net Cash Used in Investing Activities

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

Net Cash From Financing Activities

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

Borrowings and Gearing

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

Financial Liabilities at FVTPL

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

Capital Expenditures

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

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

Capital Commitments

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

Pledges of Assets

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

Significant Investments Held

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

Future Plans for Material Investments and Capital Assets

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

Material Acquisitions and/or Disposals of Subsidiaries and Affiliated Companies

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

Foreign Exchange Risk

The functional currency of the Group's entities is RMB. Foreign exchange risk arises when future commercial transactions or recognized financial assets and liabilities are denominated in currencies that are not the respective functional currency of the Group's entities. The Group has not entered into any forward exchange contracts to hedge its exposure to foreign exchange risk.

For further details, please refer to notes 32.2(a) to the consolidate financial statements.

CONTINGENT LIABILITIES

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

EMPLOYEES

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

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

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

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

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

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

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

USE OF NET PROCEEDS FROM THE GLOBAL OFFERING

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

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

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

Executive Directors

Mr. Yang Wenlong (楊文龍), aged 61, is the founder and Controlling Shareholder of the Company. Mr. Yang was appointed as the executive Director of the Company on August 20, 2014. Mr. Yang is also the Chairman of the Board and President of the Company, and is responsible for supervising daily operations and business development, supervising overall business planning and implementation. Mr. Yang is the chairman of the Nomination Committee of the Company.

Mr. Yang is also currently a director of several subsidiaries of the Group, including Dingdang Health Limited and Dingdang Health Technology Group (HK) Limited. Mr. Yang has over 21 years of experience in the pharmaceutical and healthcare industry in the PRC. Mr. Yang has been the chairman of the board of directors and the president of Renhe since July 2001. From January 2023, Mr. Yang has been elected as a standing member of the thirteenth session of the Chinese People's Political Consultative Conference (**CPPCC**) of Jiangxi Province. Mr. Yang is also currently the vice chairman of Jiangxi Federation of Industry and Commerce (General Chamber of Commerce). From March 2013 to December 2022, Mr. Yang served as a deputy officer of the Central Population, Medicine and Health Committee of China National Democratic Construction Association (**CNDCA**). Mr. Yang served as the chairman of Yichun Federation of Industry and Commerce, and also consecutively served as a member of the eleventh, twelfth and thirteenth session of the National Committee of the CPPCC, a member of the ninth, tenth and eleventh session of CNDCA, as well as the vice chairman of the seventh, eighth and ninth session of Jiangxi Municipal Committee of CNDCA and the vice chairman of Zhangshu Committee of the CPPCC. Mr. Yang served as the chairman of the board and the general manager of Jiangxi Kangmei Medical Health Care Products Co., Ltd. (江西康美醫藥保健品有限公司), a company engages in medical and health business, from November 1998 to July 2001.

Mr. Yang obtained an MBA from Renmin University in November 2004 in Beijing, the PRC and obtained a certificate upon completion of the fifth China CEO program of Cheung Kong Graduate School of Business in November 2010 in Beijing, the PRC. Mr. Yang holds a certificate of senior economist issued by Ministry of Personnel of Jiangxi Province, now known as Jiangxi Province Human Resources and Social Security Department, in January 2004 and a Chinese herbalist certificate issued by Zhangshu Title Reform Leading Group (樟樹市職稱改革領導小組) in October 1997.

Mr. Xu Ning (徐寧), aged 44, was appointed as the executive Director of the Company on May 26, 2021. Mr. Xu is also the Vice President of the Company, and is responsible for assisting the President with the day-to-day operation and management of the Group.

Mr. Xu serves as the vice president and chief financial officer of Dingdang Medicine Express Technology since January 2016 and a director of Dingdang Medicine Express Technology since September 2020. Mr. Xu is also currently a director of several subsidiaries and consolidated affiliated entities of the Group, including Dingdang (Beijing) Health Management Co., Ltd.(叮噹(北京)健康管理有限公司), Dingdang Kuaiyao (Beijing) Technology Development Co., Ltd. (叮噹快藥(北京)技術開發有限公司), Tianjin Delight Health Investment Limited (天津健興投資有限公司) and Tianjin Ding Health Technology Limited (天津叮健科技有限公司). Before joining the Group, Mr. Xu held positions in two media companies, including serving as the chief financial officer of Dongfang Fengxing (Beijing) Media Culture Co., Ltd. (東方風行(北京)傳媒文化有限公司) from July 2009 to December 2015 and the chief financial officer of Shanghai Framedia Advertising Development Co., Ltd. (上海框架廣告發展有限公司) from April 2007 to July 2009. Mr. Xu also served as the financial manager of China Economic Herald from July 2000 to June 2006.

Mr. Xu obtained a bachelor's degree of Tax from Shanghai University of Finance and Economics in Shanghai, the PRC in July 2000. He is an intermediate accountant since May 2007, an associate of The Chinese Institute of Certified Public Accountants (CICPA) since September 2010 (currently non-practising), and an associate of The Chartered Institute of Management Accountants (CIMA) since November 2020.

Mr. Yu Lei (俞雷), aged 45, was appointed as the executive Director of the Company on May 26, 2021. Mr. Yu is also the Vice President of the Company, and is responsible for assisting the President with the day-to-day operation and management of the Group.

Mr. Yu has served as the general manager of Jiangxi Dingdang E-Commerce since December 2016. Mr. Yu joined the Group in March 2015 and currently holds various positions at Dingdang Medicine Express Technology, including as a chief executive officer since November 2017, a chief operating officer since July 2015, and a senior vice president of operation since March 2015. Mr. Yu also served as the director of Dingdang Medicine Express Technology from November 2017 to May 2021. Before joining the Group, Mr. Yu served as the special business assistant to CEO and general manager of network operations centre at Lefeng (Shanghai) Information Technology Co., Ltd. (樂蜂網(上海)信息技術有限公司), a participant in the e-commerce industry, from April 2012 to March 2015. Prior to that, Mr. Yu held various positions with Orient Home Decoration & Building Materials Co. Ltd. (東方家園家居建材商業有限公司), which engages in the provision of home decoration and construction materials, including as the member of the executive committee, executive vice president of supermarket business department, operations director and marketing director from March 2008 to May 2012, and served as a senior marketing manager at the marketing center of Beijing Wumart Commercial Group Co., Ltd. (北京物美商業集團股份有限公司), a retail chain operator, from April 2003 to March 2008.

Mr. Yu obtained a bachelor's degree of economics (majoring in business management and minoring in economics) from Tianjin College of Commerce (天津商學院), now known as Tianjin University of Commerce (天津工商大學), in Tianjin, the PRC in July 2000. Mr. Yu currently holds a certificate of intermediate economist majoring in business administration and economics issued by the Ministry of Personnel of the PRC, now known as the Ministry of Human Resources and Social Security of the PRC, in November 2005. Mr. Yu also holds an HVAC engineer certificate granted by China Construction First Bureau (Group) Co., Ltd. (中國建築一局(集團)有限公司) in November 2004.

Mr. Yu Qinglong (于慶龍), aged 38, was appointed as the executive Director of the Company on June 10, 2021. Mr. Yu is also the chief technology officer of the Company, and is responsible for overseeing the overall technology development of the Group.

Mr. Yu has been the chief technology officer of Dingdang Medicine Express Technology since January 2015. Prior to joining the Group, Mr. Yu served as a senior manager at Vipshop (China) Co., Ltd. (a company listed on the New York Stock Exchange (stock symbol: VIPS)) from July 2014 to January 2015 and a senior director at Lefeng (Shanghai) Information Technology Co., Ltd. (樂蜂網(上海)信息技術有限公司) from April 2008 to July 2014. Both of Vipshop (China) Co., Ltd. and Lefeng (Shanghai) Information Technology Co., Ltd. are participants in the e-commerce industry. Mr. Yu also serves as a consultant specially invited by Chinese General Chamber of Commerce since January 2020, a master plan design expert specially invited by the New Smart City Committee of Enterprise Information Construction Committee of the China Communication Industry Association since December 2019, and served as the expert consultant of the Global Internet Technology Conference in 2018.

Mr. Yu received a bachelor's degree in computer software application from Jilin University in Jilin, the PRC in December 2016 and a college degree (專科) in computer network technology from Harbin Vocational and Technical College (哈爾濱職業技術學院) in Heilongjiang, the PRC in January 2007. Mr. Yu was awarded as "The Most Influential Technology Leader" in the Chief Tech Director Conference held by Chief Technology Officer Alliance in 2018.

Non-executive Directors

Ms. Cai Li (蔡俐), aged 39, was appointed as the non-executive Director of the Company on May 26, 2021. Ms. Cai is also a member of the Remuneration Committee of the Company.

Ms. Cai joined TPG Capital in August 2011 and is recently serving as a managing director of TPG Capital, a leading global alternative asset firm, responsible for TPG Capital's healthcare investments in Greater China. Ms. Cai currently serves as director of several member companies of Novotech Health Holdings Pte. Ltd. (a contract research organization invested by TPG Capital), including as a director of Novotech Health Holdings Pte. Ltd. since December 2020, Novotech (Australia) Pty Ltd since July 2020, Novotech Holdings Pty Ltd since July 2020, Novotech Aus Holdco Pty Ltd since July 2020, Biosuntek Laboratory Co., Ltd. since December 2019, Acrostar Site Management Co., Ltd. (南京立順康達醫藥科技有限公司) since January 2019, PPC China Clinical Research Corporation Limited (上海立興佳生醫藥科技有限公司) since February 2018, Novotech Pharmaceutical Technology (Shanghai) Co., Ltd. (諾為泰醫藥科技(上海)有限公司) (previously known as PPC China Corporation Limited (上海百利佳生醫藥科技有限公司)) since October 2017, PPC K.K. since September 2017, PPC Korea since August 2017, Acrostar Pharmaservices Corporation (徐州立順康達醫藥科技有限公司) since August 2017, Bailixing (Xiamen) Equity Investment Co., Ltd. (百立興(廈門)股權投資有限公司) since August 2017, PPC Intermediate Holding Company since August 2017, and PPC Holding Company since August 2017, respectively

Ms. Cai also currently holds positions in two other healthcare companies, including serving as a non-executive director of Zhaoke Ophthalmology Limited (a company listed on the Stock Exchange (stock code: 06622)) since October 2020 and a non-executive director of Kangji Medical Holdings Limited (a company listed on the Stock Exchange (stock code: 09997)) since March 2020. Ms. Cai also serves as a supervisor of Shanghai Deyu Deqi Enterprise Management Consulting Co., Ltd. (上海德虞得起企業管理諮詢有限公司), a company which focuses on investment consulting, since November 2016. Ms. Cai served as a non-executive director of Shanghai Bio-heart Biological Technology Co., Ltd. (a company listed on the Stock Exchange (stock code: 2185)) from September 2020 to November 2022. From March 2009 to July 2011, Ms. Cai worked as an investment manager at HAO Capital (Haotian Jinsheng Investment Management (Beijing) Limited), focusing on growth stage healthcare investments. From 2007 through 2008, Ms. Cai worked as a research analyst at Credit Suisse AG (New York).

Ms. Cai obtained a bachelor's degree in biomedical engineering and economics from Yale University in Connecticut, the United States in May 2007.

Ms. Lian Suping (連素萍), aged 54, was appointed as the non-executive Director of the Company on June 10, 2021. Ms. Lian served as the director of Dingdang Medicine Express Technology since February 2019. Ms. Lian currently works for CMB International Capital Corporation Limited (招銀國際金融有限公司), a financial service provider, since December 2016. Ms. Lian served as the deputy general manager of asset management department from July 2016 to December 2016 and assistant of general manager of asset management department of China Merchants Bank Co., Ltd. (招商銀行股份有限公司) from April 2014 to July 2016.

Ms. Lian obtained a bachelor's degree of computer software from Xidian University (西安電子科技大學) in Shaanxi, the PRC in July 1990. Ms. Lian is a senior economist.

Independent Non-executive Directors

Mr. Zhang Shouchuan (張守川), aged 57, was appointed as an independent non-executive Director of the Company on June 19, 2021 and such appointment is effective from September 1, 2022. Mr. Zhang is a member of the Audit Committee, Remuneration Committee and Nomination Committee of the Company, respectively.

Mr. Zhang currently serves as the executive director and general manager of Hebei Litian Longde Technology Co., Ltd. (河北力天隆德科技有限公司) since December 2019, the chairman of the board of directors of Beijing Hengtao Technology Co., Ltd. (北京恒桃科技有限公司) since February 2019, the supervisor of Beijing Zhiyan Technology Co., Ltd. (北京智研科技有限公司) since June 2017, the general manager of Beijing Tiantao Technology Co., Ltd. (北京天桃科技有限公司) since May 2017, the executive director of Henan Taogu Information Technology Co., Ltd. (河南桃穀資訊科技有限公司) since November 2016, the independent non-executive director of Hebei Tangren Pharmaceutical Co., Ltd. (河北唐人醫藥股份有限公司) since April 2016, the executive director of Hebei Taogu Technology Co., Ltd. (河北桃穀科技有限公司) since March 2016, and the chairman of the board of directors and chief executive officer of Beijing Taogu Technology Co., Ltd. (北京桃穀科技有限公司) since March 2015, respectively. The companies where Mr. Zhang are engaged mainly focus on medical services and promotion and application of technology. From August 2013 to February 2015, Mr. Zhang served as the chief operating officer of Alibaba Health Information Technology Limited (a company listed on the Stock Exchange (stock code: 00241) with a focus on medical and healthcare services). Prior to that, Mr. Zhang worked for two retail companies, including serving as the vice president of Beijing Jingdong Century Trading Co., Ltd. (北京京東世紀貿易有限公司) from December 2009 to August 2013, and the general manager of Metro AG Northern China from 1996 to September 2008, respectively.

Mr. Zhang obtained a bachelor's degree of Sanskrit Pali Language from Peking University in Beijing, the PRC in July 1989, and obtained his EMBA from Guanghua School of Management, Peking University in Beijing, the PRC in January 2015. In March 2017, Mr. Zhang was appointed by the Global Doctor Organization (China) as a senior strategic expert in the "Top-level Design and Senior Management Seminar for Chinese Internet Hospitals".

Mr. Fan Zhenhong (樊臻宏), aged 55, was appointed as an independent non-executive Director of the Company on June 19, 2021 and such appointment is effective from September 1, 2022. Mr. Fan is a member of the Audit Committee and the Nomination Committee as well as the chairman of the Remuneration Committee of the Company, respectively.

Mr. Fan has rich experience working in investment management companies. He currently serves as the responsible officer of First Seafront Financial Limited (第一前海金融有限公司) since September 2019, and a non-executive director of Beijing Jianguang Asset Management Co., Ltd. (北京建廣資產管理有限公司) since October 2014, respectively. From May 2010 to September 2019, Mr. Fan served as the general manager of Tianjin Huitong Taihe Investment Management Co., Ltd. (天津匯通太和投資管理有限公司).

Mr. Fan obtained a bachelor's degree of communication from Nanjing University of Posts and Telecommunications in Nanjing, the PRC in July 1987, a master's degree of electrical machinery from Rutgers University in New Jersey, the United States in October 1992, and a PhD in Finance and Statistics from Stern School of Business, New York University in New York, the United States in January 2000, respectively.

Mr. Jiang Shan (姜山), aged 51, was appointed as an independent non-executive Director of the Company on June 19, 2021 and such appointment is effective from September 1, 2022. Mr. Jiang is the chairman of the Audit Committee of the Company.

Mr. Jiang served as the independent non-executive director of Beijing Meizhong Yihe Medical Management (Group) Co., Ltd. (北京美中宜和醫療管理(集團)股份有限公司), a company providing healthcare services. Mr. Jiang also worked in several financial institutions. From April 2018 to February 2019, Mr. Jiang served as the co-chief financial officer of China Renaissance Holdings Limited (a company listed on the Stock Exchange (stock code: 01911)). Prior to that, Mr. Jiang held various positions from July 2011 to July 2012 at Morgan Stanley Huaxin Securities, including serving as managing director of the investment banking department. Mr. Jiang worked in TPG Capital from February 2007 to January 2009, serving as director of the investment team and the chief representative of the Beijing representative office of TPG Capital China Limited from August 2007 to January 2009. Mr. Jiang was the executive director in the corporate finance department of Goldman Sachs (Asia) L.L.C. from September 2004 to January 2007, and he also held various positions at UBS from April 2000 to September 2004, including as director of the investment banking department. Mr. Jiang served as an auditor at Arthur Andersen Huaqiang CPAs from July 1994 to May 1997.

Mr. Jiang received a bachelor's degree in English from Beijing Foreign Studies University in Beijing, the PRC in July 1994 and his master's degree in business administration from Kelley School of Business, Indiana University in Indiana, the United States in May 1999. Mr. Jiang has been a member of The Chinese Institute of Certified Public Accountants since March 2002 (currently non-practising).

Joint Company Secretaries

Mr. Wang Yongzhi (王永智), aged 44, was appointed as the Board secretary and the joint company secretary of the Company on June 19, 2021. Mr. Wang has been the board secretary of Dingdang Medicine Express Technology since June 2020. Prior to joining the Group, Mr. Wang served as the board secretary of Autel Intelligent Technology Co., Ltd. (深圳市道通科技股份有限公司) (a company listed on the Shanghai Stock Exchange (stock code: 688208)) from March 2018 to June 2020, the deputy general manager and board secretary of Shenzhen Wushan New Materials Co., Ltd. (深圳市五山新材料股份有限公司) from February 2012 to March 2018, the board secretary of Shenzhen Riland Industry Co., Ltd. (深圳市瑞淩實業股份有限公司) (a company listed on the Shenzhen Stock Exchange (stock code: 300154)) from September 2009 to January 2012, and the deputy director of investment operation management centre of Antaeus Investment Group Co., Ltd. (今典投資集團有限公司) from May 2008 to September 2009, respectively. Prior to that, Mr. Wang worked in China Securities Depository and Clearing Corporation Limited Shanghai Branch from August 2005 to March 2008 and Everbright Securities Co., Ltd. from July 2004 to August 2005, respectively.

Mr. Wang received a bachelor's degree of science in applied mathematics from Nankai University in Tianjin, the PRC in June 2001, and his master's degree of economics in finance from Peking University in Beijing, the PRC in June 2004, respectively.

Mr. Lam Yiu Por (林曉波), aged 46, was appointed as the chief financial officer and company secretary of the Company on January 15, 2021. Mr. Lam has more than 20 years of experience in the field of finance and accounting. Prior to joining our Group, Mr. Lam served as the vice president and chief financial officer of Greentech Technology International Limited (formerly known as L'sea Resources International Holdings Ltd., a company listed on the Stock Exchange (stock code: 00195)) from November 2013 to July 2020, the chief financial officer and company secretary of SSY Group Limited (formerly known as Lijun International Pharmaceutical (Holding) Co., Ltd., a company listed on the Stock Exchange (stock code: 02005)) from December 2005 to May 2008, and the financial controller and qualified accountant of China Clean Energy Technology Group Limited (formerly known as Zhongtian International Limited, a company listed on the Stock Exchange (stock code: 02379)) from July 2004 to December 2005. Mr. Lam also worked at several private companies and firms serving positions in accounting and finance since 1997.

Mr. Lam is currently an independent non-executive director of JNBY Design Limited (a company listed on the Stock Exchange (stock code: 03306)). Mr. Lam served as an independent non-executive director and a member of the audit committee of Tian Ge Interactive Holdings Limited (a company listed on the Stock Exchange (stock code: 01980)) from January 2021 to June 2022, an independent non-executive director and a member of the audit committee of China Tontine Wines Group Limited (a company listed on the Stock Exchange (stock code: 00389)) from November 2016 to November 2018, an independent non-executive director and a member of the audit committee of Denox Environmental & Technology Holdings Limited (a company listed on the Stock Exchange (stock code: 01452)) from October 2015 to June 2020, a non-executive director of Zhong Ao Home Group Limited (a company listed on the Hong Kong Stock Exchange (stock code: 01538)) from April 2015 to May 2017, an independent non-executive director and a member of the audit committee of China Supply Chain Holdings Ltd (formerly known as Yat Sing Holdings Limited, a company listed on the Stock Exchange (stock code: 03708)) from December 2014 to March 2016, and an independent non-executive director of GR Properties Limited (a company listed on the Stock Exchange (stock code: 00108)) from June 2012 to February 2014.

Mr. Lam received a bachelor's degree of arts in accountancy from the Hong Kong Polytechnic University in Hong Kong in November 1997. Mr. Lam has been a member of The Hong Kong Institute of Certified Public Accountants, an associate of The Hong Kong Chartered Governance Institute, formerly known as The Hong Kong Institute of Chartered Secretaries, a chartered financial analyst of the CFA Institute and a fellow of The Association of Chartered Certified Accountants since October 2004, March 2006, September 2006 and November 2007, respectively.

The Board is pleased to present this report of the Directors with the consolidated financial statements of the Group for the year ended December 31, 2022.

GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability and its Shares have been listed on the Main Board of Stock Exchange since September 14, 2022.

PRINCIPAL ACTIVITIES

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

The Group has only one reportable segment as set out in Note 5A to the consolidated financial statements. The Group does not distinguish between markets or segments for the purpose of reporting. No geographical information is presented.

BUSINESS REVIEW

The business review of the Group for the year ended December 31, 2022 is set out in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" from pages 11 to 13 and pages 14 to 28 of this annual report. Description of principal risks and uncertainties that the Group may be facing can be found in the sections headed "Report of the Directors – Principal risks and uncertainties" and "Report of the Directors – Risks relating to the Contractual Arrangements" on page 37 and page 59 of this annual report. In addition, discussions on the key relationships with the stakeholders, compliance with relevant laws and regulations, environmental performance are set out in the section headed "Environmental, Social and Governance Report" from pages 86 to 119 of this annual report.

RESULTS

The results of the Group for the year ended December 31, 2022 are set out in the consolidated statement of profit or loss and other comprehensive income on page 125 of this annual report.

FINANCIAL SUMMARY

A summary of the published results and of the assets and liabilities of the Group for the past five years is set out in the financial summary on page 10 of this annual report. This summary does not form part of the audited financial statements in this annual report.

SHARE CAPITAL

Details of movements in the share capital of the Company for the year ended December 31, 2022 are set out in Note 27 to the consolidated financial statements.

SUBSIDIARIES

Particulars of the Company's principal subsidiaries and Consolidated Affiliated Entities are set out in Note 36.1 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

Customers

We have a broad base of customers. The Group's customers primarily include users who purchase our offerings through our online and offline channels, and our distributors. For the year ended December 31, 2022, the Group's five largest customers accounted for less than 30% of the Group's total revenue.

Suppliers

The Group's suppliers primarily include pharmaceutical enterprises and pharmaceutical distribution enterprises that provide us with products we sell. For the year ended December 31, 2022, the Group's largest supplier and five largest suppliers accounted for approximately 18.2% and 46.8% of the Group's total purchases respectively.

Renhe Pharmacy Group, a related company significantly influenced by one of our Controlling Shareholders, was among our five largest suppliers for the year ended December 31, 2022. Purchases from Renhe Pharmacy Group for the year ended December 31, 2022 amounted to RMB246.5 million, accounting for approximately 7.4% of the total purchases of the Group for the year.

Save for disclosed in this annual report, none of the Directors, their associates or any Shareholder of the Company, which owned more than 5% of the Company's issued share capital, to the best knowledge of the Directors, had any interest in the share capital of the Group's five largest customers or five largest suppliers.

KEY RELATIONSHIP WITH STAKEHOLDERS

The Company is committed to maintaining a good relationship with stakeholders that have a significant impact on the Company and on which the Company's success depends. For details, please refer to the section headed "Environmental, Social and Governance Report" in this annual report.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

To the best of the Directors' knowledge, information and belief, the Group has, in all material aspects, complied with the relevant laws and regulations that have a significant impact on the Group during the Reporting Period.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to fulfilling social responsibility, promoting employee benefits and development, protecting the environment and giving back to community and achieving sustainable growth. For details, please refer to the section headed "Environmental, Social and Governance Report" in this annual report.

PRINCIPAL RISKS AND UNCERTAINTIES

Our operations involve certain risks and uncertainties, which are set out in the section headed "Risk Factors" of the Prospectus. Some of the major risks we face relate to:

- our ability to provide superior user experience and maintain users' trust in our brand, our product and service offerings;
- the development of digital health and wellness market and our ability to drive user engagement;
- the fact that we are subject to extensive and evolving regulatory requirements, and sales of prescription drugs are subject to stringent scrutiny;
- the fact that we are in the early stage of development with a limited operating history in an emerging and dynamic industry;
- our ability to compete effectively;
- the fact that our sales of pharmaceutical and healthcare products are subject to a variety of risks;
- our ability to manage the growth of our business and operations or implement our business strategies successfully;
- our ability to continue to attract and retain users;
- our ability to handle and secure data;
- the possible impairment losses of goodwill; and
- potential tax exposure to the Group arising from the difference of PRC enterprise income tax and VAT rate between Dingdang Medicine Express Technology and the WFOE under the Contractual Arrangements.

DIVIDENDS

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

As at the date of this annual report, the Company was not aware of any arrangement under which a Shareholder has waived or agreed to waive any dividends.

RESERVES

As of December 31, 2022, the Company had distributable reserves of RMB4,809,416,000.

Details of movements in the reserves of the Company during the year ended December 31, 2022 are set out in Note 37.2 of the consolidated financial statements.

BORROWINGS

The Group did not have any outstanding bank loans as of December 31, 2022.

DEBENTURE ISSUED

The Group has not issued any debentures during the year ended December 31, 2022.

EQUITY-LINKED AGREEMENTS

Save as set out in this annual report, no equity-linked agreements were entered into by the Group, or existed during the year ended December 31, 2022.

DIRECTORS

The Directors who held office from the date of the Prospectus and up to the date of this annual report are:

Executive Directors

Mr. Yang Wenlong (楊文龍) (Chairman & President)
Mr. Xu Ning (徐寧)
Mr. Yu Lei (俞雷)
Mr. Yu Qinglong (于慶龍)

Non-executive Directors

Ms. Lian Suping (連素萍)
Ms. Cai Li (蔡俐)

Independent Non-executive Directors

Mr. Zhang Shouchuan (張守川) (Appointment effective on September 1, 2022)
Mr. Fan Zhenhong (樊臻宏) (Appointment effective on September 1, 2022)
Mr. Jiang Shan (姜山) (Appointment effective on September 1, 2022)

In accordance with the Articles, one-third of the Directors for the time being (or, if their number is not three or multiple of three, then the number nearest to, but not less than, one-third) shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall retain office until the close of the meeting at which such Director retires and shall be eligible for re-election at such meeting. The Company at any annual general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors. A new Director is subject to re-election by the Shareholders at the first general meeting after his or her appointment in accordance with the Articles.

In accordance with Article 26.3 of the Articles, Mr. Zhang Shouchuan (appointment effective on September 1, 2022), Mr. Fan Zhenhong (appointment effective on September 1, 2022) and Mr. Jiang Shan (appointment effective on September 1, 2022) should hold their offices until the first general meeting after their respective appointments and, being eligible, offered themselves for re-election.

In accordance with Article 26.4 of the Articles, Mr. Yang Wenlong and Mr. Xu Ning will retire from office by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

Details of the Directors standing for re-election at the forthcoming annual general meeting are set out in the circular to be despatched to the Shareholders in due course.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 29 to 34 of this annual report.

CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of Directors are set out below:

Ms. Cai Li resigned as a non-executive director of Shanghai Bio-heart Biological Technology Co., Ltd. (a company listed on the Stock Exchange (stock code: 02185)) in November 2022.

Save as disclosed above, there was no change in the Board and the chief executive officer of the Company, and the information of Directors and chief executive officer since the date of the Prospectus and up to the date of this annual report which was required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

PERMITTED INDEMNITY

Pursuant to the Articles and subject to the applicable laws and regulations, every Director shall be indemnified and secured harmless out of the assets and profits of the Company against all actions, costs, charges, losses, damages and expenses which they or any of them may incur or sustain in or about the execution of their duty in their offices.

Such permitted indemnity provision has been in force for the year ended December 31, 2022. The Company has taken out liability insurance to provide appropriate coverage for the Directors.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors have entered into a service contract with the Company for an initial term of three years with effect from June 17, 2021 or until the third annual general meeting of the Company since the Listing Date (whichever ends earlier).

Each of the non-executive Directors have entered into an appointment letter with the Company on August 26, 2022. The initial term was three years with effect from June 17, 2021 or until the third annual general meeting of the Company since the Listing Date (whichever ends earlier and subject to re-election as and when required under the Articles).

Each of the independent non-executive Directors have entered into an appointment letter with the Company on August 26, 2022. The initial term was three years from the date of the Prospectus or until the third annual general meeting of the Company since the Listing Date (whichever ends earlier and subject to re-election as and when required under the Articles).

None of the Directors proposed for re-election at the forthcoming annual general meeting has a service contract with members of the Group that is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in this annual report, none of the Directors nor any entity connected with the Directors had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to which the Company or any of its subsidiaries and the Consolidated Affiliated Entities was a party subsisting during or at the end of the year ended December 31, 2022.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year ended December 31, 2022.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in this annual report, at no time during the year ended December 31, 2022 was the Company or any of its subsidiaries and the Consolidated Affiliated Entities a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of Shares in, or debentures of the Company or any other body corporate; and none of the Directors, or any of their spouse or children under the age of 18, had any right to subscribe for equity or debt securities of the Company or any other body corporate, or had exercised any such right.

CONTRACTS AND RELATIONSHIP WITH CONTROLLING SHAREHOLDERS GROUP

Save as disclosed in the Prospectus, and in this annual report, no contract of significance or contract of significance for the provision of services has been entered into among the Company or any of its subsidiaries and the Consolidated Affiliated Entities and the Controlling Shareholders during the year ended December 31, 2022.

In addition, our Directors recognize the importance of good corporate governance in protecting our Shareholders' interests. Our independent non-executive Directors have reviewed and confirmed that there is no conflict of interests between our Group and our Controlling Shareholders Group that need to be disclosed to the Shareholders.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Save as disclosed in the Prospectus and up to the date of this annual report, none of the Directors had interests in business, which competes or is likely to compete, either directly or indirectly with our business which would otherwise require disclosure under Rule 8.10 of the Listing Rules.

NON-COMPETITION UNDERTAKING

On August 26, 2022, Mr. Yang Wenlong signed a non-competition undertaking (the "**Non-competition Undertaking**") in favor of the Group, pursuant to which, Mr. Yang Wenlong has unconditionally and irrevocably undertaken that as long as the Shares of our Company are listed on the Stock Exchange and he remains as our Controlling Shareholder, he will not, and will reasonably procure the entities where he is substantial shareholders not to compete with the Group's business. Details of the Non-competition Undertaking are set out in the section headed "Relationship with our Controlling Shareholders Group – Non-competition Undertaking" in the Prospectus.

Mr. Yang confirmed that he has complied with the Non-competition Undertaking for the year ended 31 December 2022. The independent non-executive Directors have reviewed the status of compliance and confirmed that all the undertakings under the Non-competition Undertaking have been complied with by the Controlling Shareholders and duly complied with since the Listing Date.

INTERESTS AND SHORT POSITIONS OF THE SUBSTANTIAL SHAREHOLDERS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2022, so far as the Directors were aware, the following persons (other than Directors and chief executive of the Company) who had interests and/or short position in the Shares or underlying Shares of the Company which would fall to be disclosed pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO (save as otherwise defined, capitalized terms used herein shall have the same meaning as defined in the Prospectus):

		Total number of Shares held in the Company	Approximate percentage of relevant Shares in the issued share capital of the Company (%)
Delight Health Limited(1)(8)	Beneficial owner, interest held jointly with other persons	660,205,360 (L)	49.21%
Delight Faith Limited(1)(2)(8)	Interest in controlled corporation, interest held jointly with other persons	660,205,360 (L)	49.21%
Future Health Limited(3)(8)	Beneficial owner, interest held jointly with other persons	660,205,360 (L)	49.21%
Go Far Limited(3)(4)(8)	Interest in controlled corporation, interest held jointly with other persons	660,205,360 (L)	49.21%
Excel Returns Group Limited(5)(8)	Beneficial owner, interest held jointly with other persons	660,205,360 (L)	49.21%
Go Prosper Enterprises Corporation(6)(8)	Beneficial owner, interest held jointly with other persons	660,205,360 (L)	49.21%
Much Premium Investment Limited(6)(8)	Beneficial owner, interest held jointly with other persons	660,205,360 (L)	49.21%
Mr. Yang Wenlong(1)(2)(3)(4)(5)(6)(7)(8)	Beneficial owner, interest in controlled corporation, interest through voting rights entrustment arrangements, interest held jointly with other persons	660,205,360 (L)	49.21%
Mr. Yang Yibin(1)(2)(8)	Interest held jointly with other persons	660,205,360 (L)	49.21%
Mr. Yang Xiao(3)(4)(8)	Interest held jointly with other persons	660,205,360 (L)	49.21%

		Total number of Shares held in the Company	Approximate percentage of relevant Shares in the issued share capital of the Company (%)
Tianjin Shanhaiyihao Business Management Consulting Partnership (Limited Partnership) ("**Shanhaiyihao**")[9]	Beneficial owner	92,567,623 (L)	6.90%
CMB Financial Holdings (Shenzhen) Co., Ltd.[9]	Interest in controlled corporation	95,267,130 (L)	7.10%
CMB International Capital Corporation Limited[9][10]	Interest in controlled corporation	95,267,130 (L)	7.10%
CMB International Capital Holdings Corporation Limited[9][10][11]	Interest in controlled corporation	95,267,130 (L)	7.10%
China Merchants Bank Co., Ltd.[9][10][11][12]	Interest in controlled corporation	95,267,130 (L)	7.10%
TPG Asia VII SF Pte. Ltd.[13]	Beneficial owner	82,897,346 (L)	6.18%
TPG Capital[13]	Interest in controlled corporation	82,897,346 (L)	6.18%

Notes:

(1) Delight Health Limited directly holds 276,712,555 Shares in the Company and is wholly owned by Delight Faith Limited.

