ClouDr Group Limited
智 雲 健 康 科 技 集 團*

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 9955

Annual Report
2022

* For identification purpose only

Contents

Corporate Information

Executive Director

Mr. Kuang Ming (匡明)
(Chairman and Chief Executive Officer)

Non-Executive Director

Mr. Lee Kar Chung Felix (李家聰)

Independent Non-Executive Directors

Dr. Hong Weili (洪偉力)
Mr. Zhang Saiyin (張賽音)
Mr. Ang Khai Meng

Audit Committee

Mr. Zhang Saiyin *(Chairperson)*
Dr. Hong Weili
Mr. Lee Kar Chung Felix

Remuneration Committee

Dr. Hong Weili *(Chairperson)*
Mr. Kuang Ming
Mr. Zhang Saiyin

Nomination Committee

Mr. Kuang Ming *(Chairperson)*
Dr. Hong Weili
Mr. Zhang Saiyin

Joint Company Secretaries

Ms. Liu Mengya (劉夢雅)
Ms. Fung Wai Sum (馮慧森) *(ACG, HKACG)*

Authorized Representatives

Mr. Kuang Ming
Ms. Fung Wai Sum *(ACG, HKACG)*

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Principal Share Registrar and Transfer Office

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Principal Place of Business in Hong Kong

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Registered Office

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Legal Advisers

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As to PRC law
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As to Cayman Islands law
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Zhejiang Province
PRC

Stock Code

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Company Website

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Financial Summary

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

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

Note:

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

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

Business Review and