(2) Delight Faith Limited is owned by Mr. Yang Wenlong as to 60% of its equity interests and Mr. Yang Yibin as to 40% of its equity interests.

(3) Future Health Limited directly holds 295,499,475 Shares in the Company and is wholly owned by Go Far Limited.

(4) Go Far Limited is owned by Mr. Yang Wenlong as to 60% of its equity interests and Mr. Yang Xiao as to 40% of its equity interests.

(5) Excel Returns Group Limited directly holds 11,760,000 Shares in the Company and is wholly-owned by Delight Faith Limited. Excel Returns Group Limited functions as the platform to hold Shares subject to the Pre-IPO Share Option Scheme and the RSU Scheme. It will transfer the Shares to the relevant grantees upon exercise of the options under the Pre-IPO Share Option Scheme and/or the vesting of restricted share unit(s) (the "RSU(s)") under the RSU Scheme, and the grantee will in turn irrevocably delegate the voting rights attached to such Shares owned by him/her upon vesting to Mr. Yang Wenlong or such other person as designated by Mr. Yang Wenlong. Each of Mr. Yang Wenlong and Excel Returns Group Limited undertakes that, upon the Listing, he/it will not exercise voting rights attached to any Shares held by Excel Returns Group Limited in relation to options or RSUs which have not been exercised or vested.

(6) Go Prosper Enterprises Corporation and Much Premium Investment Limited directly hold 54,400,000 and 21,833,330 Shares in the Company, respectively, and function as the platforms of the RSU Scheme. Go Prosper Enterprises Corporation and Much Premium Investment Limited are wholly-owned by Restricted Share Scheme participants.

(7) Mr. Yang Wenlong is indirectly interested in a total of 660,205,360 Shares in the Company, representing approximately 49.21% of the Company's total issued Shares, including (i) 288,472,555 Shares being held through Delight Faith Limited and its subsidiaries, (ii) 295,499,475 Shares being held through Go Far Limited and its subsidiaries, and (iii) 76,233,330 Shares being held or controlled through voting right entrustment arrangements with Go Prosper Enterprises Corporation and Much Premium Investment Limited.

(8) Mr. Yang Wenlong, Mr. Yang Yibin and Mr. Yang Xiao, Excel Returns Group Limited, Go Prosper Enterprises Corporation and Much Premium Investment Limited, Delight Health Limited, Future Health Limited, Delight Faith Limited, and Go Far Limited formed the Controlling Shareholders Group of the Company. As such, each of Mr. Yang Wenlong, Mr. Yang Yibin, Mr. Yang Xiao, Excel Returns Group Limited, Go Prosper Enterprises Corporation, Much Premium Investment Limited, Delight Health Limited, Future Health Limited, and Delight Faith Limited are deemed to be interested in the Shares held by other members of the Controlling Shareholders Group for purpose of Part XV of the SFO.

(9) CMB Financial Holdings (Shenzhen) Co., Ltd. indirectly controls 95,267,130 Shares of the Company, representing 7.1% of the Company's voting rights, including 92,567,623 Shares through Shanhaiyihao and 2,699,507 Shares through Nanjing Zhaoyin Gongying. The general partner of Shanhaiyihao is CMB International Financial Holdings (Shenzhen) Co., Ltd., a wholly-owned subsidiary of CMB Financial Holdings (Shenzhen) Co., Ltd. The general partner of Nanjing Zhaoyin Gongying is Jiangsu Zhaoyin Industrial Fund Management Co., Ltd., a wholly-owned subsidiary of CMB International Capital Management (Shenzhen) Ltd., which in turn is a wholly-owned subsidiary of CMB Financial Holdings (Shenzhen) Co., Ltd. As such, CMB Financial Holdings (Shenzhen) Co., Ltd. is deemed to be interested in the Shares held by Shanhaiyihao and Nanjing Zhaoyin Gongying for purpose of Part XV of the SFO.

(10) CMB Financial Holdings (Shenzhen) Co., Ltd. is wholly-owned by CMB International Capital Corporation Limited. As such, CMB International Capital Corporation Limited is deemed to be interested in the Shares controlled by CMB Financial Holdings (Shenzhen) Co., Ltd. for purpose of Part XV of the SFO.

(11) CMB International Capital Corporation Limited is held as to 83.2% by CMB International Capital Holdings Corporation Limited. As such, CMB International Capital Holdings Corporation Limited is deemed to be interested in the Shares controlled by CMB International Capital Corporation Limited for purpose of Part XV of the SFO.

(12) CMB International Capital Holdings Corporation Limited is wholly-owned by China Merchants Bank Co., Ltd. As such, China Merchants Bank Co., Ltd is deemed to be interested in the Shares controlled by CMB International Capital Holdings Corporation Limited for purpose of Part XV of the SFO.

(13) TPG Asia VII SF Pte. Ltd. is an affiliate of TPG Capital.

(14) "L" stands for long position.

(15) In the above table, the information on the companies in which the interests are held, the capacity/nature of such interests and the number of Shares or underlying Shares is based on information available on the website of the Stock Exchange (http://www.hkexnews.hk/). The percentage of such Shares or underlying Shares in the issued Shares is calculated with reference to the number of issued Shares of the Company as at December 31, 2022 and is for reference only.

Save as disclosed above, as at December 31, 2022, the Directors were not aware of any other person (other than Directors and chief executive of the Company) who had any interest and/or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

INTERESTS AND SHORT POSITIONS OF THE DIRECTORS AND CHIEF EXECUTIVE IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at December 31, 2022, the interests or short positions of the Directors and chief executives of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations, within the meaning of Part XV of the SFO, which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she is taken or deemed to have under such provisions of the SFO), or which would be required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein, or which would be required to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

(i) Interests in the Shares and underlying Shares of the Company

Name of Director or chief executive	Capacity/Nature of interest	Number of Shares held in the Company	Approximate percentage of the issued share capital of the Company (%)
Yang Wenlong[1]	Beneficial owner, interest in controlled corporation, interest through voting rights entrustment arrangements, interest held jointly with other persons	660,205,360 (L)	49.21%
Xu Ning[2]	Beneficial owner	5,000,000 (L)	0.37%
Yu Lei[3]	Beneficial owner	10,000,000 (L)	0.75%
Yu Qinglong[4]	Beneficial owner	8,000,000 (L)	0.60%

Notes:

(1) Mr. Yang Wenlong is indirectly interested in a total of 660,205,360 Shares of the Company, representing approximately 49.21% of the Company's total issued Shares, including (i) 288,472,555 Shares being held through Delight Faith Limited and its subsidiaries, (ii) 295,499,475 Shares being held through Go Far Limited and its subsidiaries, and (iii) 76,233,330 Shares being held or controlled through voting rights entrustment arrangements with Go Prosper Enterprises Corporation and Much Premium Investment Limited.

(2) Mr. Xu Ning is interested in the 5,000,000 restricted Shares granted to him under the Restricted Share Scheme.

(3) Mr. Yu Lei is interested in the 10,000,000 restricted Shares granted to him under the Restricted Share Scheme.

(4) Mr. Yu Qinglong is interested in the 8,000,000 restricted Shares granted to him under the Restricted Share Scheme.

(5) "L" stands for long position.

(ii) Interests in the Shares and underlying Shares of the associated corporations of the Company

Name	**Name of associated corporation**	**Capacity/Nature of interest**[(2)(3)]	**Amount of registered capital** *(RMB)*	**Percentage Shareholding in the associated corporation**[(4)]
Yang Wenlong[(2)]	Dingdang Medicine Express Technology[(1)]	Beneficial owner	52,941,177	24.44%
		Interest in controlled entities		37.78%
		Interest through voting rights entrustment arrangements		37.78%

Notes:

(1) Dingdang Medicine Express Technology is a Consolidated Affiliated Entity.

(2) As at December 31, 2022, Mr. Yang Wenlong controls 100% of the equity interest in Dingdang Medicine Express Technology, including (i) directly holds 24.44% of the equity interest, (ii) indirectly controls 37.78% of the equity interest through Dingdang No. 4, and (iii) indirectly controls 37.78% of the equity interests through Dingdang No. 1, Dingdang No. 2 and Dingdang No. 3, as all the limited partners of Dingdang No. 1, Dingdang No. 2 and Dingdang No. 3 have authorized Mr. Yang Wenlong to exercise the voting rights directly held by them in Dingdang Medicine Express Technology.

(3) All interests stated are long positions.

(4) The calculation is based on the registered capital of Dingdang Medicine Express Technology.

Save as disclosed above, as at December 31, 2022, none of the Directors or chief executives of the Company had any interests and/or short positions in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO), or which would be required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein, or which would be required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

EMOLUMENT POLICY AND DIRECTORS' REMUNERATION

In compliance with the CG Code as set out in Appendix 14 to the Listing Rules, the Company has established the Remuneration Committee to formulate remuneration policies. The remuneration is determined and recommended based on each Director's and senior management personnel's qualification, position and seniority. As for the independent non-executive Directors, their remuneration is determined by the Board upon recommendation from the Remuneration Committee. The Directors and the senior management personnel are eligible participants of the ESOP Plans. Details of the remuneration of the Directors, senior management and the five highest paid individuals are set out in Note 11, Note 12 and Note 34, respectively, to the consolidated financial statements.

None of the Directors waived or agreed to waive any remuneration and there were no emoluments paid by the Group to any of the Directors as an inducement to join, or upon joining the Group, or as compensation for loss of office.

ESOP PLANS

In order to provide incentives and rewards to members of the Board, employees and consultants of the Group, the Company adopted a series of employee incentive schemes, including Pre-IPO Share Option Scheme, Restricted Share Scheme and RSU Scheme on May 1, 2020 and the Restricted Share Agreement on May 31, 2021. Save as otherwise defined, capitalized terms used herein shall have the same meaning as defined in the Prospectus. For further details, please refer to Note 28 to the consolidated financial statements.

SHARE INCENTIVE SCHEMES

In order to provide incentives and rewards to members of the Board, employees and consultants of the Group, the Company adopted the Pre-IPO Share Option Scheme, the RSU Scheme and the Restricted Share Scheme on May 1, 2020, which shall continue in effect for a term of ten (10) years since the adoption. The total number of Shares issued or issuable pursuant to the Share Incentive Schemes shall not be more than 87,993,330 Shares, representing approximately 6.56% of the total issued share capital of the Company as at the date of this report.

As at December 31, 2022, the total 87,993,330 Shares under the Share Incentive Schemes have been issued in full, consisting of:

(i) 11,760,000 Shares issued to Excel Returns Group Limited subject to the Pre-IPO Share Option Scheme and the RSU Scheme, representing approximately 0.88% of the total issued share capital of the Company as at December 31, 2022, among which the corresponding options (the "**Option(s)**") to subscribe for 10,950,000 Shares have been granted to 93 grantees (the "**Grantee(s)**") under the Pre-IPO Share Option Scheme and 810,000 Shares available for grant in the form of RSUs have been granted to an employee on September 30, 2022. No further Option will be granted by the Company under the Pre-IPO Share Option Scheme after the Listing. In the event where any Option was subsequently terminated or forfeited, the underlying Shares of which will be available for future grant in the form of RSUs in accordance with the terms of the RSU Scheme, subject to the then applicable Listing Rules in effect (including Chapter 14A and Chapter 17 of the Listing Rules) from time to time; and

(ii) 76,233,330 Shares ("**Restricted Shares**"), representing approximately 5.68% of the total issued share capital of the Company as at December 31, 2022, issued to the 17 participants of the 2016 employee stock ownership plan through Go Prosper Enterprises Corporation and Much Premium Investment Limited. The beneficiary interest of all Restricted Shares granted have been entitled by each of the participants, respectively, as at December 31, 2022.

No further Shares will be issued pursuant to the Share Incentive Schemes. As such, the exercise of Options or the vesting of any RSUs under the Share Incentive Schemes will not incur any dilutive effect on the shareholding structure of the Company.

For the 11,760,000 Shares subject to the Pre-IPO Share Option Scheme and the RSU Scheme issued to Excel Returns Group Limited, each of Mr. Yang Wenlong and Excel Returns Group Limited hereby undertakes that he/it will not exercise voting rights attached to any Shares held by he/it in relation to Options or RSUs which have not been exercised or vested. For the avoidance of doubt, in the event where such underlying Shares are vested upon the exercise of the Options granted under the Pre-IPO Share Option Scheme and/or the vetting of RSUs pursuant to the RSU Scheme, the Grantees shall irrevocably delegate the voting rights attached to the Shares owned by them pursuant to the exercise of Options or vesting of RSUs to Mr. Yang Wenlong or such other persons as designated by Mr. Yang Wenlong.

The Share Incentive Schemes shall be administrated by a committee comprising of Mr. Yang Wenlong and the Director(s) or member(s) of senior management designated by Mr. Yang Wenlong (the "**Administrator**").

Purpose of the Share Incentive Schemes

Share Incentive Schemes are intended to promote the success and enhance the value of the Company by linking the personal interests of the eligible participants to those of the Shareholders and by providing such individuals with an incentive for outstanding performance to generate superior returns to the Shareholders. It is further intended to provide flexibility to the Company in the ability to motivate, attract and retain the services of eligible participants.

Eligible participants

Persons eligible to participate in the Share Incentive Schemes include members of the Board, employees and consultants of the Group and its affiliates, as determined by the Administrator (the "**Eligible Participants**").

1. Pre-IPO Share Option Scheme

Grant of Options

An offer shall be deemed to have been accepted when the document in writing for each grant of Options under the Pre-IPO Share Option Scheme to a Grantee (the "**Pre-IPO Grant Letter**") is duly signed by the relevant Grantee. No consideration is required to be paid by the Grantee for the grant of any Options under the Pre-IPO Share Option Scheme.

Exercise Price

The exercise price of the Options ("**Exercise Price**") shall be determined by the Administrator and set forth in the Pre-IPO Grant Letter, subject to the requirements of applicable laws. The Exercise Price may be amended or adjusted in the absolute discretion of the Administrator (subject to applicable laws and regulations), the determination of which shall be final, binding and conclusive. For the avoidance of doubt, to the extent not prohibited by applicable laws or regulations, a downward adjustment of the Exercise Price shall be effective without the approval of the Shareholders or the approval of the affected Pre-IPO Eligible Participants.

Vesting Period

Subject to the Pre-IPO Grant Letter and fulfillment of performance targets (if any), the Options will be vested by tranches in a period of two or three years from the Listing Date.

Remaining life of the Pre-IPO Share Option Scheme

The Pre-IPO Share Option Scheme is valid and effective for a period of 10 years commencing from May 1, 2020 to April 30, 2030. The remaining life of the Pre-IPO Share Option Scheme is over 7 years.

For details on the Pre-IPO Share Option Scheme, please refer to "Appendix IV – Statutory and General Information – D. ESOP Plans – Share Incentive Schemes – 3. Pre-IPO Share Option Scheme" of the Prospectus.

As at December 31, 2022, the Company had granted Options under the Pre-IPO Share Option Scheme to an aggregate of 93 Grantees to subscribe for a total of 10,950,000 Shares, including 3,400,000 Shares which had been granted to common Grantees, and the remaining Shares had been granted to special Grantees, representing 0.82% of the Company's total issued Shares, being the aggregated number of Shares that may be issued upon exercise of all Options granted as at December 31, 2022 under the Pre-IPO Share Option. All of the Grantees are employees within the Group. As of December 31, 2022, no Options were granted to any Directors, members of the senior management of the Company, the connected persons of our Group or five highest paid individuals of the Group under the Pre-IPO Share Option Scheme.

Details of the outstanding Options granted to the Grantees under the Pre-IPO Share Option Scheme during the year ended December 31, 2022 are set out below:

Grantee	**Exercise Price** *(RMB)*	**Grant Date**	**Exercise Period**	**Outstanding as of January 1, 2022**	**Granted, exercised or cancelled during the Reporting Period**	**Forfeited during the Reporting Period**	**Outstanding as of December 31, 2022**
Employees other than Directors and five highest paid individuals of the Group	0.1	May 30, 2020	10 years from grant date	11,480,000	–	(530,000)	10,950,000

As at December 31, 2022, none of the Options has been exercised. No further Option will be granted by the Company under the Pre-IPO Share Option Scheme after the Listing.

The fair value of the Options at the grant date are as follows:

	Options to common Grantees	Options to special Grantees
Grant date	May 30, 2020	May 30, 2020
Fair value as of grant date (per Share)	RMB2.0663	RMB2.0653

The consolidated financial statements has been prepared in accordance with accounting policies which conform with IFRSs issued by International Accounting Standards Board. The accounting policies of share-based payment are as follows:

Equity-settled share-based payment transactions

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

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

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

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

2. *RSU Scheme*

The following is a summary of the principal terms of the RSU Scheme.

(a). Grant of RSUs

Subject to the provisions of the RSU Scheme, the Administrator may, from time to time, select from among all Eligible Participants, those to whom RSUs shall be granted and shall determine the amount of RSUs to be granted.

Each award of RSUs shall be evidenced by a RSUs award agreement, which shall specify any vesting conditions, the number of RSUs granted, and such other terms and conditions as the Administrator, in its sole discretion, shall determine.

(b). Vesting Schedule

The Administrator, in its discretion, may set performance targets or other vesting criteria which, depending on the extent to which they are met, will determine the number or value of RSUs that will be vested.

(c). Form and Timing of Payment of RSUs

At the time of grant, the Administrator shall specify the date or dates the RSUs shall become fully vested. Upon vesting, the Administrator, in its sole discretion, may pay RSUs in the form of cash, Shares, other form of settlement as determined by the Company or in a combination thereof.

(d). Remaining Life of the RSU Scheme

The RSU Scheme is valid and effective for a period of 10 years commencing from May 1, 2020 to April 30, 2030. The remaining life of the RSU Scheme is over 7 years.

As at December 31, 2022, 810,000 Shares available for grant in the form of RSUs have been granted to an employee who is among the five highest paid individuals of the Group on September 30, 2022 at a price of RMB0.1 per Share with reference to the employee's contribution to the Group and work performance, which will be settled upon the exercising of the relevant RSUs. The RSUs will be vested in two equivalent tranches in a period of 2 years from the date of the RSU grant letter and subject to the fulfillment of the performance appraisal stipulated in the RSU grant letter.

For details on the RSU Scheme, please refer to "Appendix IV – Statutory and General Information – D. ESOP Plans – Share Incentive Schemes – 4. RSU Scheme" of the Prospectus. For the accounting standard and policy adopted and fair value of the RSUs on the grant date, please refer to Note 3.13 and Note 28, respectively, to the consolidated financial statements.

3. Restricted Share Scheme

Pursuant to the Restricted Share Scheme, a total of 76,233,330 Restricted Shares, representing approximately 5.68% of the total issued share capital of the Company as at December 31, 2022, have been issued to the 17 participants ("**Restricted Share Scheme Participants**") of the 2016 ESOP Plan through Go Prosper Enterprises Corporation and Much Premium Investment Limited (the "**Restricted Share Scheme Platforms**"), the beneficiary interests of all Restricted Shares granted have been entitled by each of the Restricted Share Scheme Participants, respectively, as at December 31, 2022, but remain subject to certain unlock conditions as detailed below.

The purpose of Restricted Share Scheme was to recognize and reward the contributions of the Restricted Share Scheme Participants to the growth and development of our Group.

Among all the Restricted Shares granted, 54,400,000 Restricted Shares have been granted to 15 Restricted Share Scheme Participants at a price of RMB0.1 subject to time-based unlock conditions being no more than 30%, 30% and 40% of his or her respective Restricted Shares may be disposed of in each of the three years following the Listing Date, while 21,833,330 Shares have been granted to the remaining two Restricted Share Scheme Participants at a price of RMB0.1 subject to unlock conditions being no Restricted Shares may be disposed within six-month period after Listing Date and the Company's prior authorization is required for disposal of Restricted Shares following the expiry of such six-month period.

Details of the Restricted Shares as at December 31, 2022 are set out below:

Name of Grantee	Relationship with the Company	Grant Date	Number of Restricted Shares Granted	Outstanding and subject to Unlock Conditions as of January 1, 2022 and December 31, 2022
Directors of the Company or its subsidiaries				
Xu Ning (徐寧)	Executive Director and Vice President	September 13, 2016	5,000,000	5,000,000
Yu Lei (俞雷)	Executive Director and Vice President	September 13, 2016	10,000,000	10,000,000
Yu Qinglong (于慶龍)	Executive Director and Chief Technology Officer	September 13, 2016	8,000,000	8,000,000
Xiong Zhonghua (熊忠華)	Director and chief executive of the subsidiaries	September 13, 2016	10,916,665	10,916,665
Hua Chunguo (化春國)	Director and chief executive of the subsidiaries	September 13, 2016	5,000,000	5,000,000
Feng Gang (馮鋼)	Director and chief executive of the subsidiaries	September 13, 2016	7,000,000	7,000,000
Employees other than the Directors of the Company or the subsidiaries and five highest paid individuals of the Group		September 13, 2016	30,316,665	30,316,665

Save as disclosed above, no Restricted Shares were granted to the Directors of the Company or our subsidiaries or any other connected persons of the Company as of December 31, 2022. For details on the Restricted Share Scheme, please refer to "Appendix IV – Statutory and General Information – D. ESOP Plans – Share Incentive Schemes – 5. Restricted Share Scheme" of the Prospectus.

RESTRICTED SHARE AGREEMENT

The following is a summary of the principal terms of the Restricted Share Agreement entered into by the Company, Mr. Yang Wenlong and Future Health Limited, a company held as to 60% of its equity interests by Mr. Yang Wenlong on May 31, 2021 (the "**Date of Grant**") which has been approved by the Shareholders on May 25, 2021. Pursuant to the Restricted Share Agreement, 130,793,590 ordinary Shares, representing 9.75% of the total issued share capital of the Company as at the date of this report (the "**Founder Incentive Shares**"), were issued to Future Health Limited.

The purpose of the Restricted Share Agreement was to recognize and reward the contributions of Mr. Yang Wenlong to the growth and development of the Group.

Provided that Mr. Yang Wenlong remains as an employee of the Company at such time:

- 20% of the Founder Incentive Shares will be released of all the Special Restrictions (as defined below) upon the expiration of the lock-up period applicable to the Mr. Yang Wenlong after Listing under the Listing Rules.

- 40% of the Founder Incentive Shares will be released of the Special Restrictions in equal tranches on each of the first four anniversaries of the Date of Grant.

- 40% of the Founder Incentive Shares will be released of the Special Restrictions in equal tranches over four years (each such a year, the "**Restricted Calculation Year**") if Mr. Yang Wenlong meets the performance targets as specified in the Restricted Share Agreement on the performance testing date, which is the date the Board approves the final audited financial statements, for such Restricted Calculation Year.

The Founder Incentive Shares so released are hereinafter referred to as "Released Founder Incentive Shares" and the Founder Incentive Shares that are still subject to Special Restriction are hereinafter referred to as "Unreleased Founder Incentive Shares".

Mr. Yang Wenlong may not sell, transfer, pledge or otherwise dispose of, make any short sale of, grant any Option for the purchase of, or enter into any hedging or similar transaction with the same economic effect as a sale of, any Founder Incentive Shares during the period from the Date of Grant until the later of four (4) years after the Date of Grant or the expiration of the lock-up period applicable to Mr. Yang Wenlong after the qualified IPO. The Founder Incentive Shares are also restricted in the sense that they may be repurchased by the Company (the "**Transfer Restrictions**"). In the case of termination of employment of Mr. Yang Wenlong with the Company, the Unreleased Founder Incentive Shares will be repurchased by the Company at nil price (together with the Transfer Restrictions, the "**Special Restrictions**"). As at the end of the Reporting Period, all the Founder Incentive Shares were subject to Special Restrictions.

For details on the Restricted Share Agreement, please refer to "Appendix IV – Statutory and General Information – D. ESOP Plans – Restricted Share Agreement" of the Prospectus.

CONTINUING CONNECTED TRANSACTIONS

Connected Persons

The following persons are the connected persons of the Group that had transactions with the Group during the Reporting Period:

Name of connected persons	Relationship
Mr. Yang Wenlong	The Controlling Shareholder
Renhe	Related companies controlled by the Controlling Shareholder

During the year ended December 31, 2022, the Group had the following continuing connected transactions, details of which were disclosed in compliance with the requirements of Chapter 14A of the Listing Rules.

1. Products Procurement Framework Agreement – Trademark License for Renhe-branded Products Procured by the Group

The Company entered into a products procurement framework agreement with Renhe on August 26, 2022 (the "Products Procurement Framework Agreement"), under which, among other things, Renhe has agreed to, and shall procure its associates to, provide self-branded OTC drugs, prescription drugs, and other healthcare products produced by Renhe and its associates ("Relevant Products") to the Group from time to time ("Procurement of Products").

With a view to better catering for diversified need of customers and users based on their purchase patterns through the Group's retail channels, we may be in demand, from time to time, for certain self-branded products of Renhe with customized specifications; while Renhe and its associates may not have production capacity to develop and manufacture such customized products.

As such, we agreed with Renhe, among other things, under the Products Procurement Framework Agreement, that where Renhe and its associates are in lack of production capacity to produce such customized products, Renhe will grant our Group a licence, on a non-exclusive basis, to use certain trademarks registered by Renhe in the PRC ("Trademark License") under separate trademark license agreements, which authorizes and enables us to procure its self-branded products from independent third-party manufacturers. The number of products to be produced by independent third-party manufacturers under the Trademark License, together with product specifications, and product package is subject to Renhe's prior approval.

The initial term of the Products Procurement Framework Agreement commenced on the Listing Date and will end on December 31, 2024 and can be renewed upon its expiry as agreed by relevant parties to the Products Procurement Framework Agreement for another term of three years.

The royalty fee payable by the Group to Renhe in relation to the Trademark License is charged based on the retail prices (before tax) of the Renhe-branded products procured by us from independent third-party manufacturers using the Trademark License, multiply by predetermined royalty rates as prescribed under the Products Procurement Framework Agreement. The royalty rate for Trademark License is determined based on arm's length discussion between the Group and Renhe, with reference to the market average royalty rates, no less favourable than the rates offered by Renhe to Independent Third Parties or those offered by Independent Third Parties to the Group.

The following table sets forth the annual caps and actual transaction amounts for the Trademark License contemplated under the Products Procurement Framework Agreement for the Reporting Period:

	Proposed Annual Cap in 2022 *RMB'000*	Actual Transaction Amount in 2022 *RMB'000*
Trademark license royalty fees	4,000	1,693

Mr. Yang Wenlong (by himself and together with his close associate) directly controls 100% of the equity interests of Renhe. In respect of the Trademark License transactions contemplated under the Products Procurement Framework Agreement, as the highest applicable percentage ratio for each of the three years ending December 31, 2022, 2023 and 2024 calculated for the purpose of Chapter 14A of the Listing Rules is expected to exceed 0.1% but less than 5%, such transaction will constitute continuing connected transaction of the Company subject to the annual reporting requirement under Rules 14A.49 and 14A.71 of the Listing Rules and the announcement requirement under Rule 14A.35 of the Listing Rules.

Confirmation from the Independent Non-executive Directors

The independent non-executive Directors have reviewed the continuing connected transactions contemplated under the Products Procurement Framework Agreement, and confirmed that such transactions have been entered into:

a) in the ordinary and usual course of business of the Group;

b) on normal commercial terms or better; and

c) according to the agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

During the year ended December 31, 2022, save as disclosed in the section headed "Continuing Connected Transactions" of this annual report, no transactions with related parties (the "Related Party Transactions") disclosed in Note 34 to the financial statements constituted a connected transaction or continuing connected transaction which should be disclosed pursuant to the Listing Rules.

Confirmation from the Auditor

Deloitte Touche Tohmatsu, the Auditor of the Company, has confirmed in a letter to the Board that, with respect to the aforesaid continuing connected transactions entered into in the year ended December 31, 2022:

(a) nothing has come to their attention that causes Deloitte Touche Tohmatsu to believe that the disclosed continuing connected transactions have not been approved by the Board;

(b) nothing has come to their attention that causes Deloitte Touche Tohmatsu to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and

(c) with respect to the aggregate amount of each of the continuing connected transactions, nothing has come to their attention that causes Deloitte Touche Tohmatsu to believe that the disclosed continuing connected transactions have exceeded the annual cap as set by the Company.

2. Contractual Arrangements

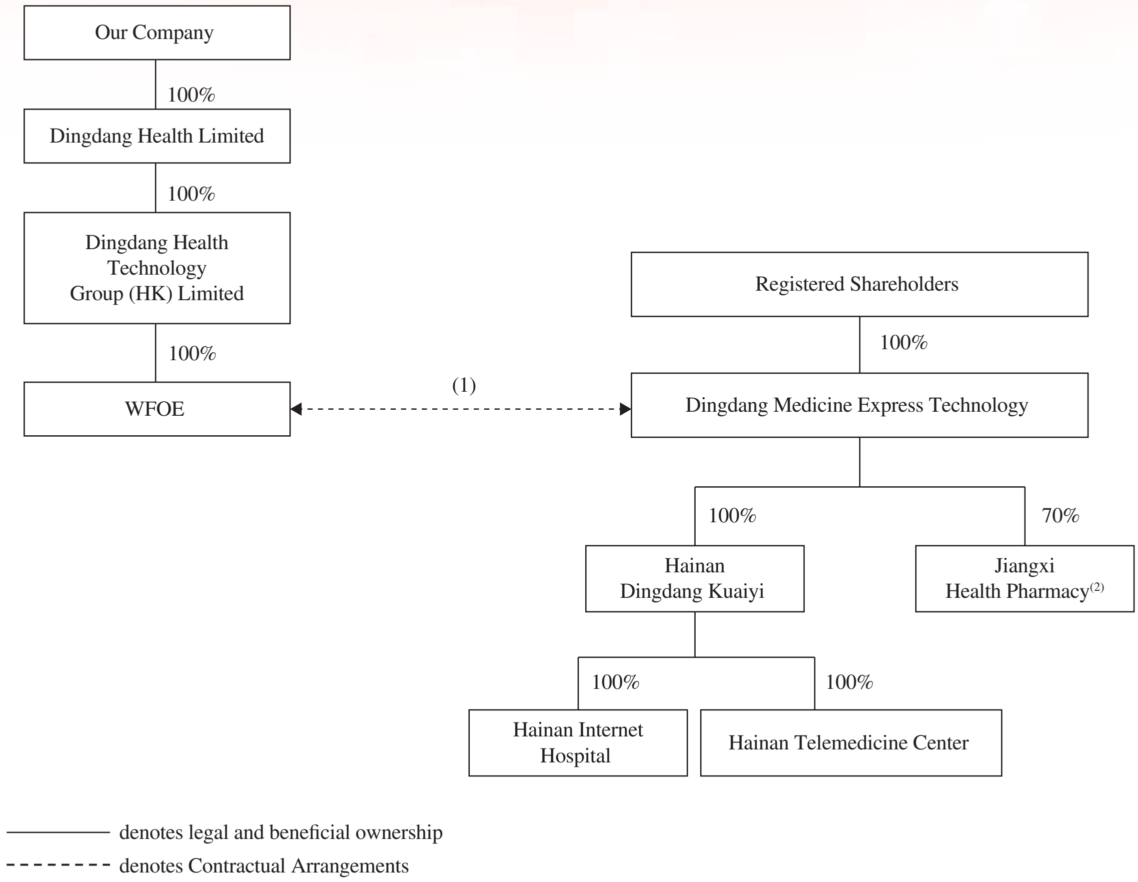
As foreign investment in certain areas of the industry in which we currently operate is subject to restrictions under current PRC laws and regulations as outlined in further detail in the section headed "Contractual Arrangements" in the Prospectus, we do not directly own any equity interests in the Consolidated Affiliated Entities. Dingdang Medicine Express Technology is held by Mr. Yang Wenlong as to 24.44%, Dingdang No. 1 as to 9.44%, Dingdang No. 2 as to 9.44%, Dingdang No. 3 as to 18.89% and Dingdang No. 4 as to 37.79%.

In view of the aforementioned PRC regulatory background and verbal consultations with competent authorities, after consultation with the PRC Legal Advisors, we determined that it was not viable for the Company to hold the Consolidated Affiliated Entities through equity ownership. Instead, we decided that, in line with common practice in industries in the PRC subject to foreign investment restrictions, we would gain effective control over, and receive all the economic benefits generated by the businesses currently operated by the Consolidated Affiliated Entities through the Contractual Arrangements.

In order to comply with PRC laws and regulations while availing ourselves of international capital markets and maintaining effective control over all of our operations, we acquired equity interests in entities whose businesses are not subject to foreign investment restrictions and entered into Contractual Arrangements between the WFOE, and Dingdang Medicine Express Technology (which holds the remaining Consolidated Affiliated Entities) and the Registered Shareholders on May 25, 2021. The Contractual Arrangements allowed the results of operations and assets and liabilities of the Consolidated Affiliated Entities to be consolidated into the results of operations and assets and liabilities under IFRS as if they were subsidiaries of the Group. Total revenue of the Group's Consolidated Affiliated Entities was RMB348 million for the year ended December 31, 2022 (for the year ended December 31, 2021: RMB223 million), and these amounts have been reflected in the Group's consolidated financial statements with intercompany balances and transactions between the Consolidated Affiliated Entities, the subsidiaries of the Consolidated Affiliated Entities and other entities within the Group eliminated. The total assets of the Group's Consolidated Affiliated Entities were RMB475 million as of December 31, 2022 (As of December 31, 2021: RMB1,328 million), and such balances have been reflected in the Group's consolidated financial statements with intercompany balances and transactions between the Consolidated Affiliated Entities, the subsidiaries of the Consolidated Affiliated Entities and other entities within the Group eliminated. Based on the above and as set out in the section headed "Contractual Arrangements" in the Prospectus, we believe that the Contractual Arrangements are narrowly tailored to minimize the potential conflict with relevant PRC laws and regulations.

Our Directors believe that the Contractual Arrangements are fair and reasonable because (i) the Contractual Arrangements were freely negotiated and entered into among the WFOE, the Consolidated Affiliated Entities and the Registered Shareholders; (ii) by entering into the Exclusive Business Cooperation Agreement with the WFOE, which is the indirect subsidiary incorporated in the PRC, the Consolidated Affiliated Entities shall enjoy better economic and technical support from us, as well as a better market reputation after the Listing, and (iii) a number of other companies use similar arrangements to accomplish the same purpose.

The diagram below illustrates the relationships among the entities under the Contractual Arrangements:



(1) The WFOE provides business support, technical and consulting services in exchange for service fees from Dingdang Medicine Express Technology. For details, please refer to "Contractual Arrangements – Our Contractual Arrangements – Summary of Material Terms under the Contractual Arrangement" in the Prospectus.

(2) The remaining 30% equity interest of Jiangxi Health Pharmacy is held by Feng Gang (馮鋼), who holds several positions within our Group, including the executive director and general manager of Dingdang Smart Pharmacy (Shanghai) Co., Ltd. (叮噹智慧藥房(上海)有限公司).

(3) Dingdang Medicine Express Technology and Jiangxi Health Pharmacy primarily engage in providing express digital healthcare service. Hainan Dingdang Kuaiyi, Hainan Internet Hospital and Hainan Telemedicine Center primarily engages in the provision of online hospital services. The businesses operated by such entities constitute the principal business of the Company.

Risks relating to the Contractual Arrangements

We believe the following risks are associated with the Contractual Arrangements. Further details of these risks are set out on pages 100 to 105 of the Prospectus.

- If the PRC government finds that the agreements that establish the structure for operating our businesses in China do not comply with applicable PRC laws and regulations, or if these regulations or their interpretations change in the future, we could be subject to severe consequences, including the nullification of the Contractual Arrangements and the relinquishment of our interest in our Consolidated Affiliated Entities.

- The Contractual Arrangements may not be as effective in providing operational control as direct ownership, and Dingdang Medicine Express Technology or the Registered Shareholders may fail to perform their obligations under the Contractual Arrangements.

- We may lose the ability to use and enjoy assets held by the Consolidated Affiliated Entities that are material to the business operations if the Consolidated Affiliated Entities declares bankruptcy or becomes subject to a dissolution or liquidation proceeding.

- The Registered Shareholders may have conflicts of interest with us, which may materially and adversely affect our business.

- We conduct the business operations in the PRC through the Consolidated Affiliated Entities by way of the Contractual Arrangements, but certain terms of the Contractual Arrangements may not be enforceable under PRC laws.

- If we exercise the option to acquire equity ownership and assets of the Consolidated Affiliated Entities, the ownership or asset transfer may subject us to certain limitations and substantial costs.

- Our current corporate structure and business operations may be affected by the Foreign Investment Law.

- The Contractual Arrangements may be subject to scrutiny by the PRC tax authorities, and a finding that we owe additional taxes could substantially reduce our consolidated net income and the value of your investment.

- The difference of PRC enterprise income tax and VAT rate between Dingdang Medicine Express Technology and the WFOE may incur additional tax expenses to the Group under the Contractual Arrangements.

To mitigate the risks associated with the Contractual Arrangements, the Board will conduct annual review on the implementation and compliance of the Contractual Arrangements, and the Group will work closely with the Registered Shareholders and our external legal counsels and advisors to monitor the regulatory environment and developments in PRC laws and regulations to mitigate the risks associated with the Contractual Arrangements.

Summary of the material terms under the Contractual Arrangements

The Contractual Arrangements which were in place during the year ended December 31, 2022 and a description of the specific agreements that comprise the Contractual Arrangements is set out below:

Exclusive Business Cooperation Agreement

Pursuant to the exclusive business cooperation agreement dated May 25, 2021 between Dingdang Medicine Express Technology and the WFOE (the "Exclusive Business Cooperation Agreement"), Dingdang Medicine Express Technology agreed to engage the WFOE as its exclusive provider of comprehensive business support, technical services and consultation services, including but not limited to, the following services: technology development, technology promotion, technology transfer, technology services; basic software services; application software services; software development; software consulting; product design; model design; market research; and business management consulting.

Under the Exclusive Business Cooperation Agreement, the service fee shall consist of 100% of the total consolidated profit. Notwithstanding the foregoing, the WFOE may adjust the service fees at its own discretion without the consent of Dingdang Medicine Express Technology.

In addition, absent the prior written consent of the WFOE, during the term of the Exclusive Business Cooperation Agreement, with respect to the matters set forth in the Exclusive Business Cooperation Agreement, Dingdang Medicine Express Technology shall not accept any consulting and/or services provided by any third party, establish cooperation relationships with any third party, or on its own initiative perform any acts which might affect the confidentiality of the technology and secrets involved in the service provided by the WFOE or the effectiveness and efficiency of the technical supports or allow any third party to do the same. The WFOE may appoint other parties, who may enter into certain agreements with Dingdang Medicine Express Technology, to provide Dingdang Medicine Express Technology with the services under the Exclusive Business Cooperation Agreement.

The Exclusive Business Cooperation Agreement also provides that the WFOE has the exclusive proprietary rights to and interests in any and all intellectual property rights whether developed or created by Dingdang Medicine Express Technology or the WFOE during the performance of the Exclusive Business Cooperation Agreement.

The validity period of the Exclusive Business Cooperation Agreement shall start from the execution date and it shall remain effective for 20 years unless terminated (a) by agreement between the WFOE and Dingdang Medicine Express Technology; or (b) by a written notice from the WFOE at least 30 days before termination. Dingdang Medicine Express Technology is not entitled to unilaterally terminate the agreement, unless Dingdang Medicine Express Technology has sufficient evidence to prove that the WFOE has material negligence or fraudulent conducts to Dingdang Medicine Express Technology. The term of the agreement may be extended prior to its expiration upon written confirmation by the WFOE. The period of extension shall be determined by the WFOE, and Dingdang Medicine Express Technology shall accept the period of extension without conditions.

Exclusive Purchase Option Agreement

Pursuant to the exclusive purchase option agreement dated May 25, 2021 among Dingdang Medicine Express Technology, the WFOE and each of the Registered Shareholders (the "Exclusive Purchase Option Agreement"), the WFOE has been granted an irrevocable, unconditional and exclusive right to require the Registered Shareholders to transfer any or all their equity interests in Dingdang Medicine Express Technology to the WFOE and/or a third party designated by it, in whole or in part at any time and from time to time. Dingdang Medicine Express Technology and the Registered Shareholders, among other things, have covenanted that:

- without the prior written consent of the WFOE, they shall not in any manner supplement, change or amend the constitutional documents of Dingdang Medicine Express Technology, increase or decrease their registered capital, or change the structure of their registered capital in other manner;

- they shall maintain Dingdang Medicine Express Technology's corporate existence and operation in accordance with good financial and business standards and practices, obtain and maintain all necessary government licenses and permits by prudently and effectively operating their business and handling their affairs, and procure Dingdang Medicine Express Technology to perform its obligations under the Exclusive Business Cooperation Agreement;

- without the prior written consent of the WFOE, they shall not and shall procure its subsidiaries not, at any time following the date when the Exclusive Purchase Option Agreement came into effect sell, transfer, pledge or dispose of in any manner any assets or the legal or beneficial interest in the business or revenues of Dingdang Medicine Express Technology or allow the encumbrance thereon of any security interest;

- without the prior written consent of the WFOE, Dingdang Medicine Express Technology shall not incur, inherit, guarantee or assume any debt, except for payables incurred in the ordinary course of business not generated from loans and debts which have been disclosed to and approved by WFOE;

- Dingdang Medicine Express Technology shall always operate all of their businesses during the ordinary course of business to maintain their asset value and refrain from any action/omission that may adversely affect their operating status and asset value;

- without the prior written consent of the WFOE, they shall not cause Dingdang Medicine Express Technology to execute any material contract with a value of more than RMB100,000, except the contracts executed in the ordinary course of business;

- without the prior written consent of the WFOE, they shall not cause Dingdang Medicine Express Technology to provide any person with any loan or credit, or guarantee for any third-party debt;

- they shall provide the WFOE with information on Dingdang Medicine Express Technology's business operations and financial condition at the request of the WFOE;

- if requested by the WFOE, they shall procure and maintain insurance in respect of Dingdang Medicine Express Technology's assets and business from an insurance carrier acceptable to the WFOE, at an amount and type of coverage typical for companies that operate similar businesses;

- without the prior written consent of the WFOE, they shall not cause or permit Dingdang Medicine Express Technology to merge, consolidate with, acquire or invest in any person, or procure or permit Dingdang Medicine Express Technology to sell the assets with a value of more than RMB100,000;

- they shall immediately inform the WFOE of the occurrence or possible occurrence of any litigation, arbitration or administrative proceedings relating to Dingdang Medicine Express Technology's assets, business or revenue;

- to maintain the ownership by Dingdang Medicine Express Technology of all of their assets, they shall execute all necessary or appropriate documents, take all necessary or appropriate actions and file all necessary or appropriate complaints or raise necessary and appropriate defences against all claims;

- without the prior written consent of the WFOE, Dingdang Medicine Express Technology shall not in any manner distribute profits or dividends to their shareholders, provided that upon the request of the WFOE, Dingdang Medicine Express Technology shall immediately distribute all distributable profits to their shareholders;

- at the request of the WFOE, they shall appoint any persons designated by the WFOE as the directors of Dingdang Medicine Express Technology, replace or remove the directors of Dingdang Medicine Express Technology;

- unless otherwise mandatorily required by PRC laws, Dingdang Medicine Express Technology shall not be dissolved or liquidated without the prior written consent by the WFOE;

- in the event of bankruptcy, dissolution, liquidation, death or loss of legal capacity (if applicable) of any of Consolidated Affiliated Entities' shareholders, or other circumstances that may affect Dingdang Medicine Express Technology's equity interests, any successor of an existing shareholder shall be deemed to be a party to the Exclusive Purchase Option Agreement. The Exclusive Purchase Option Agreement and other contractual arrangements shall prevail over any form of agreements relating to the disposition of interests in Dingdang Medicine Express Technology unless prior written consent from the WFOE is obtained;

- if the execution and performance of the Exclusive Purchase Option Agreement and the stock transfer options granted under the Exclusive Purchase Option Agreement shall require any third party's consent, permission, waiver, authorization or any governmental agency's approval, license, immunity, registration or filing in accordance with the law, Dingdang Medicine Express Technology shall make every endeavour to help satisfy the above conditions.

In addition, the Registered Shareholders, among other things, have covenanted that:

- without the written consent of the WFOE, they shall not sell, transfer, pledge or dispose of in any other manner the legal or beneficial interest in Dingdang Medicine Express Technology, or allow the encumbrance thereon of any security interest, except for the Equity Pledge Agreement;
- for each exercise of the equity purchase option, they shall cause the shareholders' meeting and/or the board of directors of Dingdang Medicine Express Technology to vote on the approval of the transfer of equity interests and any other action requested by the WFOE;
- Registered Shareholders whose equity interest has not been transferred shall relinquish the pre-emptive right (if any) they are entitled to in relation to the transfer of equity interest by any other shareholders to the WFOE and/or any entity or individual appointed by the WFOE pursuant to Exclusive Purchase Option Agreement;
- without the written consent of the WFOE, each of the Registered Shareholders shall not request Dingdang Medicine Express Technology to distribute dividends or profits in any form, propose resolutions in relation to this at a general meeting, or vote to pass such resolutions. In any event, unless decided otherwise by the WFOE, if any Registered Shareholder receives corporate income, profits or dividends from Dingdang Medicine Express Technology, they shall pay or transfer the received income, profits, dividends to the WFOE or any party designated by the WFOE to the extent allowed by the PRC laws; and
- Registered Shareholders shall also strictly comply with the provisions of the Exclusive Purchase Option Agreement between Registered Shareholders, Dingdang Medicine Express Technology and the WFOE, and shall faithfully perform the obligations under such agreements and shall not conduct any act and/or omission which shall affect the validity and enforceability of such agreements. If any Registered Shareholder retains any rights on the equities as in the Equity Pledge Agreement, it shall not exercise such rights unless instructed in writing by the WFOE.

The validity period of the Exclusive Purchase Option Agreement shall be 20 years starting from the execution date. The WFOE may choose to renew the Exclusive Purchase Option Agreement. If the WFOE fails to confirm the renewal of the agreement upon the expiration of its term, the agreement shall be automatically renewed until the WFOE delivers a confirmation letter to determine the renewal term of the agreement.

If the Registered Shareholders or Dingdang Medicine Express Technology materially breach any obligation under the Exclusive Purchase Option Agreement, the WFOE shall be entitled to terminate the agreement and/or claim damages from Registered Shareholders or Dingdang Medicine Express Technology. Unless otherwise provided by PRC laws, neither Registered Shareholders nor Dingdang Medicine Express Technology shall have the right to terminate the Exclusive Purchase Option Agreement under any circumstances.

Equity Pledge Agreement

Pursuant to the equity pledge agreement dated May 25, 2021 entered into among Dingdang Medicine Express Technology, the WFOE, and each of the Registered Shareholders (the "Equity Pledge Agreements"), the Registered Shareholders agreed to pledge all their respective equity interests in Dingdang Medicine Express Technology that they own, including any interest or dividend paid for the shares, to the WFOE as a security interest to guarantee the performance of contractual obligations and the payment of outstanding debts.

The pledge in favour of the WFOE takes effect upon the completion of change of registration with the relevant administration for industry and commerce and shall remain valid until after all the contractual obligations of the Registered Shareholders and Dingdang Medicine Express Technology under the relevant Contractual Arrangements have been fully performed and all the outstanding debts of the Registered Shareholders and Dingdang Medicine Express Technology under the relevant Contractual Arrangements have been fully paid.

Upon the occurrence and during the continuance of an event of default (as defined in the Equity Pledge Agreements), unless such default is cured following the Registered Shareholders or Dingdang Medicine Express Technology's receipt of the written notice which requests the cure of such default, the WFOE shall have the right to exercise all such rights as a secured party under any applicable PRC law and the Equity Pledge Agreement, including without limitations, being paid in priority with the equity interests based on the monetary valuation that such equity interests are converted into or from the proceeds from auction or sale of the equity interest upon written notice to the Registered shareholders.

The equity pledge registrations under the Equity Pledge Agreements as required by the relevant laws and regulations have been completed in accordance with the Equity Pledge Agreements and PRC laws and regulations.

Proxy Agreement

Pursuant to the proxy agreement dated May 25, 2021 issued by the each of the Registered Shareholders (collectively, the "Proxy Agreement"), pursuant to which, each of the Registered Shareholders irrevocably and exclusively appointed the WFOE or any entity or persons designated by the WFOE as its attorneys-in-fact to exercise on its behalf, any and all right that it has in respect of its equity interests in Dingdang Medicine Express Technology, including without limitation:

- to propose to convene and to attend shareholders' meetings of Dingdang Medicine Express Technology and to receive any notice of shareholders' meetings and the convening of proceedings;
- to exercise all shareholder's rights and shareholder's voting rights in accordance with law and the constitutional documents of Dingdang Medicine Express Technology, including but not limited to the sale, transfer, pledge or disposal of any or all of the equity interests in Dingdang Medicine Express Technology, the signature of the minutes of meetings of Dingdang Medicine Express Technology in the name and on behalf of the shareholders, the approval of Dingdang Medicine Express Technology to file the documents with the relevant corresponding registration and filing department;
- to designate or appoint the legal representative (chairman), directors, supervisors, chief executive officer (or manager) and other senior management of Dingdang Medicine Express Technology.

Loan Agreement

The WFOE entered into a loan agreement with each of the Registered Shareholders dated May 25, 2021 (the "Loan Agreement"), pursuant to which the WFOE agreed to provide loan to the Registered Shareholders for the management, operation and business development in Dingdang Medicine Express Technology. All the equity interests in Dingdang Medicine Express Technology held by the Registered Shareholders will be pledged to the WFOE. The term of the Loan Agreement shall be 20 years from the date of the agreement, which may be extended upon mutual consent of the Parties. When the Registered Shareholders transfer the equity interests to the WFOE or the WFOE's designated person(s), in the event that the transfer price of such equity interests equals or is lower than the principal of the loan under the Loan Agreement, the loan under this agreement shall be deemed an interest-free loan. In the event that the transfer price of such Acquired Interests exceeds the principal of the Loan under this Agreement, the excess over the principal shall be deemed the interest of the loan under this agreement payable by the Registered Shareholders to the WFOE.

The WFOE and the Registered Shareholders agree and acknowledge that the method of repayment shall be at the sole discretion of the WFOE and may take the form of: (i) transferring the equity Interest of the Registered Shareholders in whole to the WFOE or the WFOE's designated persons (legal or natural persons) pursuant to the WFOE's exercise of its right to acquire the equity interest under the Exclusive Purchase Option Agreement, and (ii) any property legally distributed after liquidation of the Dingdang Medicine Express Technology shall be used by the Registered Shareholders to repay the loan to the WFOE or the WFOE's designated party in the event of liquidation of the Dingdang Medicine Express Technology.

LP Undertaking

Each of the limited partners of the LPs (namely, Dingdang No.1, Dingdang No.2, Dingdang No.3 and Dingdang No. 4), general partners (namely, Dingdang Wisdom) of the LPs and Mr. Yang Wenlong, as the controlling shareholder of Dingdang Wisdom has signed an unconditional and irrevocable undertaking dated May 25, 2021 (the "LP Undertaking") to the effect, among others, that each of them undertakes:

- to procure the LPs to continuously comply with the Contractual Arrangements and will not initiate or adopt any claims which will contradict the Contractual Arrangements;
- their interests in Dingdang Medicine Express Technology through the LPs are beneficially owned by the WFOE and he/she/it will not claim on such interests;
- without prior written consent of the WFOE or its designated person, he/she/it will not, and will procure the LPs not to, amend the partnership agreement, partnership composition or dispose any interests in the LPs;
- to transfer his/her/its interests in the LPs to the designated person in accordance with the instruction of the WFOE or its designated person to the extent permissible by applicable laws, and to remit the consideration (if any) to the WFOE or its designated person;
- to procure the LPs not to raise any proposition or take any action against the Contractual Arrangements based on theirs shares in Dingdang Medicine Express Technology;

- if the WFOE or any individual designated by it requires amendments on relevant items of the LPs in accordance with the Contractual Arrangements, to facilitate and accomplish such requirements as requested; and

- if he/she/it breaches any of the undertakings, to bear liability of such breach in the same way as a breaching party does under the Contractual Arrangements and compensate for losses.

Spouse Undertaking

The spouse of each of Mr. Yang Wenlong and the limited partners of LPs has signed an undertaking (the "Spouse Undertaking"), to the effect, among others, that each of them unconditionally and irrevocably:

- confirmed and agreed that any equity interests (together with any other interests therein) held by their respective spouse as a Registered Shareholder or as a limited partners of the LPs, as the case may be, are separate properties of their spouse and do not fall within the scope of communal properties; their respective spouse and LPs are entitled to deal with the respective spouse's equity interests and any interests therein in Dingdang Medicine Express Technology in accordance with the Contractual Arrangements without the prior consent of them;

- confirmed that the respective spouse may further amend or terminate the Contractual Arrangements without the need for authorization or consent by him/her;

- will not raise any proposition or take any action against the Contractual Arrangements based on the shares in Dingdang Medicine Express Technology held by their respective spouse;

- if all or part of the shares held by their respective spouse are transferred to him/her, to pledge, sell or dispose such shares in accordance with the provisions and requirements prescribed in the Contractual Arrangements, to observe obligations of their respective spouse or the LPs as a shareholder of Dingdang Medicine Express Technology under the Contractual Arrangements, and to sign all necessary documents and take all necessary actions to ensure the Contractual Arrangements to be properly performed;

- promised that he/she has never and does not intend to participate in the operation, management or voting matters of the Dingdang Medicine Express Technology; and

- waives, unconditionally and irrevocably, any shareholding rights or any other rights related to the equities that may be vested in him/her in accordance with applicable laws.

There was no material change in the Contractual Arrangements and/or the circumstances under which they were adopted for the year ended December 31, 2022.

The extent to which the Contractual Arrangements relate to requirements other than the foreign ownership restriction

All of the Contractual Arrangements are subject to the restrictions as set out on pages 287 to 305 of the Prospectus. During the year ended December 31, 2022, there was no material change in the Contractual Arrangements and/or the circumstances under which they were adopted, and none of the Contractual Arrangements had been unwound as the regulatory restrictions that led to their adoptions were not removed.

Listing Rule Implications

The transactions contemplated under the Contractual Arrangements constitute continuing connected transactions of the Company under the Listing Rules as Mr. Yang Wenlong, a party to the Contractual Arrangements, is the connected person.

The Directors (including the independent non-executive Directors) are of the view that the Contractual Arrangements and the transactions contemplated therein are fundamental to the Group's legal structure and business, that such transactions have been and will be entered into in the ordinary and usual course of business of our Group, are on normal commercial terms, fair and reasonable and in the interests of our Company and our Shareholders as a whole.

Waiver from the Stock Exchange and Annual Review

The Stock Exchange has granted the Company a waiver from strict compliance with (i) the announcement and independent Shareholders' approval requirements under Rules 14A.04 and 14A.105 of the Listing Rules, and (ii) the requirement of setting an annual cap for the transaction under the Contractual Arrangements under Rule 14A.53 of the Listing Rules, and (iii) the requirement of limiting the term of the Contractual Arrangements to three years or less under Rule 14A.52 of the Listing Rules, for so long as the Shares are listed on the Stock Exchange, subject, however, to the following conditions:

(a) no change without independent non-executive Directors' approval;

(b) no change without independent Shareholders' approval;

(c) the Contractual Arrangements shall continue to enable the Group to receive the economic benefits derived by the Consolidated Affiliated Entities;

(d) the Contractual Arrangements may be renewed and/or reproduced upon expiry or when justified by business expediency, without obtaining Shareholders' approval, on substantially the same terms and conditions as the Contractual Arrangements; and

(e) the Group will disclose details relating to the Contractual Arrangements on an ongoing basis.

CONFIRMATION FROM INDEPENDENT NON-EXECUTIVE OF DIRECTORS

The independent non-executive Directors have reviewed the Contractual Arrangements and confirmed that (i) the transactions carried during the year ended December 31, 2022 have been entered into in accordance with the relevant provisions of the Contractual Arrangements, (ii) no dividends or other distributions have been made by the Consolidated Affiliated Entities to the holders of their equity interests which are not otherwise subsequently assigned or transferred to the Group during the year ended December 31, 2022, (iii) no new contracts were entered into, renewed or reproduced between the Group and the Consolidated Affiliated Entities during the year ended December 31, 2022, and (iv) the Contractual Arrangements were entered into in the ordinary and usual course of business of the Group, on normal commercial terms or better, and according to the relevant agreement governing the Contractual Arrangements on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

CONFIRMATION FROM THE COMPANY'S INDEPENDENT AUDITOR

The Auditor of the Company has confirmed in a letter to the Board that, with respect to the Contractual Arrangements entered into in the year ended December 31, 2022:

(a) nothing has come to their attention that causes Deloitte Touche Tohmatsu to believe that the disclosed continuing connected transactions have not been approved by the Board;

(b) nothing has come to their attention that causes Deloitte Touche Tohmatsu to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and

(c) with respect to the disclosed continuing connected transactions with Consolidated Affiliated Entities under the Contractual Arrangements, nothing has come to their attention that causes Deloitte Touche Tohmatsu to believe that dividends or other distributions have been made by Consolidated Affiliated Entities to the holders of the equity interests of Consolidated Affiliated Entities which are not otherwise subsequently assigned or transferred to the Group.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association or the laws of the Cayman Islands which would oblige the Company to offer new Shares on a pro-rata basis to the existing Shareholders.

TAX RELIEF AND EXEMPTION

The Directors are not aware of any tax relief and exemption available to the Shareholders by reason of their holding of the Company's securities.

AUDITOR

The consolidated financial statements of the Group have been audited by Deloitte Touche Tohmatsu, who will retire and, being eligible, offer themselves for re-appointment at the AGM.

The Company did not change its Auditor in the previous three financial years.

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

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

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

EVENTS AFTER REPORTING DATE

The Directors are not aware of any significant event requiring disclosure that have been taken place subsequent to the Reporting Period and up to the date of this report.

CORPORATE GOVERNANCE

A detailed corporate governance report is set out in pages 70 to 85 in this annual report.

By the order of the Board
Yang Wenlong
Chairman & President

Hong Kong, March 28, 2023

The Board is pleased to present the corporate governance report for the period from the Listing Date to the date of this annual report.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to achieving high standards of corporate governance to safeguard the interests of Shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability. The Company has adopted the code provisions (the "**Code Provisions**") of the CG Code. The corporate governance principles of the Company emphasise a quality board, sound internal controls, and transparency and accountability to all Shareholders. During the period from the Listing Date and up to the date of this annual report, (the "**Review Period**"), the Company has complied with the Code Provisions as set out in the CG Code except for the deviation from code provision C.2.1 as discussed below.

DIRECTORS' SECURITIES TRANSACTIONS

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

Having made specific enquiry to all Directors, each of the Directors confirmed that he/she has complied with the required standards set out in the Model Code during the Review Period.

BOARD OF DIRECTORS

Board Composition

During the period from the Listing Date up to the date of this annual report, the Board comprises the following Directors:

Executive Directors
Mr. Yang Wenlong (楊文龍) *(Chairman & President)*
Mr. Xu Ning (徐寧)
Mr. Yu Lei (俞雷)
Mr. Yu Qinglong (于慶龍)

Non-executive Directors
Ms. Lian Suping (連素萍)
Ms. Cai Li (蔡俐)

Independent Non-executive Directors
Mr. Zhang Shouchuan (張守川) (Appointment effective on September 1, 2022)
Mr. Fan Zhenhong (樊臻宏) (Appointment effective on September 1, 2022)
Mr. Jiang Shan (姜山) (Appointment effective on September 1, 2022)

The biographies of the Directors are set out in the section headed "Biographies of Directors and Senior Management" on pages 29 to 34 of this annual report.

There is no relationship (including financial, business, family or other material or relevant relationship) between each Director (including independent non-executive Director) and the other members of the Board or the senior management and between the Chairman and the chief executive officer.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

During the Review Period, the Board has at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors, representing one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers each of the independent non-executive Directors to be independent.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of the executive Directors has entered into a service contract with the Company for an initial term of three years with effect from June 17, 2021 or until the third annual general meeting of the Company since the Listing Date (whichever ends earlier).

Each of the non-executive Directors has entered into an appointment letter with the Company on August 26, 2022. The initial term was of three years with effect from June 17, 2021 or until the third annual general meeting of the Company since the Listing Date (whichever ends earlier and subject to re-election as and when required under the Articles).

Each of the independent non-executive Directors has entered into an appointment letter with the Company on August 26, 2022. The initial term was of three years from the date of the Prospectus or until the third annual general meeting of the Company since the Listing Date (whichever ends earlier and subject to re-election as and when required under the Articles).

In accordance with the Articles, all the directors are subject to retirement by rotation at least once every three years. Any new director appointed by the Board to fill a casual vacancy or as an addition to the Board shall hold office only until the next general meeting of the Company and shall then be eligible for re-election at that meeting.

RESPONSIBILITIES, ACCOUNTABILITIES AND CONTRIBUTIONS OF THE BOARD AND MANAGEMENT

The Board is responsible for leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. Directors of the Board take decisions objectively in the interests of the Company.

The Board directly, and indirectly through its committees, leads and provides direction to management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place.

All Directors, including non-executive Directors and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. The independent non-executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgement on corporate actions and operations.

All Directors have full and timely access to all the information of the Company and may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them.

The Board reserves for its decision on all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and coordinating the daily operation and management of the business of the Company are delegated to the management.

The Company has arranged appropriate insurance coverage on Directors' and senior management's liabilities in respect of any legal actions taken against Directors and senior management arising out of corporate activities. The insurance coverage would be reviewed on an annual basis.

CONTINUOUS PROFESSIONAL DEVELOPMENT

Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant.

Every newly appointed Director will receive formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills. Internally-facilitated briefings for the Directors would be arranged and reading materials on relevant topics would be provided to the Directors where appropriate.

All Directors are encouraged to attend relevant training courses at the Company's expenses.

During the year ended December 31, 2022, all of the following Directors participated in continuous professional development by attending trainings related to the Group's businesses, Listing Rules, legal and regulatory requirements and corporate governance practices, and by reading relevant materials to keep themselves abreast of regulatory developments and changes, to develop and refresh their knowledge and skills:

Name of Director	Participated in continuous professional training
Executive Directors	
Mr. Yang Wenlong (楊文龍) *(Chairman & President)*	✓
Mr. Xu Ning (徐寧)	✓
Mr. Yu Lei (俞雷)	✓
Mr. Yu Qinglong (于慶龍)	✓
Non-executive Directors	
Ms. Lian Suping (連素萍)	✓
Ms. Cai Li (蔡俐)	✓
Independent Non-executive Directors	
Mr. Zhang Shouchuan (張守川)	✓
Mr. Fan Zhenhong (樊臻宏)	✓
Mr. Jiang Shan (姜山)	✓

BOARD MEETINGS, GENERAL MEETINGS AND COMMITTEE MEETINGS

Code Provision C.5.1 of the CG Code stipulates that the Board should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals. Notice of at least 14 days should be given of a regular board meeting to give all directors an opportunity to attend. For all other board meetings, reasonable notice should be given. An agenda and accompanying board papers should be sent, in full, to all directors at least 3 days before the date of board/board committee meeting so as to ensure directors are given opportunity to include matters in the agenda for the board/board committee meeting. The Company was only listed on the Listing Date and no general meeting was held during the Review Period.

Five Board meetings were held during the year ended December 31, 2022. The Board will make arrangements for holding at least four regular Board meetings and a meeting between the Chairman and the non-executive Directors (including independent non-executive Directors) without the presence of executive Directors once a year.

ATTENDANCE RECORD OF DIRECTORS

During the year ended December 31, 2022, the attendance record of each Directors at the Board and committee meetings are set out as follows:

	Attendance/Number of meetings				
	Board	Audit Committee	Remuneration Committee	Nomination Committee	General Meeting
Executive Directors					
Mr. Yang Wenlong (楊文龍) *(Chairman & President)*	5/5	N/A	N/A	1/1	Nil
Mr. Xu Ning (徐寧)	5/5	N/A	N/A	N/A	Nil
Mr. Yu Lei (俞雷)	5/5	N/A	N/A	N/A	Nil
Mr. Yu Qinglong (于慶龍)	5/5	N/A	N/A	N/A	Nil
Non-executive Directors					
Ms. Lian Suping (連素萍)	5/5	N/A	N/A	N/A	Nil
Ms. Cai Li (蔡俐)	5/5	N/A	1/1	N/A	Nil
Independent Non-executive Directors					
Mr. Zhang Shouchuan (張守川) (1)	3/3	2/2	1/1	1/1	Nil
Mr. Fan Zhenhong (樊臻宏) (2)	3/3	2/2	1/1	1/1	Nil
Mr. Jiang Shan (姜山) (3)	3/3	2/2	N/A	N/A	Nil

Notes:

(1) Mr. Zhang Shouchuan (張守川) was appointed as an independent non-executive Director of the Company on June 19, 2021 and such appointment is effective from September 1, 2022. Mr. Zhang is a member of the Audit Committee, the Remuneration Committee and the Nomination Committee, respectively.

(2) Mr. Fan Zhenhong (樊臻宏) was appointed as an independent non-executive Director of the Company on June 19, 2021 and such appointment is effective from September 1, 2022. Mr. Fan is a member of the Audit Committee and the Nomination Committee and the chairman of Remuneration Committee, respectively.

(3) Mr. Jiang Shan (姜山) was appointed as an independent non-executive Director of the Company on June 19, 2021 and such appointment is effective from September 1, 2022. Mr. Jiang is the chairman of the Audit Committee.

Apart from the regular Board meetings above, the Chairman of the Board also held meetings with the independent non-executive Directors without the presence of executive Directors during the Review Period.

BOARD COMMITTEES

The Board has established three Board Committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee for overseeing specific aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference. The terms of reference of the Board committees are posted on the Company's website and the Stock Exchange's website and are available to Shareholders upon request.

Audit Committee

The Company has established the Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the CG Code set out in Appendix 14 to the Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal controls system of the Group, review and approve connected transactions and provide advice and comments to the Board.

The Audit Committee comprises three independent non-executive Directors, namely Mr. Jiang Shan, Mr. Zhang Shouchuan and Mr. Fan Zhenhong. Mr. Jiang Shan is the chairman of the Audit Committee.

The terms of reference of the Audit Committee are available on the websites of the Stock Exchange and the Company.

The main duties of the Audit Committee include, but are not limited to:

- monitoring the integrity of the Company's financial statements, annual and interim financial reports, and to review significant financial reporting judgments and accounting policies contained therein;
- satisfying themselves as to the effectiveness of the risk management and internal control systems of the Group and as to the adequacy of the external and internal audits;
- making recommendation to the Board on the appointment, re-appointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor;
- to review and monitor the external auditor's independence and objectivity and effectiveness of the audit process under applicable standard; and
- reporting the findings and making recommendations to the Board on a regular basis.

The Audit Committee held two meetings during the Review Period. The following is a summary of work performed by the Audit Committee during the Review Period:

- reviewed the interim financial statement and interim report for presentation to the Board for approval;
- reviewed the significant issues on the financial reporting, operational and compliance matters;
- reviewed the risk management and internal control systems and internal audit function;
- reviewed the auditor's audit plan for the year ended December 31, 2022; and
- discussed the re-appointment of the external auditor.

Remuneration Committee

The Company has established the Remuneration Committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the CG Code set out in Appendix 14 to the Listing Rules. The primary duties of the Remuneration Committee are to review and make recommendations to the Board on the terms of remuneration packages, bonuses and other compensation payable to the Directors and other senior management.

The Remuneration Committee comprises two independent non-executive Directors, namely Mr. Fan Zhenhong and Mr. Zhang Shouchuan, and one non-executive Director, namely Ms. Cai Li. Mr. Fan Zhenhong is the chairman of the Remuneration Committee.

The terms of reference of the Remuneration Committee are available on the websites of the Stock Exchange and the Company.

The main duties of the Remuneration Committee include, but are not limited to:

- reviewing and making recommendations to the Board on the remuneration packages of individual executive Directors and senior management;
- reviewing and making recommendations to the Board on the remuneration of the non-executive Directors;
- reviewing and making recommendations to the Board on the Company's policy and structure for the remuneration of all Directors and senior management;
- establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration; and
- to review and/or approve matters relating to share scheme under Chapter 17 of the Listing Rule.

The Remuneration Committee held one meeting during the Review Period. The following is a summary of work performed by the Remuneration Committee during the Review Period:

- reviewed and made recommendation to the Board regarding the remuneration of the Directors and senior management; and
- approved the revised terms of reference of the Remuneration Committee.

The remuneration of the members of senior management (including the executive Directors) by band for the year ended December 31, 2022 is set out below:

Remuneration bands (HKD)	Number of members of senior management
HKD1,500,001 to HKD2,000,000	2
HKD2,000,001 to HKD2,500,000	3
HKD2,500,001 to HKD3,000,000	–
More than HKD3,000,000	1

Details of the remuneration payable to the Directors and five highest paid employees for the year ended December 31, 2022 are set out in Note 11 and Note 12 respectively to the audited consolidated financial statements contained in this annual report.

Nomination Committee

The Company has established the Nomination Committee with written terms of reference in compliance with Rule 3.27A of the Listing Rules and the CG Code set out in Appendix 14 to the Listing Rules. The primary duties of the Nomination Committee are to make recommendations to the Board on the appointment of Directors and management of Board succession.

The Nomination Committee comprises one executive Director, namely Mr. Yang Wenlong, and two independent non-executive Directors, namely Mr. Fan Zhenhong and Mr. Zhang Shouchuan. Mr. Yang Wenlong is the chairman of the Nomination Committee.

The terms of reference of the Nomination Committee are available on the websites of the Stock Exchange and the Company.

The main duties of the Nomination Committee include, but are not limited to:

- reviewing the structure, size and composition of the Board;
- developing and formulating relevant procedures for the nomination and appointment of Directors;
- making recommendations to the Board on the appointment and succession planning of Directors; and
- assessing the independence of independent non-executive Directors.

The Nomination Committee held one meeting during the Review Period. The following is a summary of work performed by the Nomination Committee during the Review Period:

- reviewed the Board structure, size, composition and Board diversity (including skills, knowledge and experience etc.); and
- reviewed the effectiveness of the related Board Diversity Policy.

Board Diversity Policy

The Board has adopted a board diversity policy (the "**Board Diversity Policy**") in order to enhance the effectiveness of the Board and to maintain high standard of corporate governance. The Board Diversity Policy sets out the criteria in selecting candidates to the Board, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. The Board has reviewed the implementation of the Board Diversity Policy during the Review Period and is of the view that the current Board composition satisfies the Board Diversity Policy. The Nomination Committee reviews the Board Diversity Policy on a regular basis and discusses any revisions that might be required, and recommends to the Board for consideration and approval.

The Board Diversity Policy is well implemented as evidenced by the fact that there are both female and male Directors ranging from 38 years old to 61 years old with experience from different industries and sectors. The Directors have a balanced mix of knowledge and skills, including knowledge and experience in the areas of business management, technology development, e-commerce, finance, and computer network. They obtained degrees in various areas including business administration, finance, economics, biomedical, computer software application and computer network technology. The Board is characterised by significant diversity in terms of gender, age, education background and professional experience. The Board is of the view that the Board Diversity Policy can develop a pipeline of potential successors to the Board to maintain gender diversity.

Female employees accounted for 68% of the total employees of the Company (including senior management). The composition of the workforce of the Group has satisfied gender diversity, and is expected to maintain a reasonable level of gender diversity.

Director Nomination Policy

The Board has adopted a director nomination policy (the "**Director Nomination Policy**") which sets out the criteria and procedure in the nomination and appointment of Directors, and ensures that the Board will maintain a balance of skills, experience and diversity of perspectives appropriate to the Company. The Board believes that the defined selection process is good for corporate governance in ensuring the Board continuity and appropriate leadership at Board level, and enhancing Board effectiveness and diversity.

Pursuant to the Director Nomination Policy, the Board has delegated its responsibilities and authority for selection and appointment of Directors to the Nomination Committee. The Nomination Committee shall identify, consider and recommend suitable individuals to the Board to consider and to make recommendations to the Shareholders for election of Directors at general meetings. The selection criteria used in assessing the suitability of a candidate include, inter alia, such as integrity, professional qualifications and skills, commitment in respect of available time, and diversity in all aspects. The Nomination Committee shall make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors.

Mechanism for Directors to Obtain Independent Views and Opinions

At Board meetings, the Directors are free to express their views and important decisions are subject to detailed discussion before they are made. If the Directors consider it necessary to seek advice from an independent professional institution, they may engage an independent professional institution in accordance with relevant procedures and at the expense of the Company. If a Director has an interest in a matter proposed by the Board, the relevant Director must withdraw from the discussion of the relevant proposal and abstain from voting, and the Director will not be counted in the quorum for voting on the resolution. In addition, the independent non-executive Directors should also express an objective and impartial independent opinion on matters discussed by the Company. The independent non-executive Directors of the Company do not hold any position in the Company other than that of a Director, do not have any relationship with the Company and the Company's substantial shareholders that might influence their independent and objective judgement, and do not have any business or financial interests in the Company or the Company's subsidiaries. During the Review Period, the participation of independent non-executive Directors therefore effectively ensures that there is a strong and sufficient element of independence on the Board. The Board will review the implementation and effectiveness of the above mechanism annually.

DIVIDEND POLICY

The Company has adopted a dividend policy that, in recommending or declaring dividends, the Company shall maintain adequate and sufficient cash reserves for meeting its working capital requirements and future growth as well as its shareholder value. The Board has the full discretion to declare and distribute dividends to the Shareholders, and any final dividend for a financial year will be subject to Shareholders' approval. In proposing any dividend payout, the Board shall also take into account, among other things, the Group's financial results, financial position, cash flow situation, business conditions and strategies, expected future operations and earnings, capital requirements and expenditure plans, interests of Shareholders, any restrictions on payment of dividends and any other factors the Board may consider relevant. Any payment of the dividend by the Company is also subject to any restrictions under the Companies Act, the Company's Articles and all the applicable laws and regulations.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the functions set out in the code provision A.2.1 of the CG Code.

The Board would review the Company's corporate governance policies and practices, training and continuous professional development of the Directors and the senior management, the Company's policies and practices on compliance with legal and regulatory requirements, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report. The Board has performed the above duties during the Review Period.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the consolidated financial statements of the Company during the Review Period.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Group highly values the importance of internal control and risk management for the smooth running of its business. The Board is responsible for the Group's risk management and internal control system and reviews the effectiveness of this system. This system is designed to manage, though not entirely eliminate, the risk of failing to achieve business objectives, and provides a satisfactory, albeit not absolute, assurance against material misrepresentations or losses. On behalf of the Board, the Audit Committee reviews the effectiveness of the Group's risk management and internal control system on an annual basis.

The Company has devoted ourselves to establishing and maintaining risk management and internal control systems consisting of policies and procedures that the Company considers to be appropriate for our business operations. We are dedicated to continuously improving these systems, developing a risk management culture and raising the risk management awareness of all employees. The Company has adopted and implemented comprehensive risk management policies in various aspects of our business operations.

Operational and Information System Risk Management

Operational risk refers to the risk of direct or indirect financial loss resulting from incomplete or problematic internal processes, personnel mistakes, IT system failures, third-party payment possessing risks, or external events. The Company has established a series of internal policies and procedures to manage such risks. In particular, we pay close attention to risk management relating to our information technology and data privacy and protection, as sufficient maintenance, transmission, storage and protection of user data and other related information are critical to our success. The Company has been committed to promoting compliance culture, and will adopt policies and procedures on various compliance matters. In order to effectively manage our compliance and legal risk exposures, the Company has adopted strict internal policies and procedures to ensure compliance of our business operations with relevant laws and regulations. In particular, our compliance and legal department is responsible for ensuring ongoing compliance with the relevant data privacy and protection laws and regulations and relevant rules and requirements governing electronic fund transfers in the PRC. In addition, we continually review our internal policies and procedures and the implementation of our measures to ensure that our policies and their implementation are effective and sufficient. The Directors will be involved in the formulation of the internal policies and procedures.

Internal Audit Risk Management

The Company have established the Audit Committee to monitor the implementation of our risk management policies across the Company on an ongoing basis to ensure that the internal control system is effective in identifying, managing and mitigating risks involved in our business operations. For the professional qualifications and experiences of the members of the Audit Committee, see the section headed "Biographies of Directors and Senior Management" in this annual report. We also maintain an internal audit department which is responsible for reviewing the effectiveness of internal controls and reporting to the Audit Committee and senior management on any issues identified.

Human Resources Risk Management

The Group provide regular and specialized training tailored to the needs of our employees in different departments. The Group schedule regular online and offline trainings to ensure that our staff's skill sets and knowledge level of our policies remain up-to-date, enabling them to better discover and meet consumers' and merchants' needs. We have in place an employee handbook and a code of conduct approved by our management and have distributed them to all our employees. The handbook contains internal rules and guidelines regarding work ethics, fraud prevention mechanisms, negligence and corruption. We provide employees with regular training, as well as resources to explain the guidelines contained in the employee handbook.

Anti-corruption

We have in place an anti-bribery and corruption policy to safeguard against any corruption within the Company. The policy explains potential bribery and corruption conduct and our anti-bribery and corruption measures. The Company makes our internal reporting channel open and available for our staff to report any bribery and corruption acts, and our staff can also make anonymous reports to our anti-fraud team. Our anti-fraud team is responsible for investigating the reported incidents and taking appropriate measures.

The Company has engaged an internal control consultant to perform the internal audit function, who is responsible for carrying out the analysis and independent appraisal of the adequacy and effectiveness of the Group's risk management and internal control systems.

For the year ended December 31, 2022, the Board conducted an annual review of its risk management and internal control systems and reviewed the reports issued by the internal control consultant. The annual review considered that the resources, staff qualifications and experience etc. of the Group's accounting, internal audit and financial reporting functions were adequate. The main features of the Group's risk management and internal control systems include financial, operational and compliance controls. The Board considers that the existing risk management and internal control systems are reasonably effective and adequate.

DISCLOSURE OF INSIDE INFORMATION

The Group has in place a framework for the disclosure of inside information with reference to the Guidelines on Disclosure of Inside Information issued by the Securities and Futures Commission. The framework sets out the procedures and internal controls for the handling and dissemination of inside information in an appropriate and timely manner, such as steps to ascertain sufficient details, conduct an internal assessment of the matter and its likely impact on the Company, seek professional advice where required and verification of the facts. Before the information is fully disclosed to the public, any persons who possess the knowledge of such information must ensure strict confidentiality and must not deal in any of the Company's securities.

AUDITOR'S RESPONSIBILITY AND REMUNERATION

The statement of the independent auditor of the Company, Deloitte Touche Tohmatsu, about their reporting responsibilities on the consolidated financial statements is set out in the Independent Auditor's Report on pages 120 to 124 of this annual report.

The remuneration paid/payable to the Auditor of the Company, Deloitte Touche Tohmatsu, in respect of the audit and audit related services and the non-audit services for the year ended December 31, 2022 are set out in the table below. The audit and audit-related services conducted by the Auditor of the Company mainly include audit and review services for the Group, and services in connection with the IPO. Non-audit services mainly include Listing assistance services provided by reporting accountants and other Listing related non-audit services.

Service Category	Fees paid/payable RMB'000
Audit and audit related services	16,368
Non-audit services	538
	16,906

JOINT COMPANY SECRETARIES

Mr. Wang Yongzhi ("**Mr. Wang**") and Mr. Lam Yiu Por ("**Mr. Lam**") are the joint company secretaries of the Company. Mr. Wang and Mr. Lam have confirmed that they have taken not less than 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules during the year ended December 31, 2022. The biographies of Mr. Wang and Mr. Lam are set out in the section headed "Biographies of Directors and Senior Management" in this annual report.

CHANGES IN CONSTITUTIONAL DOCUMENTS

The Company had passed special resolution on August 25, 2022 to adopt an amended and restated memorandum and Articles of Association which came into effect from the Listing Date. Save as the above mentioned, there is no significant change in the Company's constitutional documents during the Review Period. The Company's Articles is available on the websites of the Company and Stock Exchange.

SHAREHOLDERS' RIGHTS

To safeguard Shareholders' interests and rights, a separate resolution is proposed for each substantial and separate issue at general meetings, including the election of individual Directors. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each general meeting.

Convening an extraordinary general meeting by Shareholders

Pursuant to Article 17 of the Articles, the Directors may call general meetings, and they shall on a members' requisition forthwith proceed to convene an extraordinary general meeting of the Company. A members' requisition is a requisition of one or more members holding at the date of deposit of the requisition not less than 10% of the voting rights, on a one vote per Share basis, of the issued Shares which as at that date carry the right to vote at general meetings of the Company. The members' requisition must state the objects and the resolutions to be added to the agenda of the meeting and must be signed by the requisitionists and deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office of the Company, and may consist of several documents in like form each signed by one or more requisitionists.

If there are no Directors as at the date of the deposit of the members' requisition or if the Directors do not within 21 days from the date of the deposit of the members' requisition duly proceed to convene a general meeting to be held within a further 21 days, the requisitionists, or any of them representing more than one-half of the total voting rights of all the requisitionists, may themselves convene a general meeting, but any meeting so convened shall be held no later than the day which falls three months after the expiration of the said 21 day period. A general meeting convened by requisitionists shall be convened in the same manner as nearly as possible as that in which general meetings are to be convened by Directors.

Putting forward proposals at general meetings

The Board is not aware of any provisions allowing the Shareholders to put forward proposals at general meetings of the Company under the Articles of Association and the Cayman Companies Act. Shareholders who wish to put forward proposals at general meetings may refer to the preceding paragraph to make a written requisition to require the convening of an extraordinary general meeting of the Company.

Putting forward enquiries to the Board

For putting forward any enquiries to the Board, Shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

Contact details

Shareholders may send their enquiries or requests as mentioned above to the following:

Address: Unit 3512, 35/F, The Center, 99 Queen's Road Central, Central, Hong Kong
Email: ir@ddky.com

For the avoidance of doubt, Shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. The information of the Shareholder(s) may be disclosed as required by law.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company considers effective communication with Shareholders and investors. There are a number of formal communication channels which the Company uses to report and account to Shareholders and investors for the performance of the Company. These include (i) the publication of interim and annual reports; (ii) the annual general meeting or extraordinary general meetings, which provide a forum for Shareholders to raise comments and exchanging views with the Board; (iii) updates of key information of the Group that are made available to Shareholders and investors through the websites of the Stock Exchange and the Company; (iv) the Company's website providing dedicated contact details to facilitate direct communications between the Company and its Shareholders and investors; and (v) the Company's share registrars in Hong Kong, which serve Shareholders in respect of all share registration matters.

The Company aims to provide its Shareholders and investors with high standards of disclosure and financial transparency. The Board is committed to providing clear, detailed and timely information that concerns the Group to Shareholders and on a regular basis. This is achieved through our interim and annual reports, investor presentations as well as circulars, notices and other announcements.

The Board regularly reviews our existing channels of communication with Shareholders and investors to make sure that they remain effective and provides recommendations for improvements when needed. The Board considers our current practices were all well-implemented throughout the year and achieved satisfactory results.

Environmental, Social and Governance Report

ABOUT THIS REPORT

This is the first environmental, social and governance (ESG) report issued by Dingdang Health Technology Group Ltd. It focuses on the disclosure of the management measures, key practices and results of the Company and its subsidiaries in respect of ESG.

Time Scope

This report is an annual report covering the period from January 1, 2022 to December 31, 2022, and some contents are beyond the above scope.

Reporting Boundary

The main body of this report is Dingdang Health Technology Group Ltd. which covers all the subsidiaries of the Company.

Basis and Principles of Preparation

This report has been prepared with reference to the United Nations Sustainable Development Goals (SDGs), the GRI Sustainability Reporting Standards issued by the Global Sustainability Standards Board (GSSB) and the Environmental, Social and Governance Reporting Guide (HKEX-ESG) set out in Appendix 27 of the Hong Kong Listing Rules issued by the Hong Kong Stock Exchange. The four principles of materiality, quantitative, balance and consistency are taken into account for information disclosure.

Source of Information

The information and data in this report are mainly derived from the Company's internal official documents, internal statistics and relevant public information. Unless otherwise specified, the currency amount involved in this report is denominated in RMB.

Representation

For ease of explanation, the titles of "Dingdang Health", "the Company" and "we" in this report all represent Dingdang Health Technology Group Ltd.

Access to the Report

This report is published in electronic version. You can browse and download the report on the following websites:

- Dingdang Health's official website: https://www.ddjkjt.com
- Website of the Hong Kong Stock Exchange: www.hkex.com.hk

Contact Us

If you have any questions or feedback on this report and its contents, please contact us through the following methods:

- Email: ir@ddky.com
- Address: Unit 3512, 35/F, The Center, 99 Queen's Road Central, Central, Hong Kong

1. ESG GOVERNANCE

Dingdang Health attaches great importance to corporate sustainable development management, promotes the establishment of an ESG governance structure, improves the ESG governance mechanism, actively responds to the concerns of stakeholders, and is committed to promoting the high-quality development of people's health services.

1.1 Board Statement

In accordance with the requirements of the Environmental, Social and Governance Reporting Guide of the Hong Kong Stock Exchange, the Company strengthens the Board's supervision and participation in the Company's environmental, social and governance (ESG) related matters. As the highest decision-making body of the Company's ESG affairs, the Board actively promotes the inclusion of ESG factors into the Company's strategic decisions and daily operation and management. The Board of the Company is responsible for reviewing and formulating the Company's ESG objectives, strategies and management policies and reviewing the annual ESG material issues and ESG reports.

The management of the Company attaches great importance to ESG (including climate change) risks, combined with industry ESG (including climate change) risks, regulatory requirements and macro policies, actively identifies the actual and potential impact of relevant risks on the Company's business development and strategic planning in the short, medium and long term, formulates relevant risk management and response plans in a timely manner, determines the ranking results of the importance of ESG issues, and provides a basis for the Company's ESG strategy formulation and ESG information disclosure.

1.2 ESG Governance Structure

Dingdang Health pursues growth in both economic and social benefits, and actively explores effective ways to fully integrate ESG concepts into corporate business development. The Company strengthened the top-level design of ESG work, established an ESG management system, refined various functional responsibilities, and continuously improved the Company's ESG management level. The Board of the Company, together with the executive Directors and vice presidents, are jointly responsible for the supervision and decision-making of the Company's ESG work. The Board is responsible for reviewing and formulating the Company's ESG objectives, strategies, management policies and annual ESG reports. All departments actively collaborate for the implementation of ESG work arrangements and regularly report ESG-related information.

1.3 Communication with Stakeholders

The Company regards communication with stakeholders as an important way to achieve sustainable development, attaches importance to and improves the communication mechanism with stakeholders, fully understands the expectations and demands of stakeholders, and actively responds to them through various channels and methods.

Stakeholders	Expectations and demands	Communication and response methods
Government/regulatory authorities	• Compliance operation • Responsibility governance • Public welfare and charity • Inclusive healthcare • Responding to climate change	• Government visits • Regular reporting and communication • Visits and investigations • Cooperate with supervision and inspection • Public welfare campaigns
Shareholders/Investors	• Risk management • Compliance operation • Business ethics and anti-corruption • Continuous and stable economic returns	• Convening general meetings • Holding investor communication meetings • Regular disclosure of operating information • Company visits
Consumers	• Improving customer service quality • Product quality and safety • Customer privacy and information security • Responsible marketing and promotion	• 7×24-hour customer service center • Telephone, online communication platforms, WeChat official account and email • Customer satisfaction survey questionnaire • Dingdang Drug Express App • Dingdang Health mini program
Employees	• Employment compliance • Occupational health and safety • Protection of employee rights • Employee remuneration and benefits • Staff training and development	• Management seminars • Online and offline research • Staff training activities
Community public	• Promoting public health awareness • Public welfare and charity • Emission management • Responding to climate change • Use of resources	• Official website • Social media • Public welfare and charity activities • Volunteer activities
Suppliers/Partners	• Supply chain management • Business ethics and anti-corruption • R & D and innovation	• Daily procurement and evaluation • FSC pharmaceutical enterprise alliance • Online and offline exchange and sharing
Industry associations	• Intellectual property protection • Promote industry development	• Industry forums and events

1.4 Determination of Material Issues

Taking into account the national policy trends, industry development trends, ESG-related standards, capital market concerns and other dimensions, and through our own business development, the Company identified and screened the list of material ESG issues of Dingdang Health in 2022 through peer benchmarking, expert assessment and stakeholder questionnaire survey, and disclosed highly important issues in this report in a targeted manner to better meet the concerns and expectations of stakeholders.

Materiality Analysis Process

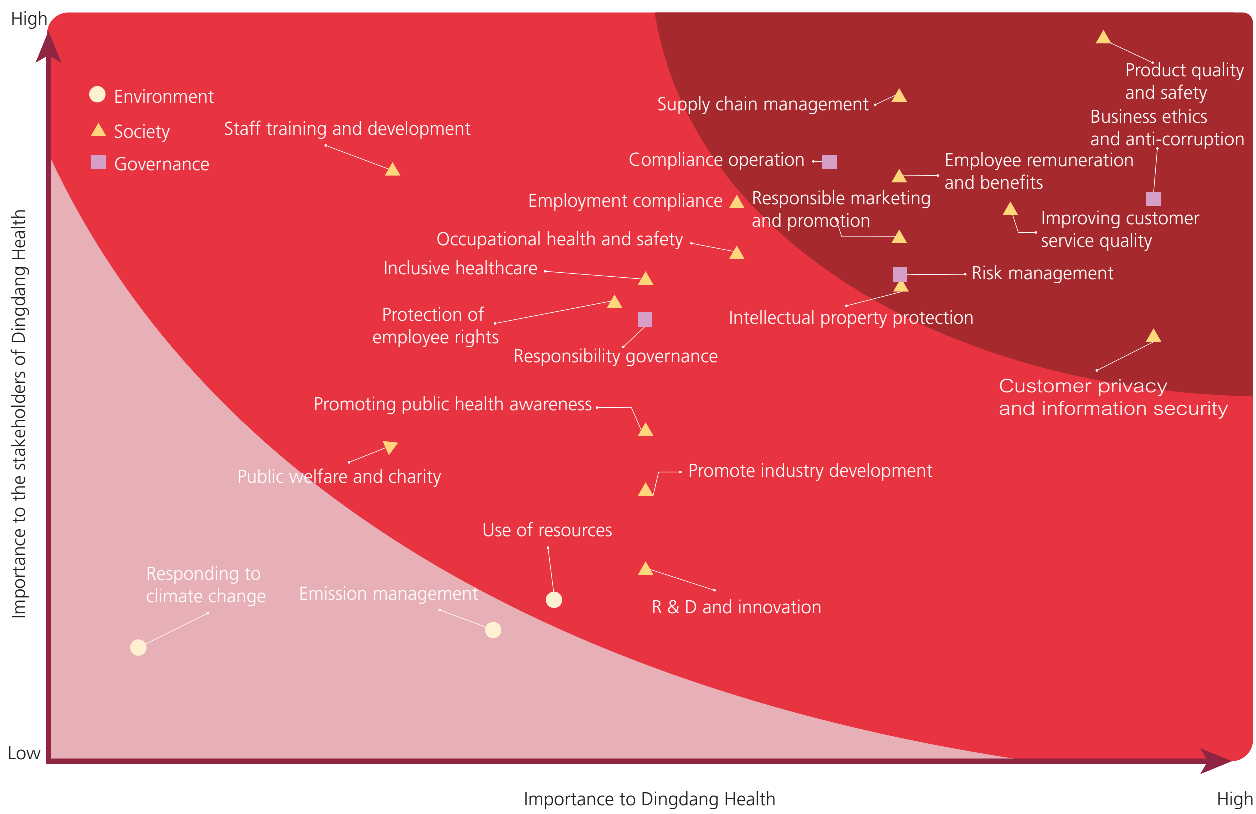
- **Issue identification:** By analyzing domestic and foreign ESG-related standards and the requirements of national regulatory policies, the Company conducted industry benchmarking analysis, and selected 23 material issues based on the Company's own actual situation and business layout.

- **Questionnaire survey:** We conducted questionnaire surveys for internal and external stakeholders such as employees, government/regulatory authorities, shareholders/investors, consumers, community public, suppliers/partners, and industry associations, and collected a total of 250 valid questionnaires.

- **Ranking of issues:** Based on the results of the questionnaire survey, from the two dimensions of "importance to development of Dingdang Health" and "importance to stakeholders", the issues were prioritized and a matrix of material issues of Dingdang Health was formed.

- **Issue review:** The internal management and external experts of the Company review the issue selection results, and finally determine highly important issues, and make key disclosures in the report.

Dingdang Health 2022 ESG Issues Materiality Assessment Matrix



1.5 Dingdang Health SDGS Map

Dingdang Health Sustainability Initiatives	United Nations Sustainable Development Goals (SDGs)
Improving corporate governance	16 PEACE, JUSTICE AND STRONG INSTITUTIONS
Safeguarding people's health	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE; 12 RESPONSIBLE CONSUMPTION AND PRODUCTION
Growing with employees	5 GENDER EQUALITY; 8 DECENT WORK AND ECONOMIC GROWTH
Practicing low-carbon development	7 AFFORDABLE AND CLEAN ENERGY; 12 RESPONSIBLE CONSUMPTION AND PRODUCTION; 13 CLIMATE ACTION
Win-win cooperation with partners	3 GOOD HEALTH AND WELL-BEING; 11 SUSTAINABLE CITIES AND COMMUNITIES; 17 PARTNERSHIPS FOR THE GOALS

1.6 Honors and Awards

- Won the "2022 China's Innovative Industry Leader Award – Most Valuable Investment Brand" by iiMedia Research
- Included in the "Top 100 China Innovative Healthcare Service Ranking" of 2022 Top 100 Future Healthcare Enterprises in China TOP100
- Included in the list of "2022 Fortune China Most Influential Venture Company" by Fortune Magazine
- Won the "2021-2022 China Drug Store Operation Innovation Award" at the 22nd China Drug Store Summit Forum
- Won the "2022 Top 100 Pharmaceutical Retail Enterprises" and "2022 Top 10 E-commerce Pharmaceutical Retail Enterprises" at the 15th session of the Chinese Health Industry (International) Ecological Conference

2. IMPROVING CORPORATE GOVERNANCE

2.1 Internal Control and Compliance

The Company strictly complies with the requirements of laws and regulations, insists on operating in compliance with laws and regulations, continuously strengthens the construction of internal control system, improves the Internal Audit Management Measures, the System Authority Management Regulations and other systems, and standardizes the risk internal control management of the Company. The Company regularly organizes and carries out risk monitoring and assessment, continuously optimizes the risk management model, and cultivates employees' compliance awareness through legal compliance training, so as to ensure the stable operation of the Company.

2.2 Business Ethics and Anti-corruption

The Company strictly abides by the Anti-Monopoly Law of the People's Republic of China, the Anti-Unfair Competition Law of the People's Republic of China and other relevant laws and regulations, resolutely eliminates violations of business ethics, strengthens self-discipline and standardizes operation. In 2022, the Company had no corruption lawsuits.

We have formulated and issued policies and systems such as the Internal Audit Management Measures, the Complaint and Whistle-blowing Management Regulations, the Price Inquiry and Bidding Management Measures, and added anti-commercial bribery clauses in commercial contracts to prevent any corruption within the Company. We have formulated the Employee Handbook and Code of Conduct to provide detailed explanations on the internal system and guidelines for employees' professional ethics, fraud prevention mechanism, negligence and corruption, and require employees to be honest and self-disciplined in daily work and abide by business ethics.

We continued to improve the complaint and reporting management system, and set up reporting channels such as e-mail, telephone, WeChat official account and mail. The information of all whistle-blowers is kept strictly confidential, and the reporting procedures are regulated. Designated persons are assigned to manage the reporting information, and retaliation against the whistle-blowers is prohibited to effectively protect the interests of the whistle-blowers.

The Company actively cultivated a culture of integrity, formulated an annual integrity promotion plan, and carried out integrity education and promotion at important sessions such as holidays, semi-annual meetings and annual meetings of the Company. Integrity culture is promoted among subsidiaries such as Jinan Company, Hangzhou Company and Shenzhen Company. The Company carried out integrity education and training for middle management to enhance employees' awareness of integrity.

3. SAFEGUARDING PEOPLE'S HEALTH

As a provider in self-operated and Internet-based home healthcare services, Dingdang Health guarantees users' needs for "Treatment, Diagnosis, Pharmaceutical Products and Medical Insurance" through strict drug quality control and real-time digital medical services, and provides users with customized, professional and one-stop medical and health home solutions.

3.1 Drug Quality Control

The Company strictly abides by the Pharmaceutical Administration Law of the People's Republic of China, the Product Quality Law of the People's Republic of China, the Food Safety Law of the People's Republic of China, the Regulations on the Supervision and Administration of Medical Devices, the Good Supply Practice for Pharmaceutical Products, the Measures for the Supervision and Administration of Pharmaceutical Products, the Provisions for Supervision and Administration of Online Drug Sales, the Measures Regarding the Administration of Drug Information Service over the Internet, the Measures on the Supervision and Administration of the Business Operations of Medical Devices, the Administration and Supervision Measures of Online Sales of Medical Devices and other relevant laws and regulations, establishes and improves the quality management system, prepares the System for Drug Safety Inspection on the Platform, the Regulations on Quality and Safety Monitoring of Medical Devices and other system documents, fosters branch companies in different cities to determine their quality approaches and management measures, while commences campaigns for, among other things, quality planning, quality control, quality guarantee, quality improvement and quality management.

In terms of organization structure, the Company established a leading group for the implementation of the Measures for the Supervision and Administration of Online Drug Sales, with the president as the leader and the persons-in-charge of platform operation, quality and product technology as the members, to coordinate the promotion of the Provisions for Supervision and Administration of Online Drug Sales. The Company has set up a quality control department with dedicated personnel responsible for the management and control of drug quality and service quality. In terms of quality control of the stationing platform enterprises, Dingdang Drug Express platform requires the settled enterprises to comply with management requirements such as verification and registration, quality and safety information announcement, drug quality and safety, drug delivery, transaction record keeping and adverse reaction reporting.

- **Drug Quality Control**

  The Company has established an online quality management system to achieve traceability of drug quality, clear sales records on the platform, and meets the implementation conditions of electronic drug supervision. In 2022, there was no product recall for safety or health reasons.

Dingdang Health Full-process Drug Management

- **Pre-stage compliance management:** We strictly review the information of suppliers, commodities and customers, effectively select qualified commodities and suppliers, and achieve 100% audit coverage

- **Drug warehousing management:** We establish business premises and warehouses in line with the business scope and scale of operation of drugs, and entrust qualified enterprises to distribute drugs that have no warehouse setup; acceptance checks are conducted on incoming drugs in accordance with the prescribed procedures and requirements to prevent unqualified drugs from being put into storage

- **Drug storage management:** We conduct regular calibration or verification of measuring instruments, temperature and humidity monitoring equipments in strict compliance with national regulations; reasonably store and maintain the drugs on schedule according to the quality characteristics of the drugs

- **Daily outbound supervision:** We refine the compliance management and control of acceptance, maintenance and outbound review to ensure the quality of goods to the maximum extent through a strict supervision system

- **Drug transportation process management:** We strictly implement the transportation operating procedures and take effective measures to ensure the quality and safety of drugs during transportation

- **After-sales drug recall process management:** For the sold drugs with quality problems, we will take timely measures to recall the drugs and make records, and report to the food and drug supervision and administration department. We assist drug manufacturers to perform recall obligations, control and recall drugs with potential safety hazards, and establish drug recall records

In order to standardize the operation and management of Dingdang's Drug Express platform and ensure the quality and safety of drugs, the Company has set up a network quality and safety management organization for drugs and medical devices, equipped with quality management personnel, and carried out strict access, review and management for stationing enterprises to ensure that the platform continues to provide users with high-quality products.

Quality management personnel review the pictures and information of products provided by the stationing enterprises, and the information can only be recorded and maintained in the ERP system after the review and approval, and can only be put on the shelves after final review by the personnel-in-charge of quality. If the quality management personnel discover any illegal or non-compliant activities such as false information, exaggeration of publicity or other serious safety hazards of the stationing enterprises, the relevant products will be removed immediately and relevant records will be kept for reporting to local provincial food and drug administration. For the stationing enterprises whose enterprise qualifications is valid for less than 28 days, the operation and maintenance personnel will contact the stationing enterprises to replenish their qualifications in a timely manner, and those who have expired will be removed from the shelves. At the same time, the quality management personnel will comprehensively collect and analyze the drug quality information on the platform, establish drug quality files, and timely collect and report drug adverse events to the food and drug supervision and administration department.

Dingdang Health strictly reviews the qualification of pharmacists and continuously regulates the pharmacist service platform to provide users with more convenient and real-time services.

Standardized Management of Pharmacists:

- All prescription drugs sold on self-operated online platforms shall be accompanied by prescriptions issued by doctors
- In-house doctors or third-party cooperative doctors are required to fill in all data and expiration dates of prescriptions in the system. Each prescription may be prescribed for up to five prescription drugs, and no herbal medicine, Chinese medicines and western medicines may be prescribed in the same prescription
- Prescriptions issued by doctors expire within three days after issuance and patients cannot use old prescriptions to purchase prescription drugs
- If more than one prescription drug is issued, special approval from a licensed pharmacist must be obtained and the symptoms of the patient must be strictly evaluated
- Drug practitioners or other medical professionals in offline retail stores should abide by the duty system, be responsible for checking the details of the prescription drugs, and re-evaluating the current symptoms of patients according to the dosage of the prescription drugs to avoid "excessive prescription"

3.2 Digital Healthcare Services

Dingdang Health strictly abides by the Regulations on Internet Diagnosis and Treatment (Trial), the Measures for the Administration of Internet Hospitals (Trial), the Basic Standards for Internet Hospitals (Trial), the Administrative Regulations on Medical Institutions, the Implementation Measures of the Administrative Regulations on Medical Institutions and other requirements, continuously improves the medical service management system, continuously improves the digital medical service capabilities, provides users with a full range of real-time pharmaceutical retail and medical consulting services, and promotes the transformation and upgrading of China's medical industry.

3.2.1 Improving Service Experience

- **Worry-free Services**

We are committed to providing users with a simplified, rapid and timely drug purchase experience. Through the establishment of self-owned online platforms such as the "Dingdang Drug Express" mobile application and WeChat mini program as well as third-party online platforms, users can access non-prescription drugs, prescription drugs and health products in a more worry-free and convenient manner.

We are committed to providing users with delivery service for 28 minutes on a 24/7 basis within regions covered by our sales service. Based on artificial intelligence technology and self-developed technologies such as dynamic time assessment, route planning, E-zoning and smart order system, we have successfully built a smart distribution system to effectively improve distribution efficiency and ensure the safety and timeliness of delivery services.

We have built an experienced professional delivery team and adopted smart drug boxes featuring constant temperature and humidity in the delivery process to effectively ensure the quality and safety of various drugs such as drugs and suppositories. At the same time, we also continue to strengthen our pharmaceutical distribution service capabilities by cooperating with partners and third-party carriers to distribute products. In addition, we also meet the real-time needs of users through our smart pharmacy network across China. Our delivery teams in various cities across the country distribute products to users.

During the COVID-19 pandemic, Dingdang Health, as a key white list enterprise, made every effort to ensure the supply of pandemic prevention materials and drugs in Beijing, Shanghai, Zhengzhou and other cities, and provided free placement of hundreds of thousands of "contactless delivery and storage points" to communities across the country, effectively solving difficulties faced by users, such as "inconvenience to visit hospitals during the pandemic" and "inconvenience to buy drugs at night".

- **Considerate Services**

  We provide professional online diagnosis and treatment services, and provide users with 24-hour online diagnosis and prescription renewal services through Internet hospitals and cooperation with medical institutions to meet users' immediate health needs. We have further developed the operation and management of sub-departments, established sub-departments management for respiratory medicine, dermatology, gastrointestinal specialty, gynecology, cardio-cerebral vascular and oncology, etc., and provide users with online consultation and consultation through online and auxiliary services. Through our self-developed AI system, health mapping, medical dictionary wisdom and other technologies, we help users with health file management and DOT medication adherence services.

  We implement strict selection procedures for medical professionals involved in online diagnosis and treatment to ensure the professionalism of our healthcare and medical team. As of the end of 2022, we had 16 full-time physicians, 67 part-time physicians and over 800 external physicians and 447 pharmacists working with third-party medical institutions.

- **Safe Services**

  Based on the health needs of users, we provide users with a full range of medical services, such as chronic disease and health management, psychological counseling services, psychological assessment services, psychological online courses and clinical appointment services, through big data operation and analysis, and the synergy of comprehensive products and service portfolios.

  Our chronic disease and health management services include providing users with drug use and dosage guidance, follow-up consultation reminders, and prescription renewal visits. We are also committed to exploring DTP pharmacies and new specialty drugs to address the management needs of chronic diseases in areas such as liver diseases, oncology, cardiovascular and diabetes. In addition, we cooperate with third-party online clinical appointment platforms to provide users with options to make clinical appointment. We provide users with comprehensive and in-depth medical services through our health management service portfolio, so that users can feel safe and at ease.

- **Customer Satisfaction**

  Dingdang Health is committed to continuously improving user satisfaction by providing high-quality customer services. We have set up a 24/7 basis customer service center to resolve users' inquiries and complaints about products and services. Users can make enquiries and complaints through various channels, such as telephone, online real-time text messages, WeChat official account and email.

  The Company has specifically formulated an internal drug quality complaint management system for user complaints. The quality control department of the Company is responsible for emergency complaints and important complaints, and the customer service center is responsible for handling user inquiries and complaints. Each customer service representative must complete mandatory training covering topics such as product knowledge, complaint handling and communication skills. In addition, we also use artificial intelligence customer services to help address users' inquiries in a timely manner. The quality control department and customer service center are required to keep proper records and handle complaints within the prescribed time.

3.2.2 Responsible Marketing and Promotion

Dingdang Health strictly abides by the Advertising Law of the People's Republic of China, the Interim Measures for the Administration of Internet Advertising, the Interim Administrative Measures for Censorship of Advertisements for Drugs, Medical Devices, Dietary Supplements and Foods for Special Medical Purpose and other laws and regulations, and takes measures such as pre-release review and control during release for marketing behaviours, internal learning and discussion to ensure compliance of product promotion and avoid false and misleading publicity.

- **Compliant Presentation**

  The Company attaches great importance to the compliant presentation of drugs and medical and health products, and requires the prescription drugs and non-prescription drugs to be separately displayed and clearly marked. The main page and homepage of prescription drug sales shall not directly and publicly display the packaging, labeling and other information of prescription drugs; before passing the prescription review, no instruction and other information shall be displayed; no services related to the purchase of prescription drugs shall be provided.

  In addition, the Company strictly manages the focus and routings of product display on the platform, and requires drugs, medical devices, health food, etc. to provide corresponding advertising approvals within the validity period for display. For non-pharmaceutical products, medical devices and health food products, in addition to strict compliance with relevant provisions, it should be noted that the promotional materials on the event page should be consistent with the actual goods in promotion. The product activity page shall also indicate the product amount, product unit and activity duration.

- **Reasonable Pricing**

  The Company provides reasonable and competitive pricing for the products and services provided. The products to be provided to the distributors under the business distribution channels are priced based on the overall price level in the distribution market, and a range of guidance prices is set for further distribution by the distributors. Distribution agreements are entered into with the distributors and the distributors are required to comply with the relevant sales restrictions. The Company timely monitors the product prices of distributors operating on the e-commerce platform on its self-operated platform. If there is any failure to comply with the guidance price range in accordance with the agreement, the Company will terminate the business with the distributors.

3.2.3 Privacy and Information Security

The Company is committed to protecting its own network security and the data and privacy of users, patients, medical staff, etc. In accordance with relevant laws and regulations, the Company has formulated policies and systems such as "Dingdang Drug Express Privacy Policy" and "Dingdang Drug Express User Registration Agreement" to ensure that personal privacy data security is controllable, and legally collect data on the basis of protecting users' right to know and authorization.

The Company continued to improve the network security system and built a four-pillar system with security system, safe work process, security service process and security configuration specification as the main body. The Company also issued and implemented a series of internal management systems such as the System Account and Cryptography Management System, the System Change Management System, the Security Incident Handling System, the Anti-virus Security Management System, the System Security Management System, the Network Security Management System, and the Administrative Regulations on Fixed-level Filing. Through the use of the self-developed honey can technology system provided by a third party, we immediately pay attention to network threat incidents, timely discover data leakage incidents, and effectively analyze hackers, attack tools, means and assets, while realizing the collection, sorting and cleaning of a large amount of basic data required for threat analysis.

In terms of the establishment of cybersecurity and data protection compliance systems, the Company has adopted the following measures:

- The Company's business system has obtained the three-level network security level protection filing certificate, and has passed the network security level protection evaluation

- Implement access control and identification measures, data encryption or desensitization, data backup and other technical measures to protect the network and data from interference, damage or unauthorized access, and prevent data leakage, tampering and loss

- Establish network security management system and data protection system, and formulate personal information protection system, including data access control system, data classification system, personal information collection and use regulations, etc., strictly abide by laws and regulations, and not distribute or sell users' personal information for any illegal or unauthorized purposes

- Formulate and organize emergency plans for network security incidents and data security incidents

- Sign the Data Confidentiality and Security Agreement with employees, conduct confidentiality trainings for employees, and regularly carry out special trainings on personal information protection for employees

- Establish a personal information protection impact assessment system, conduct personal information protection impact assessment before handling sensitive personal information, making automatic decision, entrusting processing or sharing personal information, and record the processing situation

- Formulate a data compliance audit system, and regularly conduct compliance audits on the Company's handling of personal information in compliance with relevant laws and regulations

Emergency Response Procedures

The Company has established a three-level safety emergency response system, which is classified according to the three levels of the incident, and is handled and responded by the senior management, the director of the safety department, and the safety and responsibility team.

- **Level I incident:** The Company's senior management is responsible for the overall handling. After determining the level of incident, the Company's safety team will report to the senior management level. The senior management, together with the safety team and the responsible team, will jointly handle the incident and form an incident handling report and feedback.

- **Level II incident:** The director of the safety department of the Company is responsible for the overall handling of the incident upon discovery. After determining the level of the incident, the safety team of the Company reports to the department director level. The department director works together with the safety team and the responsible team to form the incident handling report and feedback.

- **Level III incident:** The Company's responsible team and the safety team are responsible for the overall handling of the incident upon discovery. The safety team determines the level of the incident and reports to the responsible team leader. The responsible team and the safety team will jointly handle the incident, and form an incident handling report and feedback.

3.3 Innovation, Research and Development

As a digital enterprise that attaches great importance to technological innovation, Dingdang Health has made effective exploration and application in big data, cloud computing, 5G and other information technologies, laying a solid foundation for stable market layout and efficient store operation.

The Company adheres to the innovation of business and operation mode, and continuously improves the operation efficiency and service level of the Company by virtue of the omni-channel, full-scenario and full-cycle user services, as well as the professional, precise and digital development strategies. The Company attaches great importance to technology empowerment and is committed to building an intelligent, green and efficient online medical service and operation system. While improving service efficiency, it reduces the inconvenience and greenhouse gas emissions caused by users' travel and use of transportation.

Table: Dingdang Health Smart Green Medical Services

Provision of green medical services	Doctors and pharmacists provide 24-hour online free services, with over 8 million consultations in 2022.
Expansion of service coverage	Through refined site selection and online diversion, the Group covers a larger area with the least number of stores.
Unique intelligent medicine reminder system	Taking big data as the core and combined with users' drug purchase records, we implement Dingdang pharmacists' smart medication reminders to ensure the timeliness and safety of drug use.
Unique mobile phone picking and stocktaking system	We comprehensively integrate and rationalize the picking process, create a dynamic stocktaking mode with uninterrupted operation, and realize the pick-up of products by mobile phones in 48 seconds.

The Company has established a proprietary technology platform that carries multiple systems such as intelligent scheduling, intelligent route planning, intelligent site selection and intelligent user management to support business operation and innovation. With the continuous data coding and analysis process, we tailor our overall development strategy for each pharmacy in terms of site selection, dispatch and operation.

- **Intelligent Site Selection System**

  ➢ **Site selection recommendation:** We build a site selection model based on machine learning, provide scientific model scoring rules, differentiate the high, medium and low regional potential grid within the scope of target cities, quickly identify target value areas, and efficiently complete site selection decision.

- ➢ **Site selection planning:** Through selecting models for different scenarios, accurate assessment of alternative points, output model results and scores, we make comprehensive assessment of multi-dimensional characteristics analysis of candidate points and their radiation scope, support space comparison and analysis of different candidate points, and accurate assessment of candidate points.

- ➢ **Quantitative verification:** We analyze data through AI models, explore the relationship between time and space data and sales volume, predict potential sales volume through artificial intelligence, and quantify and verify site selection results.

- **Intelligent Distribution System**

  The distribution and dispatch system is the core part of all businesses, and is based on the mixed calculation of order information, regional division, vehicle model conditions and other dimensions to intelligently match orders. Through intelligent route planning, we provide delivery personnel with high-quality delivery routes and improve travel efficiency. Through the processing and screening of raw trajectory sampling information, the Company built a database of experience tracks, which quantifies the delivery personnel's riding behavior in the database of experience tracks and calculates the experience path, and finally recommends the experience path to the delivery personnel for optimal path planning for improving the on-time delivery rate, thereby improving the overall customer satisfaction.

- **Intelligent Operation System**

  The main function of E-zoning is to help smart pharmacies plan the scope of distribution services, achieve dynamic adjustment of service radius of multiple stores based on time, transportation capacity and order distribution, analyze order distribution, service timeliness, contract performance and other conditions in multiple dimensions, score the health of individual or multiple E-zones, and achieve a reasonable layout of E-zones.

  The main function of the Promise perception system is to estimate the delivery time, that is, after the user places an order, the time which the delivery personnel requires to deliver the goods to the user. The forecast results will be displayed on the user's customer page in the form of "estimated delivery time", which will directly affect the user's willingness to place orders, capacity scheduling, and delivery personnel assessment, and in turn affect the overall cost of the delivery system and user experience. The platform is equipped with different scenario models for different scenarios such as morning and evening peak, flat peak, hot-selling orders and different regions.

- **Smart User Management**

  By building a big data and user health, medicine and medical knowledge map for in-depth data analysis, the Company is able to predict the user's demand for medical and healthcare products and service packages based on each user's drug purchase history, drug treatment, number of follow-up visits and drug adherence, thereby sending accurate and timely medical and healthcare drug notices, and providing customized medical and healthcare solutions to meet the specific needs of the user.

- **Intellectual Property Protection**

  Intellectual property is the foundation of Dingdang Health's success and competitiveness. The Company strictly complies with relevant laws and regulations to protect intellectual property rights, including trademarks, patents, copyrights and domain names. In 2022, the Company implemented the "Regulations on Intellectual Property Protection of Dingdang Drug Express Platform" and handled intellectual property complaints and disputes on the platform in strict accordance with the rules to fully protect the relevant interests of intellectual property rights holders and consumers.

  In January 2022, the Company promulgated and implemented the Measures for the Management of Intellectual Property Rights of Dingdang Group, which clearly defined the scope of intellectual property rights and relevant registration and use specifications, established the Application Process for the Use of Intellectual Property Rights, and regularly improved and updated the intellectual property management system according to business development. In 2022, the Company registered a total of 511 trademarks and 51 copyrights in China, including 47 computer software and 4 art works, and obtained 18 patents in aggregate, including 10 invention patents and 8 design patents.

4. GROWING WITH EMPLOYEES

Dingdang Health regards employees as valuable assets of the Company, fully protects the rights and benefits of employees, cares for employees, stimulates their vitality and creativity, and is committed to enabling employees to grow and develop together with the Company.

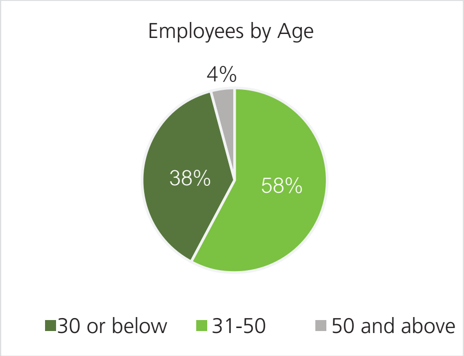
4.1 Protection of Employee Rights

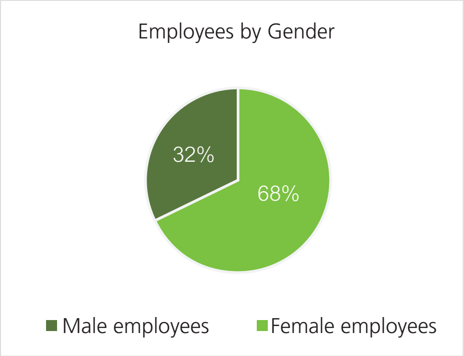
The Company adheres to equal and standardized employment, strictly abides by the Labor Law of the People's Republic of China, the Labor Contract Law of the People's Republic of China and other relevant national laws and regulations, prohibits the recruitment of child labor and forced labor, opposes all forms of discrimination in terms of gender, age and region, and pays attention to establishing a respectful, inclusive and caring culture and working environment.

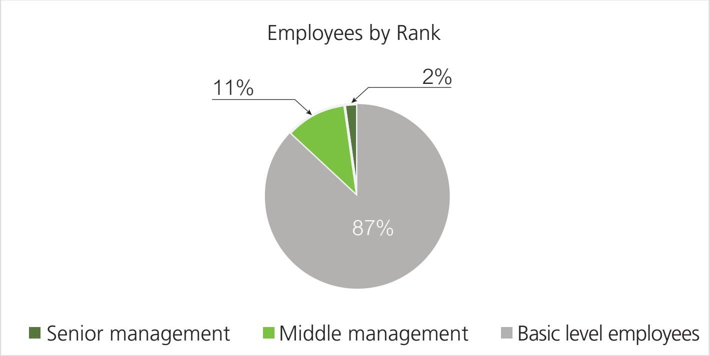
We have established and continuously improved the talent management strategy and system in terms of "selection, cultivation, employment and retention", including a series of systems such as the Employee Orientation Management Measures, the Labor Contract Management Measures, the Employee Resignation Management Measures, the Employee Probation Management Regulations and the Employee Transfer Management Measures.

We adhere to democratic management, encourage employees to speak freely, and establish a culture of honesty and openness for internal communication. The Company holds management seminars every quarter to collect employees' suggestions on the Company's management and innovation, and strengthens the communication and coordination among departments. For the suggestions made by employees, the Company will respond to the improvement and improvement progress, and reward the corresponding employees for the suggestions adopted.

As of the end of the reporting period of 2022, the total number of employees of the Company was 2,565, the number of new employees was 856 and the number of disabled employees was 28.







4.2 Employee Remuneration and Benefits

The Company continuously improves the employee remuneration system and various internal welfare policies and measures to enhance the employees' sense of well-being.

The remuneration package of employees generally includes salary and bonus. We determine the remuneration of employees based on factors such as their qualifications and years of service. We contribute to social security insurance for our employees, including pension insurance, unemployment insurance, work-related injury insurance, maternity insurance and medical insurance.

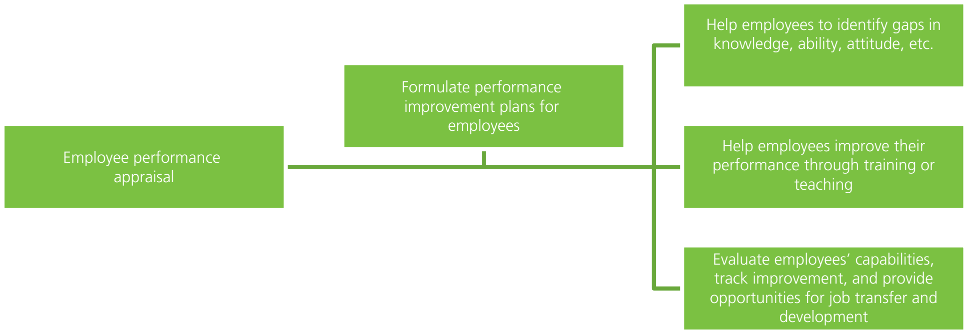
The Company is committed to creating a learning-oriented organization for employees. In order to encourage medical and pharmaceutical professionals to improve their professional capabilities, the Company has formulated policies such as professional ability training subsidies to support employees to participate in professional training and examinations. According to the relevant qualification and certificates obtained by the training, employees can receive corresponding subsidies.

For personnel stationing overseas, the Company has formulated the Interim Measures of Dingdang Group on Subsidy Standards for Personnel Stationing Overseas to provide personnels stationing overseas with housing subsidies, living subsidies, transportation subsidies, home leave and other benefits. In addition, the Company has also set up a share incentive scheme for employees.

4.3 Staff Training and Development

The Company attaches great importance to the career growth of employees and provides them with a broad development platform. In order to improve the efficiency of talent management and stimulate the vitality of talents, the Company organizes a systematic talent review on a semi-annual and annual basis to identify employees with high potential and excellent performance, and allocates development resources to key talents. At the same time, the Company continuously improves the management system and measures for employee performance appraisal, sets reasonable appraisal targets and clarifies the appraisal standards. For employees whose assessment results are significantly different from the target, the Company will implement the employee career development improvement process to help employees further develop.

Employee Career Development Assessment and Improvement Process



The Company has developed appropriate development and training plans for employees at different stages, types and levels. For new employees, the Company organizes online learning and offline training to help them integrate into the Company's environment, understand the Company's development history and experience the Company's internal culture. In order to strengthen the leadership development of middle and senior management, the Company has set up Dingdang College to regularly carry out management cadre training courses, introduce external professional talent training institutions to implement customized training, further broaden the business strategic perspective of management personnel, improve the sensitivity of market insights and business innovation capabilities, and help the Company's business development. For enhancing the professional capability of internal core talents such as commodity management and medical technicians, the Company sets continuous training objectives and strengthens special ability improvement.

Percentage of Employees Trained

Percentage of employees trained to total employees		100	%
Percentage of employees trained by gender	Male employees	100	%
	Female employees	100	%
Percentage of employees trained by type	Senior management	100	%
	Middle management	100	%
	Basic level employees	100	%

Training hours of employees

Total training hours of employees		148,770	hours
Average training hours by gender	Male employees	58	hours
	Female employees	58	hours
Average training hours by employee type	Senior management	46	hours
	Middle management	56	hours
	Basic level employees	60	hours

4.4 Occupational Health and Safety

The Company fully protects the occupational health and safety of employees and strictly complies with relevant laws and regulations such as the Law of the People's Republic of China on the Prevention and Control of Occupational Diseases and the Production Safety Law of the People's Republic of China. During the pandemic, the Company formulated pandemic prevention and control policies, distributed free anti-pandemic materials such as drugs and masks to employees, collected employees' health status in the system on a daily basis, strengthened the concern of employees' mental health status during the pandemic, and provided health and psychological care.

In addition, the Company has established a multi-level linkage, flexible and efficient emergency response mechanism and command system to respond quickly within 24 hours to internal employees' sudden injuries, work injuries, epidemic prevention and control, so that the incidents can be handled efficiently and properly.

5. PRACTICING LOW-CARBON DEVELOPMENT

Dingdang Health practices the concept of green and low-carbon development, and helps achieve the goal of "carbon peaking and carbon neutrality" through digital empowerment and technology application. The Company strictly complies with the Environmental Protection Law of the People's Republic of China, the Energy Conservation Law of the People's Republic of China, the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes and other laws and regulations, and takes practical actions to fulfill the Company's responsibility and obligations for environmental protection.

5.1 Green Medical Care

The Company continues to practice the concept of green medical care, and is committed to reducing the negative impact on the environment in the whole process of warehousing, product packaging and distribution. It uses intelligent means to improve service efficiency and reduce carbon emissions, and is committed to promoting the concept of green environmental protection to the public.

- **Green Packaging and Distribution**

  The Company avoids waste of resources and environmental pollution caused by excessive packaging and repeated packaging. In the packaging process, the Company upgraded the packaging bags used in orders to degradable packaging bags and paper bags, and continued to optimize quality and improve utilization rate to complete the full coverage of the first batch of degradable packaging in cities with plastic restriction.

  In the on-demand delivery services for pharmaceutical products, Dingdang Health has vigorously reduced carbon emissions. The electric vehicles used by the Company accounted for nearly 100%, which significantly reduced the use of fossil energy. Dingdang's intelligent dispatching system optimizes routes for rider distribution, improves distribution efficiency, and reduces carbon emissions by reasonably reducing distribution mileage. In addition, the Company is trying to explore the delivery mode of unmanned vehicles to make sufficient preparation for improving the efficiency of on-demand delivery.

Dingdang Health unmanned delivery

- **Promoting Green Concept**

  In order to promote the concept of green medical care and environmental protection, the Company launched the "Green Environmental Protection, Start from Me" publicity campaign, and carried out online publicity through official APPs such as Dingdang Express Medicine Distribution Early Alarm Platform and Dingdang Express Medicine Rider Distribution Terminal. The Company also closely cooperated with offline stores and delivery personnel to carry out offline publicity, called on the delivery personnel to become "low-carbon and energy-saving" promoters, and posted green environmental protection posters on vehicles and delivery boxes to deliver low-carbon and energy-saving leaflets to users, so as to strengthen the public's awareness of environmental protection and promote the formation of a new trend of green civilization in the whole society.

5.2 Green Operation

The Company actively responds to climate change, strives to integrate the concept of low-carbon and environmental protection into daily operations, vigorously promotes green office, advocates energy conservation and emission reduction for employees, and strengthens waste management and resource recycling.

- **Responding to Climate Change**

  In order to strengthen the ability to cope with extreme climate risks and implement safety prevention measures, the Company has formulated the Safety Management Regulations on Response to Extreme Weathers, which stipulates safety measures for extreme weathers such as high temperature, rainstorm and typhoon. In addition, the Company pays attention to improving the safety awareness of all employees, and provides safety warnings and education for employees concerning extreme weather to ensure the safety of employees, property and basic materials.

- **Green Office**

  The Company advocates employees to put green office into practice, and has formulated the Regulations on Energy Conservation and Consumption Reduction, Water Conservation and Electricity Management and the Implementation Plan for Paperless Office, and adopted various measures to reduce greenhouse gas emissions. In 2022, the Company set a goal of reducing the per capita consumption of office consumables by 5%. In order to achieve the goal, the plans and measures formulated and implemented include:

  - The packaging carton used in the warehouse are all reused for the carton delivered by suppliers. The warehouses in Guangzhou and Shenzhen use plastic transfer boxes to increase service life and reduce carbon emissions.

  - Employees are encouraged to save energy. The Company stipulates the maximum and minimum temperature limits for the use of air conditioners in different seasons. Air conditioners are turned off 15 minutes before leaving work. Office lights are not turned on when the light is normal during the day.

- The Company advocates paperless service and office. Some prescriptions are registered in electronic version. The approval process on the hardcopy of the Company's documents is canceled, and the approval is completed through the OA office system. The Company's mailbox and WeChat are used for daily work communication, and paper printing and filing are canceled.

Indicators	2022	Unit
Direct (Scope 1) GHG emissions	60.58	tCO_2 e
Direct (Scope 1) GHG emissions intensity	0.02	tCO_2 e/person
Direct (Scope 2) GHG emissions	4,920.76	tCO_2 e
Direct (Scope 2) GHG emissions intensity	1.92	tCO_2 e/person
Gasoline consumption of official vehicles	27,170.54	liter
Electricity Consumption	6,425,138.27	kWh
Electricity Intensity	2,504.93	kWh/person
Purchased heat	3,523.84	million KJ
Comprehensive energy consumption	939.07	tonnes of standard coal
Water Consumption	29,541.79	tonnes
Water consumption intensity	11.52	tonnes/person
Packaging material consumption	2,202.63	tonnes

5.3 Waste Management

The Company regulates and strictly handles hazardous and non-hazardous wastes generated from business activities and internal operations. For hazardous waste, such as printer toner cartridges, waste light tubes, waste batteries, etc., the Company has set up special recycling procedures, and entrusts professional third parties to handle them, so as to ensure the safe and orderly treatment of waste, realize the recycling of resources and the harmless treatment of waste.

For domestic waste, the Company treats it by categories and has formulated the Administrative Regulations on Domestic Waste Classification to publicize all employees. For unqualified drugs and non-drugs, the Company conducts pollution-free treatment in strict accordance with the Good Supply Practice for Pharmaceutical Products (GSP), and has formulated the Management System for the Treatment of Unqualified Drugs in Stores to avoid environmental pollution caused by unqualified drugs and non-drugs.

Case: Dingdang Health carried out free door-to-door drug recovery project

In response to the national waste classification policy, on August 24, 2022, the Company and its cooperative pharmaceutical companies jointly launched the "free door-to-door recovery of family expired drugs" campaign to support green environmental protection and ensure the safety of people's medication.

Due to the underdeveloped nature of the previous drug retail industry, users face the difficulty of buying medicines in midnight and develop the habit of medicine hoarding, resulting in over ten thousand tonnes of expired drugs per year. Dingdang Health's free door-to-door drug recovery campaign helps citizens to participate in green environmental protection activities without leaving their home, which does not only reduce health risks and environmental pollution caused by expired drugs, but also reduces unnecessary spending by consumers.

Indicators	2022	Unit
Total discharge of hazardous waste	3.74	tonnes
Intensity of hazardous waste discharge	0.0015	tonnes/person
Total discharge of non-hazardous waste	2,219.48	tonnes
Intensity of non-hazardous waste discharge	0.89	tonnes/person
Office paper consumption	16.85	tonnes

6. WIN-WIN COOPERATION WITH PARTNERS

6.1 Promote Industry Development

The Company launched the real-time pharmaceutical retail and online health consulting services led by online-to-offline solutions to help improve the efficiency of the entire pharmaceutical and healthcare industry chain, empower the Internet healthcare and pharmaceutical industries, and promote the transformation and upgrading of China's healthcare industry. As an important product and service provider in the domestic real-time home digital pharmacy industry, Dingdang Health improved the construction of supply system in the form of cooperative alliance to maintain a scientific and reasonable drug reserve.

In 2015, the Company established the FSC Pharmaceutical Enterprise Alliance with pharmaceutical manufacturers to achieve in-depth cooperation in the advertising, promotion, marketing services and research and development of pharmaceutical products, and continuously enhance the brand value of the alliance enterprises. The pharmaceutical enterprises of the FSC Pharmaceutical Alliance are guided by the research, development and production activities of the Company's ecosystem drug-related data, so as to improve procurement efficiency and expand the diversity of product portfolio. During the pandemic, in terms of ensuring supply, Dingdang Health actively leveraged the supply chain advantages of the pharmaceutical enterprise alliance, quickly communicated with major suppliers, coordinated the upstream factories to make full efforts on production, and delivered pandemic prevention materials across the country in a timely manner.

6.2 Inclusive Healthcare

The Company has formulated the "Worry-free Plan for Chronic Diseases" and the Internet "medical + drug" model to solve the problem of drug purchase for chronic diseases under the epidemic. During the pandemic, the Company specially launched the "Green Channel for Worry-free Consultation on Chronic Diseases" for patients with chronic diseases, providing remote follow-up consultation and electronic prescription services for users of common diseases and chronic diseases, and made every effort to solve the difficulties refilling prescriptions when staying at home, visiting hospitals and overcharging drugs during the pandemic, which greatly alleviated the drug demand of users of chronic diseases.

The Company continued to operate during the Chinese New Year for six consecutive years. All employees such as doctors, pharmacists, Dingdang's personnel and customer service personnel have been on the job, providing users with "online ordering and delivery" health to-home service, and helping citizens purchase drugs from home and enjoy a healthy new year.

6.3 Supply Chain Management

The Company attaches great importance to the selection and management of suppliers, and has issued the Supplier Management System. The Company adopts a strict screening and evaluation process for suppliers, and selects suppliers based on their qualifications, brands, past experience, reliability, quantity and price. Before entering into an agreement with a supplier, the Company conducts background checks on the supplier and the products it provides, and checks the business license and product-related permits and certificates. In addition, it is necessary to assess the brand awareness of the suppliers and conduct research on the market acceptance of their products in the industry. For enterprises entering the Dingdang Drug Express Platform, the Company has established management systems such as verification and registration, quality and safety monitoring, transaction safety guarantee, online sales illegal behavior prevention and reporting, serious illegal behavior platform service suspension, safety complaint reporting and handling, and inspection and monitoring system. As of the end of 2022, the Company has cooperated with a total of 5,451 pharmaceutical enterprises and pharmaceutical distributors, all of which are enterprises in mainland China.

The Company has the following requirements for procurement activities:

- Determine the legal qualification of the supplier;
- Determine the legality of the purchased drugs;
- Verify the legal qualifications of the sales personnel of the supplier;
- Sign quality assurance agreements with suppliers;
- The first-time enterprises and first-time varieties involved in procurement shall be reviewed and approved by the quality management department and the person-in-charge of enterprise quality;
- If necessary, we will organize on-site inspections to evaluate the quality management system of the suppliers.

The Company has set up a special team to manage supplier product quality, logistics and after-sales customer services, conducts special inspections on product samples with complaint records, regularly monitors data related to product quality, and communicates with relevant suppliers and third-party merchants in a timely manner when problems occur. In accordance with the Quality Inspection Management Regulations, the Company conducts regular spot checks on merchants and product qualifications on the three-party platforms to ensure that they have good qualifications; regular and random inspections are conducted on products purchased from suppliers to ensure compliance with internal quality standards.

6.4 Public Welfare and Charity

Dingdang Health always adheres to the health of residents and users, which is integrated into the core value of enterprise development. Since the pandemic prevention and control in the society has become normalized and precise, the Company has organized and guaranteed the supply of drugs in cities for many times, and resolutely maintained the stability of market prices. In the first half of 2022, the Ministry of Industry and Information Technology, the National Health Commission, the National Healthcare Security Administration and the National Medical Products Administration jointly issued the Notice on Strengthening the Supervision of Production Reserves of Shortage Drugs and Selected Drugs in Centralized Procurement by the State. Dingdang Health was included in the list of "Key Shortage Drug Reserve Enterprises" to respond to the State's call for enhancing the supply guarantee of drugs and meeting the health needs of the people. In Beijing, Shanghai, Shenzhen, Zhengzhou, Wuhan, Chongqing and other directly-operated cities, the Company launched the "24-hour guard, contactless delivery" service to ensure the timely supply of key drugs and pandemic-related products. In 2022, the Company's charitable donations amounted to RMB2.86 million.

Case: Joining hands with Shenzhen Broadcasting and Television Charity Foundation•First On-site Public Welfare Fund to donate care supplies

In March 2022, Dingdang Health joined hands with Shenzhen Broadcasting and Television Charity Foundation•First On-site Public Welfare Fund to quickly donate supplies to the frontline of anti-epidemic work in Shatou Street, Futian District. After learning that the volunteers of Shenzhen Shangsha Community needed heatstroke prevention and cooling drugs, the Company quickly collected materials and donated a batch of cooling and heat alleviation products to the front-line workers to fight against the epidemic, and sent cool protection to the staff who worked on the front-line in the fight against the epidemic under the unbearable sun.

Case: Founder personally led Dingdang to fight the epidemic

Since the outbreak of COVID-19, Dingdang Health immediately set up a special emergency response team for epidemic prevention. Yang Wenlong, Chairman of the Board of Directors, acted as the team leader, led and launched the "non-stop service during the Spring Festival", and continued to work with employees across the country, organized and dispatched the production and procurement of medical and pharmaceutical materials, and fully guaranteed the supply of masks, alcohol and drugs in China. At the same time, Dingdang quickly launched the global supply chain, actively expanded international medical materials channels, and supplemented the supply of epidemic prevention materials. The Company ensured supply through multiple channels, so that more users can get the best service and protection during the pandemic.

Case: Joining hands with the China Disabled Persons' Federation to launch the "Happy Small Medicine Box" public welfare project

On May 16, 2021, the National Day for Disabled Persons, in order to help people with disabilities who are lack of medicine and have difficulties in life to solve health problems such as difficulties in drug delivery and difficulties in disease treatment, Dingdang Drug Express Platform joined hands with the China Disabled Persons' Federation and many pharmaceutical companies to launch the "Happy Small Medicine Box" public welfare project, and donated drugs and small medicine boxes worth RMB2.175 million to the disabled in the first phase to help the disabled groups. At the same time, the Company launched the "Happy Star" employment plan, and jointly initiated with the Disabled Persons' Federation to care for, support and help the disabled, consolidate the achievements of the disabled in poverty alleviation, improve the quality of life of the disabled, and accelerate the employment of the disabled to increase their income.

Case: Supporting communities and ensuring 24-hour uninterrupted medical services during the pandemic lockdown

During the outbreak of the epidemic in Ganjiakou in 2021, the Internet hospital doctor team of Dingdang Drug Express Platform stationed in the party branch of the medical security task force, provided 24-hour online consultation for residents of the closed community in Ganjiakou Street for more than ten consecutive days and nights, and distributed drugs to chronic disease users through contactless delivery, thereby fully meeting the health needs of the people and adding strength to the fight against the epidemic.

Case: Zhengzhou City, Henan Province suffered from extreme weather and Dingdang Drug Express donated materials urgently

In July 2021, Zhengzhou City, Henan Province continued to suffer from rare rainstorms. Dingdang Drug Express prepared a batch of disinfection supplies, Huoxiang Zhengqi Liquid and other emergency materials as soon as possible, and organized a number of Dingdang delivery personnel to send them quickly to the firemen who were fighting against heavy rains and rescuing the public.

APPENDIX

Appendix 1 Key Performance Table

Aspects	Key Performance Indicators		Indicator Unit	2022 Data
Environmental Key Performance Table				
Emission	Direct (Scope 1) greenhouse gas emissions	Scope 1 greenhouse gas emissions	tCO_2e	**60.58**
		Scope 1 greenhouse gas emission intensity	tCO_2e/person	**0.02**
	Indirect (Scope 2) greenhouse gas emissions	Scope 2 greenhouse gas emissions	tCO_2e	**4,920.76**
		Scope 2 greenhouse gas emission intensity	tCO_2e/person	**1.92**
	Total discharge of hazardous waste		tonnes	**3.74**
	Intensity of hazardous waste discharge		tonnes/person	**0.0015**
	Total discharge of non-hazardous waste		tonnes	**2,219.48**
	Intensity of non-hazardous waste discharge		tonnes/person	**0.89**
Use of Resources	Comprehensive energy consumption		tonnes of standard coal	**939.07**
	Comprehensive energy consumption per capita		ton of standard coal/person	**0.37**
	Gasoline consumption		liter	**27,170.54**
	Electricity consumption		kWh	**6,425,138.27**
	Purchased heat		million KJ	**3,523.84**
	Electricity consumption per capita		kWh/person	**2,504.93**
	Water consumption		tonnes	**29,541.79**
	Water intensity		tonnes/person	**11.52**
	Packaging material consumption		tonnes	**2,202.63**
	Office paper consumption		tonnes	**16.85**

Note: Environment data collection covers the period between January 1, 2022 and December 31, 2022. The scope of environment data collection includes the headquarter and all subsidiaries of Dingdang Health Technology Group Ltd.

In the process of business operation in 2022, the Company's scope 1 greenhouse gas emission originated from the daily usage of business vehicles, while scope 2 greenhouse gas emission originated from the use of purchased electricity and purchased heat. Relevant emission factors make reference to the Reporting Guidance on Environmental KPIs of the Hong Kong Stock Exchange, of which the greenhouse gas emission factors of purchased electricity makes reference to the 2011-2012 Regional Power Grid Average Carbon Dioxide Emission Factors in China published by the Department of Climate Change Response (now known as the Ministry of Ecology and Environment) of the National Development and Reform Commission, and the greenhouse gas emission factors of purchased heat makes reference to the Calculation Method and Reporting Guidance on Greenhouse Gas Emission by Other Industrial Enterprises (Trial) of the National Development and Reform Commission.

In 2022, total energy consumption of the Company originated from the indirect energy consumption from the use of indirect energy (i.e. purchased electricity and heat), and the energy consumption factors make reference to "GB2589-2008T General Rules on Calculation of Comprehensive Energy Consumption".

The scope of statistics for non-hazardous waste includes office paper, packaging boxes and print receipt.

Total hazardous waste includes the production volume of abandoned electronic products, abandoned toner cartridges, abandoned light tubes, abandoned light bulbs and abandoned dry batteries.

Aspects	Key Performance Indicators		Indicator Unit	2022 Data
Social Key Performance Table				
Employment	Total number of employees		person	**2,565**
	Number of employees by employee type	Senior management	person	**52**
		Middle management	person	**288**
		Basic level employees	person	**2,225**
	Number of employees by gender	Male employees	person	**813**
		Female employees	person	**1,752**
	Number of employees by age	30 years old and below	person	**971**
		31-50 years old	person	**1,478**
		Over 50 years old	person	**116**
	Number of employees by region	Number of employees in Mainland China	person	**2,563**
		Number of employees in Hong Kong, Macau and Taiwan	person	**2**
	Number of disabled employees		person	**28**
	Number of new employees		person	**856**
	Employee turnover rate		%	**40**
	Employee turnover rate by gender	Turnover rate of male employee	%	**39**
		Turnover rate of female employees	%	**40**
	Employee turnover rate by age	30 years old and below	%	**47**
		31-50 years old	%	**35**
		Over 50 years old	%	**33**
	Employee turnover rate by region	Turnover rate of employees in Mainland China	%	**40**
		Turnover rate of employees in Hong Kong, Macau and Taiwan	%	**0**
	Number of Board members		person	**9**
	Proportion of female directors		%	**22**
	Proportion of female management		%	**21**
Health and Safety	Number of work-related fatalities in the past three years		person	**1**
	Lost days due to work injury		days	**318**
Development and Training	Percentage of employees trained by gender	Male employees	%	**100**
		Female employees	%	**100**
	Percentage of employees trained by type	Senior management	%	**100**
		Middle management	%	**100**
		Basic level employees	%	**100**
	Average training hours by gender	Male employees	hours	**58**
		Female employees	hours	**58**
	Average training hours by employee type	Senior management	hours	**46**
		Middle management	hours	**56**
		Basic level employees	hours	**60**
	Percentage of employees trained to total employees		%	**100**
	Total training hours of employees		hours	**148,770**
Supply Chain Management	Number of pharmaceutical enterprises and pharmaceutical distributors in cooperation (all in Mainland China)		entities	**2,188**
Product Responsibility	Number of customer complaints		cases	**0**
	Number of products recalled for safety and health reasons		pieces	**0**
Anti-corruption	Number of corruption lawsuits		pieces	**0**
Community Investment	Amount of charitable donations		RMB million	**2.86**

(Note: In the past three years, there was 1 fatality due to work-related injuries, which was specifically a traffic accident that occurred in 2020 when the internal pharmacist personnel were off duty)

APPENDIX 2 HKEX ESG REPORTING GUIDE INDEX TABLE

Subject Areas	Description	Section (Page)	Remarks
Mandatory Disclosure Requirements			
Governance Structure	(i) A disclosure of the board's oversight of ESG issues; (ii) The Board's ESG management approach and strategy, including the process used to evaluate, prioritize and manage material ESG-related issues (including risks to the issuer's businesses); and (iii) How the Board reviews progress made against ESG-related goals and targets with an explanation of how they relate to the issuer's businesses.	P87	
Reporting Principles	**Materiality:** The ESG report should disclose: (i) the process to identify and the criteria for the selection of material ESG factors; (ii) if a stakeholder engagement is conducted, a description of significant stakeholders identified, and the process and results of the issuer's stakeholder engagement. **Quantitative:** Information on the standards, methodologies, assumptions and/or calculation tools used, and source of conversion factors used, for the reporting of emissions/energy consumption (where applicable) should be disclosed. **Consistency:** The issuer should disclose in the ESG report any changes to the methods or KPIs used, or any other relevant factors affecting a meaningful comparison.	P86	
Reporting Scope	A narrative explaining the reporting boundaries of the ESG report and describing the process used to identify which entities or operations are included in the ESG report. If there is a change in the scope, the issuer should explain the difference and reason for the change.	P86	
"Comply or explain" Provisions			
A.ENVIRONMENT			
Aspect A1: Emissions			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	P105	
A1.1	The types of emissions and respective emissions data.		Not applicable

Subject Areas	Description	Section (Page)	Remarks
A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions and, where appropriate, intensity.	P107	
A1.3	Total hazardous waste produced and, where appropriate, intensity.	P108	
A1.4	Total non-hazardous waste produced and, where appropriate, intensity.	P108	
A1.5	Description of emissions target(s) set and steps taken to achieve them.	P105	
A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	P107-108	
Aspect A2: Use of Resources			
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials	P105-107	
A2.1	Direct and/or indirect energy consumption by type in total and intensity.	P107	
A2.2	Water consumption in total and intensity.	P105-107	
A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	P105	
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	P106	
A2.5	Total packaging material used for finished products and, if applicable, with reference to per unit produced.	P107	
Aspect A3: The Environment and Natural Resources			
General Disclosure	Policies on minimizing the issuer's significant impacts on the environment and natural resources.	P105-107	
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	P105-107	
Aspect A4: Climate Change			
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	P106	
A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	P106	

Subject Areas	Description	Section (Page)	Remarks
B. SOCIETY			
Aspect B1: Employment			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	P102	
B1.1	Total workforce by gender, employment type, age group and geographical region.	P102	
B1.2	Employee turnover rate by gender, age group and geographical region.	P114	
Aspect B2: Health and Safety			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	P104	
B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	P114	
B2.2	Lost days due to work injury	P114	
B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	P104	
Aspect B3: Development and Training			
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	P104-106	
B3.1	The percentage of employees trained by gender and employee category.	P104	
B3.2	The average training hours completed per employee by gender and employee category.	P104	

Subject Areas	Description	Section (Page)	Remarks
Aspect B4: Labor Standards			
General Disclosure	Information on: (a) the policy; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	P102	
B4.1	Description of measures to review employment practices to avoid child and forced labour.	P102	
B4.2	Description of steps taken to eliminate such practices when discovered.		During the reporting period, the Group did not identify any non-compliance in its operations
Aspect B5: Supply Chain Management			
General Disclosure	Policies on managing environmental and social risks of the supply chain.	P109	
B5.1	Number of suppliers by geographical region	P114	
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	P109-110	
B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	P109-110	
B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	P108	

Subject Areas	Description	Section (Page)	Remarks
Aspect B6: Product Responsibility			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	P92	
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	P115	
B6.2	Number of products and service related complaints received and how they are dealt with.	P115, P96	
B6.3	Description of practices relating to observing and protecting intellectual property rights.	P101	
B6.4	Description of quality assurance process and recall procedures.	P92-94	
B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	P97	
Aspect B7: Anti-corruption			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	P91	
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	P91	
B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	P91	
B7.3	Description of anti-corruption training provided to directors and staff.	P91	
Aspect B8: Community Investment			
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	P110	
B8.1	Focus areas of contribution.	P110-112	
B8.2	Resources contributed to the focus area.	P110-112	

Deloitte. 德勤

TO THE SHAREHOLDERS OF DINGDANG HEALTH TECHNOLOGY GROUP LTD.
叮噹健康科技集團有限公司
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Dingdang Health Technology Group Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 125 to 228, which comprise the consolidated statement of financial position of the Group as of December 31, 2022, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Group for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as of December 31, 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs") issued by the International Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (including International Independence Standards) (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Impairment of goodwill	
As of December 31, 2022, the goodwill related to the acquisition of Renhe Yaofangwang (Beijing) Medicine Technology Co., Ltd. (仁和藥房網(北京)醫藥科技有限公司) ("Renhe Yaofangwang") and its subsidiaries amounted to RMB167.4 million. The management of the Company determined the recoverable amount of this cash-generating unit, to which this goodwill is allocated, based on value-in-use calculation by using the discounted cash flow method. There is no impairment charge for goodwill for the year ended December 31, 2022. We identified the impairment of this goodwill as a key audit matter due to the management of the Company has made key estimations in the value-in-use calculation, which are forecasted average annual revenue growth rate, estimated terminal growth rate beyond the projection period extrapolated and discount rate. Relevant disclosures are included in Note 4 "Critical accounting judgements and key sources of estimation uncertainty" and Note 17 "Goodwill" to the consolidated financial statements.	Our procedures in relation to impairment of goodwill arose from the acquisition of Renhe Yaofangwang and its subsidiaries included: • assessed the forecasted average annual revenue growth rate of Renhe Yaofangwang and its subsidiaries by performing retrospective review on actual historical revenue growth rates and challenging the management of the Company; and • compared the estimated terminal growth rate beyond the projection period extrapolated and discount rate against independent benchmarking data with the assistance of our internal valuation specialist.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors’ use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Ip Yat Hung.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
March 28, 2023

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended December 31, 2022

	Notes	Year ended December 31, 2022 RMB'000	2021 RMB'000
Revenue	5B	**4,329,075**	3,678,690
Cost of revenue		**(2,879,405)**	(2,516,379)
Gross profit		**1,449,670**	1,162,311
Fulfillment expenses		**(444,162)**	(412,279)
Selling and marketing expenses		**(908,238)**	(834,783)
Research and development expenses		**(88,951)**	(96,161)
General and administrative expenses		**(334,519)**	(481,256)
Fair value losses on financial liabilities at fair value through profit or loss ("FVTPL")		**(2,504,548)**	(912,201)
Other gains and losses, net	7	**27,507**	27,983
Other income	8	**28,862**	15,905
Finance costs	9	**(7,918)**	(17,776)
Impairment losses under expected credit loss ("ECL") model, net of reversal	10	**(1,546)**	(265)
Listing expenses		**(48,304)**	(33,337)
Loss before income tax	6	**(2,832,147)**	(1,581,859)
Income tax expense	13	**(10,128)**	(17,115)
Loss for the year		**(2,842,275)**	(1,598,974)
Other comprehensive expense			
Item that will not be reclassified to profit or loss:			
Fair value loss on equity instruments at fair value through other comprehensive income ("FVTOCI")	19	**(9,293)**	–
Other comprehensive expense for the year		**(9,293)**	–
Total comprehensive expense for the year		**(2,851,568)**	(1,598,974)
Loss for the year attributable to:			
Owners of the Company		**(2,833,395)**	(1,578,026)
Non-controlling interests		**(8,880)**	(20,948)
		(2,842,275)	(1,598,974)
Total comprehensive expense for the year attributable to:			
Owners of the Company		**(2,842,688)**	(1,578,026)
Non-controlling interests		**(8,880)**	(20,948)
		(2,851,568)	(1,598,974)
Loss per share (present in RMB YUAN)			
– Basic	14	**(3.37)**	(3.31)
– Diluted	14	**(3.37)**	(3.31)

Consolidated Statement of Financial Position

As of December 31, 2022

	Notes	As of December 31, 2022 RMB'000	2021 RMB'000
ASSETS			
Non-current assets			
Property and equipment	*15*	**42,404**	45,013
Right-of-use assets	*16*	**174,956**	168,518
Goodwill	*17*	**255,762**	255,762
Other intangible assets	*18*	**169,983**	199,241
Equity instruments at FVTOCI	*19*	**116,158**	–
Rental deposits	*22*	**10,625**	9,932
Total non-current assets		**769,888**	678,466
Current assets			
Financial assets at FVTPL	*20*	**136,798**	–
Inventories	*21*	**607,950**	434,022
Trade and other receivables and prepayments	*22*	**449,331**	279,591
Amounts due from related parties	*34*	**1,959**	1,086
Restricted bank deposits and time deposits	*23*	**120,600**	–
Cash and cash equivalents	*23*	**1,210,949**	1,552,994
Total current assets		**2,527,587**	2,267,693
Total assets		**3,297,475**	2,946,159
EQUITY AND LIABILITIES			
Equity			
Share capital	*27*	**894**	403
Reserves		**8,053,494**	422,496
Accumulated losses		**(5,868,730)**	(3,035,146)
Equity attributable to owners of the Company		**2,185,658**	(2,612,247)
Non-controlling interests		**13,538**	22,418
Total equity		**2,199,196**	(2,589,829)

	Notes	As of December 31, 2022 RMB'000	2021 RMB'000
Liabilities			
Non-current liabilities			
Contract liabilities	*5B*	**3,836**	8,899
Lease liabilities	*16*	**91,012**	95,629
Financial liabilities at FVTPL	*25*	**–**	4,650,950
Deferred tax liabilities	*26*	**34,097**	41,581
Total non-current liabilities		**128,945**	4,797,059
Current liabilities			
Trade and other payables	*24*	**772,817**	586,651
Amounts due to related parties	*34*	**29,261**	22,512
Contract liabilities	*5B*	**90,182**	59,780
Lease liabilities	*16*	**72,125**	61,383
Income tax payable		**4,949**	8,603
Total current liabilities		**969,334**	738,929
Total liabilities		**1,098,279**	5,535,988
Total equity and liabilities		**3,297,475**	2,946,159

The consolidated financial statements on pages 125 to 228 were approved and authorized for issue by the board of directors on March 28, 2023 and are signed on its behalf by:

Mr. Yang Wenlong
DIRECTOR

Mr. Xu Ning
DIRECTOR

Consolidated Statement of Changes in Equity

For the Year Ended December 31, 2022

		Attributable to owners of the Company									
	Notes	Share capital *RMB'000*	Share premium *RMB'000*	FVTOCI reserve *RMB'000*	Other reserves *RMB'000*	Share-based payments reserves *RMB'000*	Statutory reserves *RMB'000* (Note i)	Accumulated losses *RMB'000*	Sub-total *RMB'000*	Non-controlling interests (the "NCI") *RMB'000*	Total equity *RMB'000*
As of January 1, 2021		50,156	–	–	20,266	13,064	15,006	(1,456,907)	(1,358,415)	53,373	(1,305,042)
Loss and total comprehensive expense for the year		–	–	–	–	–	–	(1,578,026)	(1,578,026)	(20,948)	(1,598,974)
Transfer to statutory reserves		–	–	–	–	–	213	(213)	–	–	–
Issuance of ordinary shares to shareholders of the Company		378	–	–	–	–	–	–	378	–	378
Capital reduction by shareholders of the Company	*27*	(131)	–	–	131	–	–	–	–	–	–
Adjustment arising from the Reorganization (Note ii)		(50,000)	–	–	50,000	–	–	–	–	–	–
Dividends	*29*	–	–	–	–	–	–	–	–	(10,102)	(10,102)
Capital contribution from non-controlling shareholders (Note iii)		–	–	–	–	–	–	–	–	2,800	2,800
Disposal of partial interest of subsidiaries without losing control (Note iii)		–	–	–	3,306	–	–	–	3,306	(3,306)	–
Acquisition of additional interest of a subsidiary (Note iii)		–	–	–	(3,401)	–	–	–	(3,401)	601	(2,800)
Share-based payments expenses	*28*	–	–	–	–	323,911	–	–	323,911	–	323,911
As of December 31, 2021		403	–	–	70,302	336,975	15,219	(3,035,146)	(2,612,247)	22,418	(2,589,829)
Loss for the year		–	–	–	–	–	–	(2,833,395)	(2,833,395)	(8,880)	(2,842,275)
Other comprehensive expense for the year		–	–	(9,293)	–	–	–	–	(9,293)	–	(9,293)
Total comprehensive expense for the year		–	–	(9,293)	–	–	–	(2,833,395)	(2,842,688)	(8,880)	(2,851,568)
Transfer to statutory reserves		–	–	–	–	–	189	(189)	–	–	–
Issuance of ordinary shares relating to initial public offering ("IPO")	*27*	23	354,412	–	–	–	–	–	354,435	–	354,435
Transaction costs attributable to issuance of ordinary shares relating to IPO	*27*	–	(30,065)	–	–	–	–	–	(30,065)	–	(30,065)
Conversion of Preferred Shares* to ordinary shares upon IPO	*27*	468	7,155,030	–	–	–	–	–	7,155,498	–	7,155,498
Share-based payments expenses	*28*	–	–	–	–	160,725	–	–	160,725	–	160,725
As of December 31, 2022		**894**	**7,479,377**	**(9,293)**	**70,302**	**497,700**	**15,408**	**(5,868,730)**	**2,185,658**	**13,538**	**2,199,196**

* Defined in Note 25.

Notes:

i. In accordance with the articles of association of the subsidiaries established in the People's Republic of China (the "PRC") and relevant PRC laws and regulations, these subsidiaries are required to transfer at least 10% of their profit after tax, which is determined in accordance with the PRC accounting rules and regulations, to a statutory reserve (including the general reserve fund and enterprise expansion fund, where appropriate). Transfer to this statutory reserve is subject to the approval of the respective director, and is discretionary when the balance of such fund has reached 50% of the registered capital of the respective company. Statutory reserve can only be used to offset accumulated losses or to increase capital of the relevant subsidiaries.

ii. The paid-in capital of Dingdang Medicine Express Technology Group Ltd.** (叮噹快藥科技集團有限公司) ("Dingdang Medicine Express Technology") of RMB50,000,000 was transferred to other reserves upon the completion of the Reorganization (as defined in Note 1).

iii. On April 19, 2021, Dingdang (Beijing) Health Management Co., Ltd.** (叮噹(北京)健康管理有限公司) ("Dingdang Beijing") was established by Dingdang Medicine Express Technology and an independent third party TD Capital (Hong Kong) Management Company Limited (同道資本(香港)管理有限公司) ("TD HK") by holding 99% and 1% of its equity interest, respectively. The capital contribution from TD HK and the then NCI raised was RMB2,800,000.

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

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

** English names are for identification purpose only.

Consolidated Statement of Cash Flows

For the Year Ended December 31, 2022

	Year ended December 31,	
	2022	2021
	RMB'000	*RMB'000*
OPERATING ACTIVITIES		
Loss before income tax	**(2,832,147)**	(1,581,859)
Adjustments for:		
Finance costs	**7,918**	17,776
Interest income	**(17,151)**	(4,165)
Net foreign exchange gains	**(14,369)**	(11,922)
Depreciation of property and equipment	**20,181**	21,650
Depreciation of right-of-use assets	**77,890**	78,404
Amortization of other intangible assets	**37,236**	35,232
Impairment losses, net of reversal		
– financial assets under ECL model	**1,546**	265
– Inventories	**149**	(720)
Share-based payments expenses	**160,725**	323,911
Loss/(gain) on disposal of property and equipment	**14**	(90)
(Gain)/loss on early termination of a lease	**(58)**	31
Gain on fair value changes of financial assets at FVTPL	**(11,262)**	(10,273)
Loss on fair value changes of financial liabilities at FVTPL	**2,504,548**	912,201
Loss on disposal/deregistration of subsidiaries	**–**	434
Operating cash flows before movements in working capital	**(64,780)**	(219,125)
Increase in inventories	**(174,077)**	(109,832)
Increase in restricted bank deposits	**(31,270)**	–
Increase in trade and other receivables and prepayments	**(173,186)**	(89,617)
Increase in amounts due from related parties	**(873)**	(793)
Increase in trade and other payables	**195,259**	136,621
Increase in contract liabilities	**25,339**	8,270
Decrease in deferred income	**–**	(598)
Increase in amounts due to related parties	**6,983**	5,704
Cash used in operations	**(216,605)**	(269,370)
Income taxes paid	**(21,266)**	(26,120)
Net cash used in operating activities	**(237,871)**	(295,490)

	Year ended December 31,	
	2022	2021
	RMB'000	*RMB'000*
INVESTING ACTIVITIES		
Interest received	**16,730**	3,781
Proceeds on disposal of property and equipment	**113**	323
Proceeds on disposal of other intangible assets	**43**	74
Purchases of financial assets at FVTPL	**(6,427,575)**	(3,805,390)
Purchases of equity instruments of FVTOCI	**(125,451)**	–
Redemption of financial assets at FVTPL	**6,302,039**	4,137,143
Purchases of property and equipment	**(17,699)**	(20,466)
Payments for right-of-use assets	**(4,265)**	(4,367)
Purchases of other intangible assets	**(8,021)**	(4,479)
Repayments from related parties	**–**	16
Placement of time deposits	**(89,330)**	–
Net cash (used in)/from investing activities	**(353,416)**	306,635
FINANCING ACTIVITIES		
Dividends paid to non-controlling shareholders	**(10,102)**	(1,255)
Advance from related parties	**–**	43
Repayments to related parties	**(234)**	(28,803)
Repayments of lease liabilities	**(73,880)**	(75,207)
Interest paid	**(7,918)**	(17,776)
Redemption of shares with preferred rights	**–**	(1,345,000)
Proceeds on issue of Preferred Shares of the Company	**–**	2,740,275
Capital contributions from non-controlling shareholders of subsidiaries	**–**	3,550
Acquisition of NCI in a subsidiary	**–**	(2,800)
Other borrowing raised	**–**	1,270,000
Repayment of other borrowing	**–**	(1,267,800)
Payments of share issuing costs	**(792)**	(4,052)
Issuance of ordinary shares of the Company relating to the Reorganization	**–**	378
Net proceeds from issuance of ordinary shares of the Company relating to IPO	**325,822**	–
Net cash from financing activities	**232,896**	1,271,553
Net (decrease)/increase in cash and cash equivalents	**(358,391)**	1,282,698
Cash and cash equivalents at the beginning of the year	**1,552,994**	260,574
Effect of foreign exchange rate changes on cash and cash equivalents	**16,346**	9,722
Cash and cash equivalents at the end of the year, represented by	**1,210,949**	1,552,994

1. GENERAL INFORMATION

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

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

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

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

Contractual Arrangements

On May 25, 2021, the WFOE, Dingdang Medicine Express Technology, the Controlling Shareholder, Zhuhai Dingdang No. 1 Enterprise Management Consulting Center (Limited Partnership)*(珠海叮噹一號企業管理諮詢中心(有限合夥)), Zhuhai Dingdang No. 2 Enterprise Management Consulting Center (Limited Partnership)*(珠海叮噹二號企業管理諮詢中心(有限合夥)), Zhuhai Dingdang No. 3 Enterprise Management Consulting Center (Limited Partnership)*(珠海叮噹三號企業管理諮詢中心(有限合夥)), Zhuhai Dingdang No. 4 Investment Center (Limited Partnership)*(珠海叮噹四號投資中心(有限合夥)) entered into a series of contractual arrangements (collectively, the "Contractual Arrangements"), which allows the Company to exercise control over the business operation of Dingdang Medicine Express Technology and certain of its subsidiaries (collectively, the "Restricted Subsidiaries") and enjoy all the economic interests derived therefrom.

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

* English names are for identification purpose only.

1. GENERAL INFORMATION (Continued)

Contractual Arrangements (Continued)

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

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

Total assets of the Group's Restricted Subsidiaries were RMB475 million as of December 31, 2022 (As of December 31, 2021: RMB1,328 million), and these balances have been reflected in the Group's consolidated financial statements with intercompany balances and transactions between the consolidated affiliated entities, the subsidiaries of the consolidated affiliated entities and other entities within the Group eliminated.

Total revenue of the Group's Restricted Subsidiaries was RMB348 million for the year ended December 31, 2022 (For the year ended December 31, 2021: RMB223 million), and these amounts have been reflected in the Group's consolidated financial statements with intercompany balances and transactions between the consolidated affiliated entities, the subsidiaries of the consolidated affiliated entities and other entities within the Group eliminated.

2. APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

Amendments to IFRSs that are mandatorily effective for the current year

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

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

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

New and amendments to IFRSs in issue but not yet effective

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

3.1 Basis of consolidation

The consolidated financial statements incorporates the financial statements of the Company and entities (including affiliated entities) controlled by the Group. Control is achieved when the Company:

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 Basis of consolidation (continued)

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

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

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

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

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

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

Changes in the Group's interests in existing subsidiaries

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 Basis of consolidation (continued)

Changes in the Group's interests in existing subsidiaries (continued)

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

3.2 Goodwill

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Revenue from contracts with customers

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

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

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

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or

- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Revenue from contracts with customers (continued)

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

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

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

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

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

Product Revenue

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

Others

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4 Contract liability

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

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

3.5 Cost of revenue

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

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

3.6 Fulfillment expenses

Fulfillment expenses consist primarily of logistics and warehousing services expenses.

3.7 Research and development expenses

Research expenditures are recognized as an expenses as incurred. Costs incurred on development projects are capitalized as other intangible assets when recognition criteria are met, including (a) it is technically feasible to complete the software so that it will be available for use; (b) management intends to complete the software and use or sell it; (c) there is an ability to use or sell the software; (d) it can be demonstrated how the software will generate probable future economic benefits; (e) adequate technical, financial and other resources to complete the development and to use or sell the software are available; and (f) the expenditure attributable to the software during its development can be reliably measured. Other development costs that do not meet those criteria are expensed as incurred. There were no development costs meeting these criteria and capitalized as other intangible assets during the year ended December 31, 2022 (2021: none).

3.8 Leases

Definition of a lease

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.8 Leases (continued)

The Group as a lessee

Allocation of consideration to components of a contract

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

Short-term leases

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

Right-of-use assets

The cost of right-of-use assets includes:

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.8 Leases (continued)

The Group as a lessee (continued)

Refundable rental deposits

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

Lease liabilities

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

The lease payments include:

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

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.8 Leases (continued)

The Group as a lessee (continued)

Lease modifications

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

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

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

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

COVID-19-related rent concessions

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.8 Leases (continued)

The Group as a lessor

Classification and measurement of leases

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

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

Refundable rental deposits

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

Sublease

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

3.9 Foreign currency translation

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.10 Borrowing costs

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

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

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

3.11 Government grants

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

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

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

3.12 Employee benefits

Pension obligations and other social welfare benefits

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.12 Employee benefits (continued)

Bonus plan

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

Short-term employee benefits

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

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

3.13 Share-based payments

Shared-based awards to the Group’s employees are granted under share incentive plans. The Group grants its restricted shares, restricted share units (the “RSU(s)”) and share options to the Group’s eligible employees, which are recorded in share-based payments reserves in the Group’s consolidated statement of financial position.

Equity-settled share-based payment transactions

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.13 Share-based payments (continued)

Equity-settled share-based payment transactions (continued)

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

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

3.14 Taxation

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.14 Taxation (continued)

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

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

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

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

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

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

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

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.15 Property and equipment

Property and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress as described below). Property and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Property and equipment in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, including costs of testing whether the related assets is functioning properly and, for qualifying assets, borrowing costs capitalized in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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

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

3.16 Other intangible assets

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.18 Cash and cash equivalents

Cash and cash equivalents presented on the consolidated statement of financial position include:

(a) cash, which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash; and

(b) cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

3.19 Inventories

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

3.20 Provisions

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.21 Financial instruments

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.21 Financial instruments (continued)

(a) Financial assets

Classification and subsequent measurement of financial assets

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

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or

- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

- it is a derivative that is not designated and effective as a hedging instrument.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.21 Financial instruments (continued)

(a) ***Financial assets*** (continued)

Classification and subsequent measurement of financial assets (continued)

Amortized cost and interest income

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

Equity instruments designated as at FVTOCI

Equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in the FVTOCI reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained profits.

Dividends from these equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other income" line item in profit or loss.

Financial assets at FVTPL

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

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

Impairment of financial assets

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.21 Financial instruments (continued)

(a) *Financial assets* (continued)

Impairment of financial assets (continued)

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

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

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

Significant increase in credit risk

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.21 Financial instruments (continued)

(a) ***Financial assets*** (continued)

Impairment of financial assets (continued)

Significant increase in credit risk (continued)

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

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

Definition of default

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

Credit-impaired financial assets

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

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganization.

Write-off policy

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.21 Financial instruments (continued)

(a) *Financial assets* (continued)

Impairment of financial assets (continued)

Measurement and recognition of ECL

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

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

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

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

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

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

Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

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

On derecognition of an equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the FVTOCI reserve is not reclassified to profit or loss, but is transferred to accumulated losses.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.21 Financial instruments (continued)

(b) *Financial liabilities and equity*

Classification as debt or equity

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

Equity instruments

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

Financial liabilities

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

Financial liabilities at FVTPL

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.21 Financial instruments (continued)

(b) *Financial liabilities and equity* (continued)

Financial liabilities at FVTPL (continued)

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

Financial liabilities at amortized cost

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

Derecognition/modification of financial liabilities

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.21 Financial instruments (continued)

(b) *Financial liabilities and equity* (continued)

Derecognition/modification of financial liabilities (continued)

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

(c) *Derivative financial instruments*

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

Embedded derivatives

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

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

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

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

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

Critical judgements in applying accounting policies

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

Consolidation of affiliated entities

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

Principal versus agent consideration

In determining whether the Group is acting as a principal or as an agent in the sales of goods and provision of services, judgement and consideration of all relevant facts and circumstances are required. In evaluation of the Group acting as a principal or an agent, the Group considers whether it obtains control of the good or service before that good or service is transferred to a customer, including whether the Group is primarily responsible for fulfilling the promise to provide the specified good or service, has inventory risk before the specified good or service has been transferred to a customer, has discretion in establishing the price for the specified good or service.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Key sources of estimation uncertainty

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

Leases – Estimating the incremental borrowing rate

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

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the group of cash-generating units to which goodwill has been allocated, which is the higher of the value-in-use or fair value less costs of disposal. The value-in-use calculation requires the management to estimate the future cash flows expected to arise from the group of cash-generating units and a suitable discount rate in order to calculate the present value. The management of the Company has made key estimations in the value-in-use calculation, which are forecasted average annual revenue growth rate, estimated terminal growth rate beyond the projection period extrapolated and discount rate. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash flows or upward revision of discount rate, a material impairment loss or further impairment loss may arise.

As of December 31, 2022, the carrying amount of goodwill is RMB255.8 million (2021: RMB255.8 million) (with no accumulated impairment loss at the end of each reporting period). Details of the recoverable amount calculation are disclosed in Note 17.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Key sources of estimation uncertainty (continued)

Useful lives and amortization of other intangible assets

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

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

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

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables and amounts due from related parties of trade nature are disclosed in Note 32.

5A. SEGMENT INFORMATION

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

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

5B. REVENUE

(a) Disaggregation of revenue from contracts with customers

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

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

(b) Contract liabilities

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

	As of December 31,	
	2022	2021
	RMB'000	*RMB'000*
Advance from sales of products	**75,278**	43,973
Advance service income	**8,289**	7,024
Unearned revenue awards to customers	**10,451**	17,682
Total	**94,018**	68,679

5B. REVENUE (continued)

(b) Contract liabilities (continued)

	As of December 31,	
	2022	2021
	RMB'000	*RMB'000*
Current	**90,182**	59,780
Non-current	**3,836**	8,899
	94,018	68,679

As of January 1, 2021, contract liabilities amounted to RMB60.4 million.

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

(c) Revenue recognized in relation to contract liabilities

The following table shows the amount of the revenue recognized for the year ended December 31, 2022 relates to carried-forward contract liabilities:

	Year ended December 31,	
	2022	2021
	RMB'000	*RMB'000*
Revenue recognized that was included in the contract liabilities balance at the beginning of the year:	**62,188**	49,569

6. LOSS BEFORE INCOME TAX

Loss before income tax has been arrived at after charging:

	Year ended December 31,	
	2022	2021
	RMB'000	*RMB'000*
Cost of inventories sold (including write-down/(reversals of write-down) of inventories amounting to RMB149,000 (2021: RMB(720,000))	**2,873,722**	2,510,206
Employee benefit expenses (including directors' emoluments as set out in Note 11)		
– Salaries and bonuses	**373,245**	357,803
– Share-based payments expenses (Note 28)	**160,725**	323,911
– Retirement benefit scheme contributions	**34,823**	36,407
– Welfare, medical and other benefits	**50,653**	71,013
Total employee benefit expenses	**619,446**	789,134
Depreciation of property and equipment	**20,181**	21,650
Depreciation of right-of-use assets	**77,890**	78,404
Amortization of other intangible assets	**37,236**	35,232
Auditor's remuneration*	**16,368**	6,025

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

7. OTHER GAINS AND LOSSES, NET

	Year ended December 31,	
	2022	2021
	RMB'000	*RMB'000*
Net foreign exchange gains	**14,369**	11,922
(Loss)/gain on disposal of property and equipment	**(14)**	90
Loss on disposal/deregistration of subsidiaries (Note 30)	**–**	(434)
Gain on fair value changes of financial assets at FVTPL	**11,262**	10,273
Gain/(loss) on early termination of leases (Note)	**58**	(31)
Others	**1,832**	6,163
Total	**27,507**	27,983

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

8. OTHER INCOME

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

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

9. FINANCE COSTS

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

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

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

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

Details of impairment assessment are set out in Note 32.

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

Directors' and chief executive's remuneration for the year ended December 31, 2022, disclosed pursuant to the applicable Listing Rules and Hong Kong Companies Ordinance, is as follows:

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

	For the year ended December 31, 2022					
Name	Fees *RMB'000*	Salaries and bonuses *RMB'000* (note i)	Share-based compensation expenses *RMB'000*	Retirement benefit scheme contributions *RMB'000*	Welfare, medical and other benefits *RMB'000*	Total *RMB'000*
Executive directors:						
Mr. Yang Wenlong (Chairman) (note ii)	–	–	152,317	–	–	152,317
Mr. Xu Ning (note iii)	–	1,226	163	37	67	1,493
Mr. Yu Lei (note iii)	–	1,610	325	37	67	2,039
Mr. Yu Qinglong (note iv)	–	1,366	260	37	67	1,730
Non-executive directors:						
Ms. Cai Li (note v)	–	–	–	–	–	–
Ms. Lian Suping (note vi)	–	–	–	–	–	–
Independent non-executive directors:						
Mr. Zhang Shouchuan (note vii)	96	–	–	–	–	96
Mr. Fan Zhenhong (note vii)	96	–	–	–	–	96
Mr. Jiang Shan (note vii)	96	–	–	–	–	96
	288	4,202	153,065	111	201	157,867

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (continued)

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

	For the year ended December 31, 2021				
Name	Salaries and bonuses *RMB'000* (note i)	Share-based compensation expenses *RMB'000*	Retirement benefit scheme contributions *RMB'000*	Welfare, medical and other benefits *RMB'000*	Total *RMB'000*
Executive directors:					
Mr. Yang Wenlong (Chairman) (note ii)	–	304,180	–	–	304,180
Mr. Xu Ning (note iii)	1,187	720	12	49	1,968
Mr. Yu Lei (note iii)	1,554	1,439	12	49	3,054
Mr. Yu Qinglong (note iv)	1,331	1,151	12	49	2,543
Non-executive directors:					
Ms. Cai Li (note v)	–	–	–	–	–
Ms. Lian Suping (note vi)	–	–	–	–	–
Independent non-executive directors:					
Mr. Zhang Shouchuan (note vii)	–	–	–	–	–
Mr. Fan Zhenhong (note vii)	–	–	–	–	–
Mr. Jiang Shan (note vii)	–	–	–	–	–
	4,072	307,490	36	147	311,745

Notes:

i Bonuses are determined based on the Group's performance, performance of the relevant individual within the Group and comparable market statistics.

ii. Appointed as director of the Company commenced from August 20, 2014 and as the chairman and the president commenced from June 19, 2021.

iii. Appointed as executive director of the Company commenced from May 26, 2021. The emoluments were borne by Dingdang Medicine Express Technology for the year ended December 31, 2022 (2021: Dingdang Medicine Express Technology).

iv. Appointed as executive director of the Company commenced from June 10, 2021. The emoluments were borne by Dingdang Medicine Express Technology for the year ended December 31, 2022 (2021: Dingdang Medicine Express Technology).

v. Appointed as non-executive director of the Company commenced from May 26, 2021. No emoluments were paid or payable to non-executive directors for their services as directors of the Group.

vi. Appointed as non-executive director of the Company commenced from June 10, 2021. No emoluments were paid or payable to non-executive directors for their services as directors of the Group.

vii. Appointed as independent non-executive director of the Company commenced from June 19, 2021 and took effect from September 1, 2022. The emoluments were borne by the Company for the year ended December 31, 2022 (2021: none).

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (continued)

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

The executive directors' and independent non-executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Group.

(b) Benefits and interests of directors

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

(c) Directors' termination benefits

No director's termination benefit subsisted at any time for the year ended December 31, 2022 (2021: none).

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

No consideration provided to third parties for making available director's services subsisted at any time for the year ended December 31, 2022 (2021: none).

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

No loans, quasi-loans and other dealings in favor of directors, their controlled bodies corporate and connected entities subsisted at any time for the year ended December 31, 2022 (2021: none).

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

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at any time for the year ended December 31, 2022 (2021: none).

12. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two (2021: three) directors, whose remuneration is set out in Note 11 above. Details of the remuneration for the year of the remaining three (2021: two) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	Year ended December 31,	
	2022	2021
	RMB'000	*RMB'000*
Salaries and bonuses	**3,778**	1,213
Retirement benefit scheme contributions	**151**	22
Welfare, medical and other benefits	**183**	81
Share-based payments	**1,709**	3,690
Total	**5,821**	5,006

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

	Number of individuals	
	Year ended December 31,	
	2022	2021
Emolument bands (in Hong Kong dollars (the "HKD"))		
HKD2,000,001 to HKD2,500,000	**2**	–
HKD2,500,001 to HKD3,000,000	**1**	1
HKD3,000,001 to HKD3,500,000	**–**	1
Total	**3**	2

During the year ended December 31, 2022, no emoluments were paid by the Group to the five highest paid employees as an inducement to join or upon joining the Group or as compensation for the loss of office (2021: none). None of directors and employees waived or agreed to waive any emoluments during the year ended December 31, 2022 (2021: none).

13. INCOME TAX EXPENSE

Income tax

Cayman Islands

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

British Virgin Islands

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

Hong Kong

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

Accordingly, the Hong Kong profits tax of the qualifying group entity is calculated at 8.25% on the first HKD2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HKD2 million. During the reporting period, there is no assessable profit for the Group's entity in Hong Kong.

PRC

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the standard enterprise income tax rate for PRC operating entities is 25% during the year ended December 31, 2022 (2021: 25%).

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

Certain subsidiaries have been approved as small low-profit enterprises. The entitled subsidiaries are subject to a preferential income tax rate of 2.5%, 5% or 10% during the year ended December 31, 2022 (2021: 2.5%, 5%, or 10%).

13. INCOME TAX EXPENSE (continued)

Income tax (continued)

Withholding tax on undistributed dividends

The EIT Law also imposes a withholding income tax of 10% on dividends distributed by a foreign investment enterprise (the "FIE") to its immediate holding company outside of China, if such immediate holding company is considered as a non-resident enterprise without any establishment or place within China or if the received dividends have no connection with the establishment or place of such immediate holding company within China, unless such immediate holding company's jurisdiction of incorporation has a tax treaty with China that provides for a different withholding arrangement. According to the arrangement between Mainland China and Hong Kong Special Administrative Region on the Avoidance of Double Taxation and Prevention of Fiscal Evasion in August 2006, dividends paid by an FIE in China to its immediate holding company in Hong Kong will be subject to withholding tax at a rate of no more than 5% (if the foreign investor owns directly at least 25% of the shares of the FIE) if the Hong Kong holding company qualifies for the beneficial owner criteria. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to RMB143,214,000 as of December 31, 2022 (2021: RMB88,332,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

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

	Year ended December 31,	
	2022	2021
	RMB'000	*RMB'000*
PRC Enterprise Income Tax		
Current income tax		
– Current year	**17,302**	24,458
– Under provision in respect of prior year	**310**	141
Deferred income tax (Note 26)	**(7,484)**	(7,484)
Total	**10,128**	17,115

13. INCOME TAX EXPENSE (continued)

Income tax (continued)

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

	Year ended December 31,	
	2022	2021
	RMB'000	*RMB'000*
Loss before income tax	**(2,832,147)**	(1,581,859)
Tax calculated at PRC statutory income tax rate of 25%	**(708,037)**	(395,465)
Tax effects of:		
– Expenses that are not deductible in determining taxable profit	**636,192**	243,185
– Utilization of tax losses previously not recognized	**(19,139)**	(65)
– Different tax rates available to different jurisdictions	**8,929**	3,641
– Preferential income tax rates applicable to subsidiaries and the consolidated affiliated entities	**3,642**	3,851
– Tax losses not recognized	**38,878**	60,304
– Tax effect of deductible temporary differences previously not recognized net of utilization	**49,353**	101,523
– Under provision in respect of prior year	**310**	141
Total income tax expense	**10,128**	17,115

14. LOSS PER SHARE

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

Loss figures are calculated as follows:

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

Number of shares

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

The weighted average number of ordinary shares for the purpose of calculating basic loss per share for the year ended December 31, 2021 has been determined on the assumption that the Reorganization and the shares subdivision, surrender and consolidation in Note 27 had been effected since January 1, 2021.

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company had potential ordinary shares of shares with preferred rights/Preferred Shares (Note 25) and over-allotment option (set out in the prospectus of the Company dated September 1, 2022). For the year ended December 31, 2022, the potential ordinary shares were not included in the calculation of diluted loss per share, as the inclusion of Preferred Shares and over-allotment option would be anti-dilutive (2021: anti-dilutive). Accordingly, diluted loss per share for the year ended December 31, 2022 is the same as basic loss per share.

15. PROPERTY AND EQUIPMENT

	Leasehold improvement RMB'000	Electronic equipment RMB'000	Motor vehicle RMB'000	Machinery RMB'000	Furniture and fixtures RMB'000	Construction in progress RMB'000	Total RMB'000
COST							
At January 1, 2021	67,296	19,551	2,228	243	6,497	–	95,815
Additions	8,507	6,229	1,692	210	3,828	–	20,466
Disposals	–	(155)	(401)	(11)	(171)	–	(738)
At December 31, 2021	75,803	25,625	3,519	442	10,154	–	115,543
Additions	4,016	2,925	1,575	51	3,371	5,761	17,699
Disposals	(1,520)	(542)	(2)	–	(22)	–	(2,086)
At December 31, 2022	**78,299**	**28,008**	**5,092**	**493**	**13,503**	**5,761**	**131,156**
DEPRECIATION							
At January 1, 2021	41,930	5,002	613	54	1,786	–	49,385
Charge for the year	13,621	5,618	741	42	1,628	–	21,650
Eliminated on disposals	–	(144)	(279)	–*	(82)	–	(505)
At December 31, 2021	55,551	10,476	1,075	96	3,332	–	70,530
Charge for the year	10,614	6,605	733	55	2,174	–	20,181
Eliminated on disposals	(1,520)	(416)	(2)	–	(21)	–	(1,959)
At December 31, 2022	**64,645**	**16,665**	**1,806**	**151**	**5,485**	**–**	**88,752**
CARRYING AMOUNT							
At December 31, 2022	**13,654**	**11,343**	**3,286**	**342**	**8,018**	**5,761**	**42,404**
At December 31, 2021	20,252	15,149	2,444	346	6,822	–	45,013

* less than RMB1,000.

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

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

16. LEASES

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements for the year ended December 31, 2022 are as follows:

	Year ended December 31,	
	2022	2021
	RMB'000	*RMB'000*
Carrying amount at the beginning of the year	**168,518**	151,383
Additions	**89,229**	96,747
Depreciation charge	**(77,890)**	(78,404)
Deregistrations of subsidiaries (Note 30)	**–**	(714)
Early termination	**(4,901)**	(494)
Carrying amount at the end of the year	**174,956**	168,518

The carrying amounts of right-of-use assets as of December 31, 2022 and the depreciation by classes of right-of-use assets are all buildings for the year ended December 31, 2022.

	Year ended December 31,	
	2022	2021
	RMB'000	*RMB'000*
Expense relating to short-term leases	**9,581**	6,524
Total cash outflow for leases	**95,644**	93,705

The Group leases certain of its offline pharmacies, offices, warehouses and staff quarters which are negotiated for terms ranging from 1 to 16 years for the year ended December 31, 2022 (for the year ended December 31 2021: 1-10 years). Lease terms are negotiated on an individual basis and contain different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

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

The Group conducted impairment assessment on recoverable amounts of right-of-use assets of relevant subsidiaries that have indicators of impairment. The Group estimated the recoverable amount of these subsidiaries, each representing an individual cash-generating unit, to which the asset belongs when it is not possible to estimate the recoverable amount individually. No impairment loss were recognized to right-of-use assets for the year ended December 31, 2022 (2021: none).

16. LEASES (continued)

(a) Right-of-use assets (continued)

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

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

(b) Lease liabilities

The carrying amounts of the Group's lease liabilities and the movements for the years ended December 31, 2021 and 2022 are as follows:

	Year ended December 31,	
	2022	2021
	RMB'000	*RMB'000*
Carrying amount at the beginning of the year	**157,012**	141,253
New leases	**84,964**	92,380
Accretion of interest recognized	**7,918**	7,607
Payments	**(81,798)**	(82,814)
Deregistrations of subsidiaries (Note 30)	**–**	(913)
Early termination	**(4,959)**	(501)
Carrying amount at the end of the year	**163,137**	157,012
Analyzed as:		
Non-current	**91,012**	95,629
Current	**72,125**	61,383
	163,137	157,012

16. LEASES (continued)

(b) Lease liabilities (continued)

	As of December 31,	
	2022	2021
	RMB'000	*RMB'000*
Present value of lease liabilities		
– within one year	**72,125**	61,383
– between 1 and 2 years	**46,370**	48,018
– between 2 and 5 years	**43,261**	44,908
– over 5 years	**1,381**	2,703
	163,137	157,012

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

	Year ended December 31,	
	2022	2021
	%	*%*
Incremental borrowing rate	**3.81~7.08**	3.83~6.39

All leases are entered at fixed rates.

As of December 31, 2022, lease obligations that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	As of December 31,	
	2022	2021
	RMB'000	*RMB'000*
HKD	**2,287**	3,539

The maturity analysis of lease liabilities at each reporting date for the year ended December 31, 2022 are set out in Note 32.

(c) Major non-cash transactions

During the year, the Group recognized non-cash additions to right-of-use assets and lease liabilities of RMB84,964,000 (2021: RMB92,380,000) and RMB84,964,000 (2021: RMB92,380,000), respectively.

17. GOODWILL

	RMB'000
COST	
At January 1, 2021	256,417
Deregistrations of subsidiaries (Note 30)	(655)
At December 31, 2021 and 2022	255,762
CARRYING AMOUNT	
At December 31, 2021 and 2022	255,762

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

	As of December 31,	
	2022	2021
	RMB'000	*RMB'000*
Dingdang Smart Pharmacy (Shanghai) Co., Ltd.* (叮噹智慧藥房(上海)有限公司) ("Shanghai Smart Pharmacy") and its subsidiaries	**10,978**	10,978
Dingdang Smart Pharmacy (Beijing) Co., Ltd.* (叮噹智慧藥房(北京)有限公司) ("Beijing Smart Pharmacy") and its subsidiaries	**4,041**	4,041
Dingdang Smart Pharmacy (Guangdong) Co., Ltd.* (叮噹智慧藥房(廣東)有限公司) ("Guangdong Smart Pharmacy")	**48,503**	48,503
Renhe Yaofangwang (Beijing) Medicine Technology Co., Ltd.* (仁和藥房網(北京)醫藥科技有限公司) ("Renhe Yaofangwang") and its subsidiaries	**167,351**	167,351

* English names are for identification purpose only.

17. GOODWILL (continued)

The impairment review on the goodwill of the Group according to IAS 36 were conducted by the management with reference to valuation carried out by an independent qualified professional valuer who has appropriate qualifications and experiences in valuation of similar instruments.

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

Shanghai Smart Pharmacy and its subsidiaries:

	As of December 31,	
	2022	2021
Financial projection period	**5-year**	5-year
Forecasted average annual revenue growth rate	**10%**	18%
Estimated terminal growth rate beyond the projection period extrapolated	**2.5%**	3%
Pre-tax discount rate	**24.83%**	24.02%

Beijing Smart Pharmacy and its subsidiaries:

	As of December 31,	
	2022	2021
Financial projection period	**5-year**	5-year
Forecasted average annual revenue growth rate	**7%**	10%
Estimated terminal growth rate beyond the projection period extrapolated	**2.5%**	3%
Pre-tax discount rate	**23.01%**	23.84%

17. GOODWILL (continued)

Guangdong Smart Pharmacy:

	As of December 31,	
	2022	2021
Financial projection period	**5-year**	5-year
Forecasted average annual revenue growth rate	**10%**	16%
Estimated terminal growth rate beyond the projection period extrapolated	**2.5%**	3%
Pre-tax discount rate	**25.42%**	23.47%

Renhe Yaofangwang and its subsidiaries:

	As of December 31,	
	2022	2021
Financial projection period	**5-year**	5-year
Forecasted average annual revenue growth rate	**13%**	28%
Estimated terminal growth rate beyond the projection period extrapolated	**2.5%**	3%
Pre-tax discount rate	**23.44%**	23.78%

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

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

	As of December 31,	
	2022	2021
	RMB'000	*RMB'000*
Shanghai Smart Pharmacy and its subsidiaries	**81,433**	82,928
Beijing Smart Pharmacy and its subsidiaries	**100,729**	100,421
Guangdong Smart Pharmacy	**36,588**	32,643
Renhe Yaofangwang and its subsidiaries	**28,339**	74,474

The recoverable amounts of Shanghai Smart Pharmacy and its subsidiaries, Beijing Smart Pharmacy and its subsidiaries and Guangdong Smart Pharmacy are significantly above the carrying amounts. Management believes that any reasonably possible change in any of these assumptions would not result in impairment.

As of December 31, 2022, the forecasted average annual revenue growth rate, estimated terminal growth rate beyond the projection period extrapolated and discount rate must decrease, decrease and increase by absolute amounts of 1.8% (2021: 6.2%), 3.5% (2021: 8.3%) and 1.8% (2021: 4.0%), respectively, to remove the remaining headroom for Renhe Yaofangwang and its subsidiaries containing goodwill, after incorporating any consequential effects of that change on the other variables used to measure recoverable amount.

18. OTHER INTANGIBLE ASSETS

	Software *RMB'000*	Trademark and franchise right *RMB'000*	Customer relationship *RMB'000*	Total *RMB'000*
COST				
At January 1, 2021	60,439	122,294	60,000	242,733
Additions	4,479	–	–	4,479
Disposals	(197)	–	–	(197)
At December 31, 2021	64,721	122,294	60,000	247,015
Additions	8,021	–	–	8,021
Disposals	(92)	–	–	(92)
At December 31, 2022	**72,650**	**122,294**	**60,000**	**254,944**
AMORTIZATION				
At January 1, 2021	4,209	8,456	–	12,665
Charge for the year	9,864	13,368	12,000	35,232
Eliminated on disposals	(123)	–	–	(123)
At December 31, 2021	13,950	21,824	12,000	47,774
Charge for the year	11,868	13,368	12,000	37,236
Eliminated on disposals	(49)	–	–	(49)
At December 31, 2022	**25,769**	**35,192**	**24,000**	**84,961**
CARRYING AMOUNT				
At December 31, 2022	**46,881**	**87,102**	**36,000**	**169,983**
At December 31, 2021	50,771	100,470	48,000	199,241

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

Category	**Estimated useful lives**
Software	3-10 years
Trademark and franchise right	5-9 years
Customer relationship	5 years

18. OTHER INTANGIBLE ASSETS (Continued)

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

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

19. EQUITY INSTRUMENTS AT FVTOCI

	As of December 31,	
	2022	2021
	RMB'000	*RMB'000*
Equity securities	**116,158**	–

The above listed equity investments represent ordinary shares of a company listed on the Stock Exchange. These investments are not held for trading, instead, they are held for long-term strategic purposes. The directors of the Company have elected to designate these equity instruments at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realizing their performance potential in the long run.

During the year ended December 31, 2022, fair value loss of RMB9,293,000 was recorded and charged to other comprehensive expense.

20. FINANCIAL ASSETS AT FVTPL

	As of December 31,	
	2022	2021
	RMB'000	*RMB'000*
Current:		
Investment in financial products	**500**	–
Investment in a private fund (Note)	**136,298**	–
	136,798	–

Note: The Group's investments in a private fund is the financial products issued by a fund company, which are short-term investments with expected rates of return ranging from 1.60% to 2.80%. The directors of the Company have measured the investments in a private fund as financial assets at FVTPL as they believe that the investments are held for trading purpose. Details of fair value measurements are set out in Note 32.

21. INVENTORIES

Inventories consist of the following:

	As of December 31,	
	2022	2021
	RMB'000	*RMB'000*
Products	**607,911**	434,013
Others	**39**	9
	607,950	434,022

22. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

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

As of January 1, 2021, trade receivables amounted to RMB49.6 million.

22. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS (continued)

As of December 31, 2022, trade and other receivables that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	As of December 31,	
	2022	2021
	RMB'000	*RMB'000*
HKD	**458**	401

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

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

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

Details of impairment assessment of trade and other receivables are set out in Note 32.

23. CASH AND CASH EQUIVALENTS, RESTRICTED BANK DEPOSITS AND TIME DEPOSITS

	As of December 31,	
	2022	2021
	RMB'000	*RMB'000*
Cash and bank balances denominated in		
USD	**153,125**	698,053
HKD	**92,067**	2,413
RMB	**965,757**	852,528
	1,210,949	1,552,994
Restricted bank deposits denominated in		
RMB	**31,270**	–
Time deposits denominated in		
HKD	**89,330**	–
	1,331,549	1,552,994

Bank balances

For the year ended December 31, 2022, bank balances carry interest at market rates which range from 0.250% to 2.100% per annum (2021: 0.001% to 2.100% per annum).

Restricted bank deposits and time deposits

For the year ended December 31, 2022, restricted bank deposits and time deposits carry fixed interest rates which range from 0.250% to 3.730% per annum (2021: none). Restricted bank deposits amounting to RMB31.3 million have been pledged to secure notes payables and are therefore classified as current assets. Time deposits that the management of the Group intended to hold on maturity with original maturity over three months amounting to RMB89.3 million will mature in March 2023.

24. TRADE AND OTHER PAYABLES

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

As of December 31, 2022, trade and other payables that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	As of December 31, 2022 RMB'000	2021 RMB'000
USD	**23,593**	4,602
HKD	**849**	231

24. TRADE AND OTHER PAYABLES (continued)

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

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

25. FINANCIAL LIABILITIES AT FVTPL

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

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

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

25. FINANCIAL LIABILITIES AT FVTPL (continued)

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

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

In September 2022, the Company's shares have been listed on the Stock Exchange. Upon the completion of its IPO, all the Preferred Shares have been converted into ordinary shares on conversion ratio of 1:1.

The rights, preferences and privileges of Preferred Shares are as follows:

(a) Preemptive rights

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

(b) Right of first refusal

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

25. FINANCIAL LIABILITIES AT FVTPL (continued)

(c) Dividend rights

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

(d) Rights of co-sale

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

(e) Liquidation preference

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

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

(f) Redemption rights

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

- If an IPO has not been consummated on the Stock Exchange market before March 31, 2024; it has been rejected or voluntarily withdrawn due to the existence of horizontal competition with Renhe (Group) Development Co., Ltd.* (仁和(集團)發展有限公司) ("Renhe (Group)") and cannot eliminate such obstacles through rectification;
- Any holder of the Preferred Shares has exercised its redemption rights pursuant;

25. FINANCIAL LIABILITIES AT FVTPL (continued)

(f) Redemption rights (continued)

- There is a material breach of any of the transaction documents or material violation of applicable laws by any companies comprising in the Company's and the Controlling Shareholder or violation has caused a material adverse effect to the Group or the investors;

- Other serious breaches of the contract occurred, and failed to correct after 30 days from the date of written notice of any investor' s requesting;

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

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

(g) Conversion rights

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

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

25. FINANCIAL LIABILITIES AT FVTPL (continued)

(g) ***Conversion rights*** (continued)

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

The Preferred Shares were valued by the directors of Dingdang Medicine Express Technology and the Company with reference to valuation carried out by independent qualified professional valuer. Dingdang Medicine Express Technology and the Company used the discounted cash flow method to determine the underlying share value of Dingdang Medicine Express Technology and the Company and performed an equity allocation based on option pricing model to arrive the fair value of the shares with preferred rights and Preferred Shares as of December 31, 2021.

Key valuation assumptions are set out as below:

	As of December 31, 2021
Risk-free interest rate	0.79%
Expected volatility value	45.26%
Discount rate	15.00%
DLOM under liquidation scenario	15.00%
DLOM under redemption scenario	15.00%
DLOM under IPO scenario	7.50%
Possibilities under liquidation scenario	15.00%
Possibilities under redemption scenario	15.00%
Possibilities under IPO scenario	70.00%

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

Movement of financial liabilities at FVTPL is set out in Note 32.4.

26. DEFERRED TAX LIABILITIES

The following are the major deferred tax liabilities recognized and movements thereon for current year:

	Revaluation in acquisitions *RMB'000*
At January 1, 2021	49,065
Credit to profit or loss	(7,484)
At December 31, 2021	41,581
Credit to profit or loss	(7,484)
At December 31, 2022	**34,097**

As of December 31, 2022, the Group has unused tax losses of RMB728,746,000 (2021: RMB634,775,000), available for offset against future profits. Due to the unpredictability of future profit streams, no deferred tax asset had been recognized for these unused tax losses. The tax losses with expiry dates as disclosed in the following table.

	As of December 31,	
	2022 *RMB'000*	2021 *RMB'000*
2022	**–**	12,290
2023	**3,282**	45,832
2024	**65,902**	74,347
2025	**150,423**	154,015
2026	**240,473**	251,265
2027	**131,321**	–
2028	**–**	–
2029	**11,106**	11,106
2030	**46,854**	46,854
2031	**39,066**	39,066
2032	**40,319**	–
	728,746	634,775

As of December 31, 2022, the Group has deductible temporary differences of RMB830,749,000 (2021: RMB633,336,000). No deferred tax asset has been recognized in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

27. SHARE CAPITAL

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

	Number of ordinary shares	Nominal value of ordinary shares *USD*
Issued and fully paid		
As of January 1, 2021 of USD0.0001 each	255,000,000	25,500
Subdivision (Note i)	2,295,000,000	–
Surrender of USD0.00001 each (Note ii)	(2,137,943,330)	(21,379)
Issue ordinary shares of USD0.00001 each (Note ii)	11,710,000	117
Consolidation (Note iii)	(381,390,003)	–
Issue ordinary shares of USD0.0001 each (Note iv)	457,623,333	45,762
Issue ordinary shares of USD0.0001 each (Note v)	130,793,590	13,079
As of December 31, 2021 of USD0.0001 each	630,793,590	63,079
Issuance of ordinary shares upon IPO (Note vi)	33,537,000	3,354
Conversion of Preferred Shares (Note vii)	677,142,307	67,714
As of December 31, 2022 of USD0.0001 each	**1,341,472,897**	**134,147**

27. SHARE CAPITAL (continued)

	As of December 31,	
	2022	2021
	RMB'000	*RMB'000*
Presented as	**894**	403

Notes:

i. On April 20, 2021, the Company conducted a share subdivision and the authorized ordinary shares were subdivided from USD50,000 consisting of 500,000,000 ordinary shares of a par value of USD0.0001 each to USD50,000 consisting of 5,000,000,000 ordinary shares of a par value of USD0.00001 each. Thus the issued and fully paid shares increased by 2,295,000,000 ordinary shares from USD25,500 consisting of 255,000,000 ordinary shares of a par value of USD0.0001 each to USD25,500 consisting of 2,550,000,000 ordinary shares of a par value of USD0.00001 each.

ii. On April 28, 2021, Delight Health Limited and Future Health Limited irrevocably surrendered to the Company for cancellation of total 2,137,943,330 ordinary shares of USD0.00001 par value each for nil consideration. The issued share capital of the Company diminished by USD21,379.4333 (equivalent to RMB131,000). The Company also issued 11,710,000 ordinary shares to Excel Returns Group Limited (致盈集團有限公司) on the same day.

iii. On May 12, 2021, every ten ordinary shares with a par value of USD0.00001 each in the Company's issued and unissued ordinary shares were consolidated into one ordinary share with par value of USD0.0001 each. Immediately following the share consolidation, the authorized share capital of the Company was consolidated from USD50,000 consisting of 5,000,000,000 ordinary shares with a par value of USD0.00001 each to USD50,000 consisting of 500,000,000 ordinary shares with a par value of USD0.0001 each. The issued and fully paid ordinary shares of the Company decreased by 381,390,003 ordinary shares from 423,766,670 ordinary shares with a par value of USD0.00001 each to 42,376,667 ordinary shares with a par value of USD0.0001 each.

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

iv. During May 2021, the Company issued 457,623,333 ordinary shares with a par value of USD0.0001 to Excel Returns Group Limited, Go Prosper Enterprises Corporation (致盛企業有限公司), Much Premium Investment Limited (創基投資有限公司), Delight Health Limited and Future Health Limited, resulting in a total of 500,000,000 issued and fully paid ordinary shares with a par value of USD0.0001 each in total.

v. On May 31, 2021, pursuant to a Founder Incentive Scheme, as defined in Note 28, 130,793,590 ordinary shares of USD0.0001 each were issued to Future Health Limited.

vi. Upon completion of the IPO in September 2022, the Company issued 33,537,000 new shares with par value of USD0.0001 each at HK$12 and raised gross proceeds of approximately HK$402,444,000 (equivalent to RMB354,435,000). The respective share capital amount was approximately RMB23,000 and share premium arising from the issuance was approximately RMB354,412,000. The issuance costs amounting to approximately RMB30,065,000 were treated as a deduction against the share premium arising from the issuance.

vii. Upon completion of the IPO in September 2022, the Preferred Shares with par value of USD0.0001 have been converted into 677,142,307 ordinary shares on conversion ratio of 1:1, as set out in Note 25. The respective share capital amount was approximately RMB468,000 and share premium arising from the conversion was approximately RMB7,155,030,000, based on the fair value of Preferred Shares on the conversion date that was determined by new shares issuing price.

28. SHARE-BASED PAYMENTS

The employees were granted share options, RSUs and restricted shares under the share incentive plans. Accordingly, the Group accounted for such plans by measuring the services received from the grantees in accordance with the requirement applicable to equity-settled share-based payment transactions. No expense will be recognized unless and until the IPO is probable.

The table below sets forth share-based payments expenses for share options, RSUs and restricted shares:

	Year ended December 31,	
	2022	2021
	RMB'000	*RMB'000*
Share options	**4,392**	8,211
RSUs	**1,481**	–
Restricted shares	**154,852**	315,700
	160,725	323,911

(a) Details of the restricted shares

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

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

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

28. SHARE-BASED PAYMENTS (continued)

(a) Details of the restricted shares (continued)

On May 31, 2021, an incentive shares plan (the "Founder Incentive Scheme") was approved by the shareholders of the Company. Pursuant to the Founder Incentive Scheme, 130,793,590 ordinary shares, representing the then 10% of the total issued shares of the Company, were issued to Future Health Limited, 60% equity interest of which is held by the Controlling Shareholder. The purpose of the Founder Incentive Scheme was to recognize and reward the contribution of the Controlling Shareholder to the growth and development of the Group.

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

A summary of the restricted shares' movement for common grantees and special grantees is as follows:

	Number of restricted shares for common grantees	Number of restricted shares for special grantees	Total	Weighted-average grant date fair value
Outstanding as of January 1, 2021, December 31, 2021 and December 31, 2022	54,400,000	21,833,330	76,233,330	0.50

A summary of the restricted shares' movement for the Controlling Shareholder under Founder Incentive Scheme is as follows:

	Number of restricted shares for the Controlling Shareholder	Weighted-average grant date fair value
Outstanding as of January 1, 2021	–	–
Granted	130,793,590	5.32
Outstanding as of December 31, 2021	130,793,590	5.32
Vested	(39,238,077)	5.32
Outstanding as of December 31, 2022	**91,555,513**	**5.32**

28. SHARE-BASED PAYMENTS (continued)

(a) Details of the restricted shares (continued)

Movement of the restricted shares for directors, which has been included in common grantees and the Controlling Shareholder under Founder Incentive Scheme as shown above, is as follows:

	Number of restricted shares for directors	Weighted-average grant date fair value
Outstanding as of January 1, 2021	23,000,000	0.50
Granted	130,793,590	5.32
Outstanding as of December 31, 2021	153,793,590	4.60
Vested	(39,238,077)	5.32
Outstanding as of December 31, 2022	**114,555,513**	**4.35**

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

	Restricted shares for common grantees	Restricted shares for special grantees	Restricted shares for the Controlling Shareholder
Discount rate	23%	23%	N/A
DLOM	28%-30%	28%	10.5%-20.5%

A share-based compensation expenses of RMB154,852,000 for restricted shares have been recognized in profit or loss for the year ended December 31, 2022 (2021: RMB315,700,000).

28. SHARE-BASED PAYMENTS (continued)

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

The employee share option scheme of the Company was pursuant to the 2020 Share Incentive Plan for the primary purpose of providing incentives to eligible employees. 11,760,000 shares were issued to Excel Returns Group Limited subject to the share option scheme, among which a total number of 11,710,000 shares under the share option scheme were granted and classified into two categories with different lockup period, including 3,840,000 shares which were granted to common grantees, and the remaining shares were granted to special grantees. The total share options granted to common grantees will be vested by 30%, 30% and 40% in sequence over three years after listing date of the Company. The share options granted to special grantees will be vested by 40% and 60% over two years after listing date of the Company. Both categories of grantees should satisfy the performance appraisal. No further share options will be granted by the Company after IPO in accordance with the share option scheme. In the event where any share option was subsequently terminated or forfeited, the underlying shares of which will be available for future grant in the form of RSUs in accordance with the terms of the RSUs scheme under the 2020 Share Incentive Plan.

Details of the employees' share option is as follows:

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

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

	Number of share options	Weighted average exercise price	Weighted average remaining term
		RMB	*Year*
Outstanding as of January 1, 2021	11,710,000	0.1	9.42
Forfeited	(230,000)	0.1	
Outstanding as of December 31, 2021	11,480,000	0.1	8.42
Forfeited	(530,000)	0.1	
Outstanding as of December 31, 2022	**10,950,000**	**0.1**	**7.42**

The number of share options granted expected to vest has been reduced to reflect historical experience of forfeiture of 6.49% as of December 31, 2022 (2021: 2.73%) of options granted prior to completion of vesting period and accordingly the share option expense has been adjusted. As of December 31, 2022, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognized in the profit and loss over the remaining vesting period, with a corresponding adjustment to the share-based payments reserve.

28. SHARE-BASED PAYMENTS (continued)

(b) Details of the employee share option scheme of the Company (continued)

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

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

A share-based compensation expenses of RMB4,392,000 for share options has been recognized in profit or loss for the year ended December 31, 2022 (2021: RMB8,211,000).

(c) Details of the RSUs

810,000 shares which were available for future grant in the form of RSUs arose from the share option scheme based on the 2020 Share Incentive Plan were granted to an employee (the "2022 Grantee") on September 30, 2022. The time-based condition for 2022 Grantee is that 50% and 50% in sequence of vested shares can be disposed of in following two years after grant date upon satisfaction the performance appraisal. The fair value of each RSUs was RMB9.85 on September 30, 2022.

A summary of the RSUs' movement is as follows:

	Number of RSUs for 2022 Grantee	Grant date fair value
Outstanding as of January 1, 2021 and December 31, 2021	–	–
Granted	810,000	9.85
Outstanding as of December 31, 2022	**810,000**	**9.85**

28. SHARE-BASED PAYMENTS (continued)

(c) Details of the RSUs (continued)

The valuation of the RSUs were conducted by the management with reference to valuation carried out by independent qualified professional valuer who has appropriate qualifications and experiences in valuation of similar instruments. RSUs for 2022 Grantee were priced using binomial option pricing model. The key inputs used to evaluate the fair value of RSUs on the grant date are as follows:

	RSUs for 2022 Grantee
Grant date	**30/09/2022**
Exercise price	**RMB0.1**
Expected life (years)	**10**
Expected volatility	**53.00%**
Risk-free interest	**2.78%**
Fair value as of grant date (per share)	**RMB9.8496**

A share-based compensation expenses of RMB1,481,000 for RSUs have been recognized in profit or loss for the year ended December 31, 2022 (2021: none).

29. DIVIDENDS

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

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

30. DISPOSAL/DEREGISTRATION OF SUBSIDIARIES

On June 28, 2022, the Group deregistered Nanjing Renhe Yaofangwang Medicine Technology Co., Ltd* (南京仁和藥房網醫藥科技有限公司), and the net assets of the subsidiary is nil.

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

Consideration received:

	RMB'000
Cash received	–

Analysis of assets and liabilities over which control were lost:

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

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

30. DISPOSAL/DEREGISTRATION OF SUBSIDIARIES (continued)

Net cash inflow arising on deregistration/disposal:

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

31. OPERATING LEASING ARRANGEMENTS

The Group as lessor

The Group accounts for the headlease and the sublease as two separate contracts when acts as an intermediate lessor. The subleases are classified as operating leases by reference to the right-of-use assets arising from the headlease, which have committed lessees for the next 1 to 5 years.

Undiscounted lease payments receivable on leases are as follows:

	As of December 31,	
	2022	2021
	RMB'000	*RMB'000*
Within one year	**1,387**	2,544
In the second year	**645**	1,131
In the third year	**191**	519
In the fourth year	**175**	65
In the fifth year	**84**	49
	2,482	4,308

32. FINANCIAL INSTRUMENTS

32.1 Financial instruments by categories

	As of December 31,	
	2022	2021
	RMB'000	*RMB'000*
Financial assets		
Financial assets at amortized cost	**1,605,074**	1,729,602
Financial assets at FVTPL	**136,798**	–
Equity instruments at FVTOCI	**116,158**	–
Financial liabilities		
Financial liabilities at amortized cost	**547,609**	391,627
Financial liabilities at FVTPL	**–**	4,650,950

32.2 Financial risk management

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

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

32. FINANCIAL INSTRUMENTS (continued)

32.2 Financial risk management (continued)

(a) Market risk

Foreign exchange risk

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

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

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

Sensitivity analysis

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

If 5% weakening/strengthening of USD and HKD against RMB, the Group's post-tax loss for the year ended December 31, 2022 would increase/decrease by RMB15,413,000 (2021: decrease/increase by RMB197,923,000). This is mainly attributable to the Group's exposure to foreign currencies rates of USD and HKD on its cash and cash equivalents as of December 31, 2022.

32. FINANCIAL INSTRUMENTS (continued)

32.2 Financial risk management (continued)

(a) *Market risk* (continued)

Interest rate risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Floating rate instruments expose the Group to cash flow interest rate risk, whereas fixed rate instruments expose the Group to fair value interest risk. The Group's cash flow interest rate risk primarily arose from cash and cash equivalents and restricted bank deposits and time deposits, details of which have been disclosed in Note 23. The Group's fair value interest risk primarily arises from lease liabilities, details of which have been disclosed in Note 16.

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

Other price risk

The Group is exposed to price risk in respect of its investments in financial products issued by banks and a private fund measured as financial assets at FVTPL and equity securities measured at FVTOCI. The above financial instruments are exposed to price risk because of changes in market prices, where changes are caused by factors specific to the individual financial instruments or their issuers, or factors affecting all similar financial instruments traded in the market.

If the prices of quoted equity securities measured at FVTOCI categorized within Level 1 had been 5% higher/lower, the other comprehensive expense for the year ended December 31, 2022 would decrease/increase by RMB5,808,000 (2021: none) as a result of the changes in fair value of equity instruments at FVTOCI.

If the prices of the financial products issued by a private fund measured at FVTPL categorized within Level 2 had been 5% higher/lower, the post-tax loss for the year ended December 31, 2022 would decrease/increase RMB6,815,000 (2021: none) as a result of the changes in fair value of investments at FVTPL.

The other price risk of financial products issued by banks is not considered to be significant.

32. FINANCIAL INSTRUMENTS (continued)

32.2 Financial risk management (continued)

(b) Credit risk and impairment assessment

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

The Group's cash and cash equivalents and restricted bank deposits and time deposits are mainly deposited in state-owned or reputable financial institutions in Mainland China and reputable international financial institutions outside of Mainland China. There has been no recent history of default in relation to these financial institutions. The Group considers the instruments have low credit risk because they have a low risk of default and the counterparty has a strong capacity to meet its contractual cash flow obligations in the near term. The identified credit losses are insignificant during the year ended December 31, 2022 (for the year ended December 31, 2021: insignificant). The Group considers that there is no significant credit risk and no material losses due to the default of the other parties.

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

The Group also has concentration of credit risk on trade receivables. As of December 31, 2022, nil (2021: 20.01%) of the total trade receivable was due from the Group's largest customer, and 26.32% (2021: 40.19%) of the total trade receivables were due from the Group's top five customers, respectively.

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

32. FINANCIAL INSTRUMENTS (continued)

32.2 Financial risk management (continued)

(b) *Credit risk and impairment assessment* (continued)

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

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

32. FINANCIAL INSTRUMENTS (continued)

32.2 Financial risk management (continued)

(b) *Credit risk and impairment assessment* (continued)

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

	Notes	External credit rating	Internal credit rating	12m or Lifetime ECL	Gross carrying amount as of December 31, 2022 *RMB'000*	Gross carrying amount as of December 31, 2021 *RMB'000*
Financial assets at amortized cost						
Cash and cash equivalents	*23*	N/A	Performing	12m ECL	**1,210,949**	1,552,994
Restricted bank deposits and time deposits	*23*	N/A	Performing	12m ECL	**120,600**	–
Trade receivables	*22*	N/A	(Note)	Lifetime ECL	**106,125**	91,351
Other receivables	*22*	N/A	Performing	12m ECL	**160,267**	77,152
Amounts due from related parties of trade nature	*	N/A	(Note)	Lifetime ECL	**200**	319
Rental deposits	*22*	N/A	Performing	12m ECL	**10,625**	9,932

* Prepayments to related parties included in the total balance of amounts due from related parties of trade nature, amounting to RMB1,759,000 as of December 31, 2022 (2021: RMB767,000), are not subject to ECL assessment.

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

32. FINANCIAL INSTRUMENTS (continued)

32.2 Financial risk management (continued)

(b) *Credit risk and impairment assessment* (continued)

On that basis, the loss allowance as of December 31, 2022 was determined as follows for trade receivables and amounts due from related parties of trade nature which were assessed on a collective basis by using provision matrix within lifetime ECL (not credit impaired).

As of December 31, 2022

Provision on collective basis	**Within 1 year**	**1 to 2 years**	**2-3 years**	**Over 3 years**	**Total**
Lifetime expected credit loss rate	**0.27%**	**18.07%**	**61.9%**	**–**	**0.53%**
Gross carrying amount (RMB'000)	**104,832**	**1,472**	**21**	**–**	**106,325**
Loss allowance (RMB'000)	**(284)**	**(266)**	**(13)**	**–**	**(563)**

As of December 31, 2021

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

32. FINANCIAL INSTRUMENTS (continued)

32.2 Financial risk management (continued)

(b) *Credit risk and impairment assessment* (continued)

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

	Lifetime ECL (not credit-impaired) *RMB'000*	Lifetime ECL (credit-impaired) *RMB'000*	Total *RMB'000*
As of January 1, 2021	1,033	831	1,864
Impairment losses reversed due to financial instruments recognized at January 1, 2021	(1,033)	(831)	(1,864)
Impairment losses recognized due to new financial assets originated	343	–	343
As of December 31, 2021	343	–	343
Impairment losses reversed due to financial instruments recognized at December 31, 2021	(343)	–	(343)
Impairment losses recognized due to new financial assets originated	563	–	563
As of December 31, 2022	**563**	**–**	**563**

32. FINANCIAL INSTRUMENTS (continued)

32.2 Financial risk management (continued)

(b) *Credit risk and impairment assessment* (continued)

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

	12-month ECL *RMB'000*	Lifetime ECL (not credit-impaired) *RMB'000*	Lifetime ECL (credit-impaired) *RMB'000*	Total *RMB'000*
As of January 1, 2021	17	–	–	17
Impairment losses reversed due to financial instruments recognized at January 1, 2021	(17)	–	–	(17)
Impairment losses recognized due to new financial assets originated	1,803	–	–	1,803
As of December 31, 2021	1,803	–	–	1,803
Impairment losses reversed due to financial instruments recognized at December 31, 2021	(1,803)	–	–	(1,803)
Impairment losses recognized due to new financial assets originated	3,129	–	–	3,129
As of December 31, 2022	**3,129**	**–**	**–**	**3,129**

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

32. FINANCIAL INSTRUMENTS (continued)

32.2 Financial risk management (continued)

(c) Liquidity risk

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

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

The table includes both interest and principal cash flows.

	Weighted average interest rate	Carrying amount *RMB'000*	On demand or less than 1 year *RMB'000*	Between 1 and 2 years *RMB'000*	Between 2 and 5 years *RMB'000*	Over 5 years *RMB'000*	Total *RMB'000*
As of December 31, 2022							
Trade and other payables	**–**	**518,348**	**518,348**	**–**	**–**	**–**	**518,348**
Amounts due to related parties	**–**	**29,261**	**29,261**	**–**	**–**	**–**	**29,261**
Lease liabilities	**3.81%-7.08%**	**163,137**	**78,511**	**49,786**	**46,025**	**1,612**	**175,934**
		710,746	**626,120**	**49,786**	**46,025**	**1,612**	**723,543**
As of December 31, 2021							
Trade and other payables	–	369,115	369,115	–	–	–	369,115
Amounts due to related parties	–	22,512	22,512	–	–	–	22,512
Financial liabilities at FVTPL	8%	4,650,950	–	–	3,545,961	–	3,545,961
Lease liabilities	3.83%-6.39%	157,012	67,633	51,620	47,570	3,450	170,273
		5,199,589	459,260	51,620	3,593,531	3,450	4,107,861

32. FINANCIAL INSTRUMENTS (continued)

32.3 Capital risk management

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

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

32.4 Fair value measurement of financial instruments

Determination of fair value and fair value hierarchy

IFRS 13 Fair Value Measurement defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurement for assets and liabilities required or permitted to be recorded at fair value, the Group considers the principal or most advantageous market in which it would transact and it considers assumptions that market participants would use when pricing the asset or liability.

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

The level of fair value calculation is determined by the lowest level input that is significant in the overall calculation.

As such, the significance of the input should be considered from an overall perspective in the calculation of fair value.

For Level 1 financial instruments, valuations are determined using prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

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

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

32. FINANCIAL INSTRUMENTS (continued)

32.4 Fair value measurement of financial instruments (continued)

Determination of fair value and fair value hierarchy (continued)

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

	Level 1 *RMB'000*	Level 2 *RMB'000*	Level 3 *RMB'000*	Total *RMB'000*
As of December 31, 2022				
Assets:				
Financial assets at FVTPL	**–**	**136,298**	**500**	**136,798**
Equity instruments at FVTOCI	**116,158**	**–**	**–**	**116,158**
As of December 31, 2021				
Liabilities:				
Financial liabilities at FVTPL	–	–	4,650,950	4,650,950

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

Financial assets	Fair value as of December 31, 2022 *RMB'000*	Fair value as of December 31, 2021 *RMB'000*	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Equity securities issued by a listed company	**116,158**	–	Level 1	Quoted bid prices in an active market.	N/A	N/A
Financial products issued by a fund company	**136,298**	–	Level 2	Based on the adjusted market value of underlying investment portfolios, which includes USD and quoted United States treasury notes and bonds.	N/A	N/A
Financial products issued by banks	**500**	–	Level 3	Discounted cash flow Future cash flows are estimated based on estimated return.	Estimated return	The higher the estimated return, the higher the fair value, vice versa

32. FINANCIAL INSTRUMENTS (continued)

32.4 Fair value measurement of financial instruments (continued)

Determination of fair value and fair value hierarchy (continued)

During the year ended December 31, 2022, the changes in the input of the financial instruments as listed in the table above resulted in the following changes in the Group's results:

Financial liabilities at FVTPL of shares with preferred rights/Preferred Shares are not traded in an active market for the year ended December 31, 2021, its fair values have been determined by using the discounted cash flow method. Major assumptions used in the valuation for the shares with preferred rights/Preferred Shares are presented in Note 25.

For assets and liabilities that are measured at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at each reporting end. During the year ended December 31, 2022, there were no transfers among different levels of fair values measurement (2021: none).

Reconciliation of Level 3 fair value measurements:

	Financial products issued by banks *RMB'000*	Shares with preferred rights/ Preferred Shares *RMB'000*
As of January 1, 2021	17,770	2,343,474
Issue of Preferred Shares	–	4,476,585
Redemption of shares with preferred rights	–	(3,081,310)
Purchase	3,309,100	–
Redemption	(3,334,123)	–
Changes in fair value	7,253	912,201*
As of December 31, 2021	–	4,650,950
Purchase	5,100,028	–
Redemption	(5,106,462)	–
Changes in fair value	6,934	2,504,548*
Conversion of Preferred Shares to ordinary shares upon IPO	–	(7,155,498)
As of December 31, 2022	**500**	**–**

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

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

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

33. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Financial liabilities at FVTPL RMB'000	Lease liabilities RMB'000	Dividends payable RMB'000	Amounts due to related parties RMB'000	Accrued issue costs* RMB'000	Other borrowing RMB'000	Total RMB'000
Liabilities from financing activities as of January 1, 2021	2,343,474	141,253	1,255	28,994	674	–	2,515,650
Financing cash flows	1,395,275	(82,814)	(1,255)	(28,760)	(4,052)	(7,969)	1,270,425
Additions	–	92,380	–	–	5,132	–	97,512
Finance costs (Note 9)	–	7,607	–	–	–	10,169	17,776
Exchange adjustment	–	–	–	–	–	(2,200)	(2,200)
Fair value losses on financial liabilities at FVTPL	912,201	–	–	–	–	–	912,201
Early termination of a lease	–	(501)	–	–	–	–	(501)
Dividends declared	–	–	10,102	–	–	–	10,102
Disposal of subsidiaries (Note 30)	–	(913)	–	–	–	–	(913)
Liabilities from financing activities as of December 31, 2021	4,650,950	157,012	10,102	234	1,754	–	4,820,052
Financing cash flows	–	(81,798)	(10,102)	(234)	(792)	–	(92,926)
Additions	–	84,964	–	–	–	–	84,964
Finance costs (Note 9)	–	7,918	–	–	–	–	7,918
Fair value losses on financial liabilities at FVTPL	2,504,548	–	–	–	–	–	2,504,548
Early termination of a lease	–	(4,959)	–	–	–	–	(4,959)
Conversion of Preferred Shares to ordinary shares upon IPO	(7,155,498)	–	–	–	–	–	(7,155,498)
Others	–	–	–	–	(673)	–	(673)
Liabilities from financing activities as of December 31, 2022	**–**	**163,137**	**–**	**–**	**289**	**–**	**163,426**

* The accrued issue costs are included in accrued listing expenses and issue costs as set out in Note 24.

34. RELATED PARTY TRANSACTIONS

(a) Names and relationships with related parties

The following companies are significant related parties of the Group that had transactions and/or balances with the Group during the years ended December 31, 2021 and 2022.

Name of related parties	Relationship
Mr. Yang Wenlong	The Controlling Shareholder
Renhe (Group)	Related companies controlled by the Controlling Shareholder
Renhe (Shenzhen) Dajiankang Intelligent Technology Co., Ltd.* (仁和(深圳)大健康智能科技有限公司)	
Shenzhen Sanpu Natural Cosmetics Co., Ltd.* (深圳市三浦天然化妝品有限公司) (Note ii)	
Shenzhen Yaodu Bencao Biotechnology Co., Ltd.* (深圳市藥都本草生物科技有限公司) (Note i)	
Zhuhai Hengqin Renhe Health Culture Development Co., Ltd.* (珠海橫琴仁和養生文化發展有限公司)	
Hainan Sanpu Biotechnology Co., Ltd.* (海南三浦生物科技有限公司) (Note ii)	
Jiangxi Sanpu Medical Instrument Co., Ltd.* (江西三浦醫療器械有限公司) (Note ii)	
Renhe Pharmacy Co., Ltd. and its subsidiaries* (仁和藥業股份有限公司)	Related company significantly influenced by the Controlling Shareholder

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

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

* English names are for identification purpose only.

34. RELATED PARTY TRANSACTIONS (continued)

(b) Transactions with related parties

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

Name of related parties	Nature of balances/ transactions	Year ended December 31, 2022 RMB'000	2021 RMB'000
Renhe Pharmacy Co., Ltd. and its subsidiaries	Product sales	**22**	126
	Purchase of goods	**246,539**	218,136
	Brand usage fee	**2,746**	4,497
Renhe (Group)	Product sales	**3**	5
	Brand usage fee	**1,693**	5,178
Shenzhen Sanpu Natural Cosmetics Co., Ltd.	Purchase of goods	**–**	31,291
Shenzhen Yaodu Bencao Biotechnology Co., Ltd.	Purchase of goods	**–**	1,433
Hainan Sanpu Biotechnology Co., Ltd.	Purchase of goods	**–**	3,407
Jiangxi Sanpu Medical Instrument Co., Ltd.	Purchase of goods	**–**	5,253
Other related parties	Product sales	**9**	14
	Purchase of goods	**–**	7

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

34. RELATED PARTY TRANSACTIONS (continued)

(c) Balances with related parties

Amounts due from related parties

Name of related parties	Nature of balances/ transactions	As of December 31, 2022 RMB'000	2021 RMB'000
Renhe Pharmacy Co., Ltd. and its subsidiaries	Trade	**1,959**	1,086

Amounts due to related parties

Name of related parties	Nature of balances/ transactions	As of December 31, 2022 RMB'000	2021 RMB'000
Renhe Pharmacy Co., Ltd.	Trade (note iii)	**26,416**	20,047
and its subsidiaries	Non-trade (note i/ii)	**–**	2
Renhe (Group)	Non-trade (note i/ii)	**2,811**	2,145
Other related parties	Trade (note iii)	**34**	90
	Loans (note i)	**–**	228
Total		**29,261**	22,512

Notes:

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

ii. The amount primarily included brand usage fee payables, which was recognized as amounts due to related parties of non-trade nature.

iii. The amounts due to related parties of trade nature were resulting from purchase of goods.

34. RELATED PARTY TRANSACTIONS (continued)

(d) Key management personnel compensation

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

	Year ended December 31,	
	2022	2021
	RMB'000	*RMB'000*
Salaries and bonuses	**7,517**	6,988
Share-based payments	**153,065**	307,490
Retirement benefit scheme contributions	**206**	63
Welfare, medical and other benefits	**266**	196
	161,054	314,737

35. RETIREMENT BENEFITS SCHEMES

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

The Group also participates in mandatory provident fund scheme ("MPF Scheme") for all its qualifying employees in Hong Kong under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of trustees. Under the rule of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rates specified in the rules. The only obligation of the Group with respect of MPF Scheme is to make the required contributions under the MPF Scheme.

During the years ended December 31, 2022 and 2021, there was no forfeited contribution available for the Group to reduce its existing level of contributions. There was also no forfeited contributions available as of December 31, 2022 and 2021 under such schemes which may be used by the Group to reduce the contribution payable in future years.

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

36. PARTICULARS OF PRINCIPAL SUBSIDIARIES AND CONSOLIDATED AFFILIATED ENTITIES

36.1 General information of principal subsidiaries and consolidated affiliated entities

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

Name of subsidiaries/consolidated affiliated entities**	Place of incorporation/ registration/ operations	Paid up issued/ registered capital	Proportion ownership interest attributable by the Company December 31, 2022	2021	Principal activities
Dingdang Medicine Express Technology	Mainland China	RMB52,941,000	**100%**	100%	Online retail of pharmaceutical and healthcare products
Jiangxi Dingdang E-Commerce Co., Ltd* (江西叮噹電子商務有限公司)	Mainland China	RMB27,000,000	**100%**	100%	Investment holding
Beijing Smart Pharmacy	Mainland China	RMB10,000,000	**100%**	100%	Online and offline retail of pharmaceutical and healthcare products
Shanghai Smart Pharmacy	Mainland China	RMB10,000,000/ RMB11,111,000	**100%**	100%	Online and offline retail of pharmaceutical and healthcare products
Guangdong Smart Pharmacy	Mainland China	RMB5,000,000	**100%**	100%	Online and offline retail of pharmaceutical and healthcare products
Dingdang Smart Pharmacy (Guangzhou) Co., Ltd.* (叮噹智慧藥房(廣州)有限公司)	Mainland China	RMB15,000,000	**100%**	100%	Online and offline retail of pharmaceutical and healthcare products
Dingdang Smart Pharmacy (Tianjin) Co., Ltd.* (叮噹智慧藥房(天津)有限公司)	Mainland China	RMB4,250,000/ RMB5,000,000	**85%**	85%	Online and offline retail of pharmaceutical and healthcare products
Chengdu Dingdang Smart Pharmacy Chain Co., Ltd.* (成都叮噹智慧藥房連鎖有限公司)	Mainland China	RMB2,000,000	**100%**	100%	Online and offline retail of pharmaceutical and healthcare products
Dingdang Smart Pharmacy (Wuhan) Co., Ltd.* (叮噹智慧藥房(武漢)有限公司)	Mainland China	RMB8,500,000/ RMB10,000,000	**85%**	85%	Online and offline retail of pharmaceutical and healthcare products
Dingdang Smart Pharmacy (Nanjing) Co., Ltd.* (叮噹智慧藥房(南京)有限公司)	Mainland China	RMB8,500,000/ RMB10,000,000	**85%**	85%	Online and offline retail of pharmaceutical and healthcare products
Dingdang Smart Pharmacy (Hangzhou) Co., Ltd* (叮噹智慧藥房(杭州)有限公司)	Mainland China	RMB6,220,000/ RMB10,000,000	**85%**	85%	Online and offline retail of pharmaceutical and healthcare products
Jiangxi Renhetang	Mainland China	RMB5,000,000	**85%**	85%	E-commerce operating company of pharmaceutical and healthcare products

36. PARTICULARS OF PRINCIPAL SUBSIDIARIES AND CONSOLIDATED AFFILIATED ENTITIES (continued)

36.1 General information of principal subsidiaries and consolidated affiliated entities (continued)

Name of subsidiaries/consolidated affiliated entities**	Place of incorporation/ registration/ operations	Paid up issued/ registered capital	Proportion ownership interest attributable by the Company December 31, 2022	2021	Principal activities
Jiangxi Zhongda Pharmacy Co., Ltd* (江西中達藥業有限公司)	Mainland China	RMB3,600,000	**100%**	100%	E-commerce operating company of pharmaceutical and healthcare products
Jiangxi Zhongxuan Daily Chemicals Technology Co., Ltd.* (江西中軒日化科技有限公司)	Mainland China	RMB2,000,000	**100%**	100%	E-commerce operating company of pharmaceutical and healthcare products
Dingdang Kuaiyi (Hainan) Medical Technology Co., Ltd.* (叮噹快醫(海南)醫療科技有限公司)	Mainland China	RMB5,000,000	**100%**	100%	Provision of online hospital services
Dingdang Kuaiyi (Hainan) Internet Hospital Co., Ltd.* (叮噹快醫(海南)互聯網醫院有限公司)	Mainland China	RMB5,000,000	**100%**	100%	Provision of online hospital services
Dingdang Good Health	Mainland China	RMB2,000,000	**70%**	70%	Healthcare production sales
Dingdang Youpin Technology Co., Ltd.* (北京叮噹優品技術有限公司)	Mainland China	RMB4,500,000/ RMB5,000,000	**70%**	70%	Healthcare production sales
Renhe Yaofangwang	Mainland China	RMB33,000,000	**52%**	52%	Online and offline retail of pharmaceutical and healthcare products
Renhe Yaofangwang Guohua (Beijing) Medicine Technology Co., Ltd.* (仁和藥房網國華(北京)醫藥有限公司)	Mainland China	RMB10,000,000	**52%**	52%	Online and offline retail of pharmaceutical
Jiangxi Dingdang Lexiang E-Commerce Co., Ltd.* (江西叮噹樂享電子商務有限公司)	Mainland China	RMB2,000,000	**51%**	51%	Healthcare production sales

* The English names are for identification purpose only.

** All of these subsidiaries/consolidated affiliated entities of the Company established in the PRC are limited liability companies.

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

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

None of the subsidiaries and consolidated affiliated entities had issued any debt securities at the end of the current year.

36. PARTICULARS OF PRINCIPAL SUBSIDIARIES AND CONSOLIDATED AFFILIATED ENTITIES (continued)

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

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

Name of subsidiaries	Incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Total comprehensive expense allocated to non-controlling interests		Accumulated non-controlling interests	
		December 31,		Year ended December 31,		December 31,	
		2022	2021	**2022**	2021	**2022**	2021
		RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Renhe Yaofangwang and its subsidiaries	Mainland China	**48%**	48%	**(8,694)**	(16,659)	**21,577**	30,271
Individually immaterial subsidiaries with non-controlling interests						**(8,039)**	(7,853)
						13,538	22,418

Renhe Yaofangwang and its subsidiaries:

	As of December 31,	
	2022	2021
	RMB'000	*RMB'000*
Current assets	**238,063**	184,767
Non-current assets	**152,778**	179,134
Current liabilities	**(309,931)**	(259,193)
Non-current liabilities	**(40,316)**	(44,681)
Equity attributable to owners of the Company	**23,375**	32,794
Non-controlling interests of Renhe Yaofangwang	**21,577**	30,271
Non-controlling interests of Renhe Yaofangwang's subsidiary	**(4,358)**	(3,038)

36. PARTICULARS OF PRINCIPAL SUBSIDIARIES AND CONSOLIDATED AFFILIATED ENTITIES (continued)

36.2 Details of non-wholly owned subsidiaries that have material non-controlling interests (continued)

Renhe Yaofangwang and its subsidiaries: (continued)

	Year ended December 31,	
	2022	2021
	RMB'000	*RMB'000*
Revenue and other gains	**966,852**	856,134
Expenses	**(986,284)**	(892,251)
Loss and total comprehensive expense for the year	**(19,432)**	(36,117)
Loss and total comprehensive expense attributable to:		
Owners of the Company	**(9,418)**	(18,047)
Non-controlling interests of Renhe Yaofangwang	**(8,694)**	(16,659)
Non-controlling interests of Renhe Yaofangwang's subsidiary	**(1,320)**	(1,411)
Loss and total comprehensive expense for the year	**(19,432)**	(36,117)
Net cash outflow from operating activities	**(8,287)**	(52,134)
Net cash outflow from investing activities	**(3,492)**	(4,801)
Net cash inflow from financing activities	**23,424**	105,903
Net cash inflow	**11,645**	48,968

37. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

37.1 Statement of financial position of the Company

	As of December 31,	
	2022	2021
	RMB'000	*RMB'000*
ASSETS		
Non-current assets		
Interests in subsidiaries	**4,310,280**	3,313,802
Equity instruments at FVTOCI	**116,158**	–
Total non-current assets	**4,426,438**	3,313,802
Current assets		
Trade and other receivables and prepayments	**–**	8,248
Financial assets at FVTPL	**136,298**	–
Amounts due from subsidiaries	**481,526**	1,279,479
Time deposits	**89,330**	–
Cash and cash equivalents	**244,836**	189,393
Total current assets	**951,990**	1,477,120
Total assets	**5,378,428**	4,790,922
EQUITY AND LIABILITIES		
Equity		
Share capital	**894**	403
Reserves	**7,958,425**	327,616
Accumulated losses	**(2,660,668)**	(221,434)
Total equity	**5,298,651**	106,585
Liabilities		
Non-current liabilities		
Financial liabilities at FVTPL	**–**	4,650,950
Total non-current liabilities	**–**	4,650,950
Current liabilities		
Trade and other payables	**24,712**	6,905
Amounts due to subsidiaries	**55,065**	26,482
Total current liabilities	**79,777**	33,387
Total liabilities	**79,777**	4,684,337
Total equity and liabilities	**5,378,428**	4,790,922

37. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (continued)

37.2 Reserves movement of the Company

	Share premium *RMB'000*	FVTOCI reserve *RMB'000*	Share-based payments reserves *RMB'000*	Other reserves *RMB'000*	Total *RMB'000*
At January 1, 2021	–	–	3,574	–	3,574
Share-based payments expenses	–	–	323,911	–	323,911
Capital reduction by shareholders of the Company	–	–	–	131	131
At December 31, 2021	–	–	327,485	131	327,616
Total comprehensive expense for the year	–	(9,293)	–	–	(9,293)
Issuance of ordinary shares relating to IPO	354,412	–	–	–	354,412
Transaction costs attributable to issuance of ordinary shares relating to IPO	(30,065)	–	–	–	(30,065)
Conversion of Preferred Shares to ordinary shares upon IPO	7,155,030	–	–	–	7,155,030
Share-based payments expenses	–	–	160,725	–	160,725
At December 31, 2022	**7,479,377**	**(9,293)**	**488,210**	**131**	**7,958,425**

38. SUBSEQUENT EVENTS

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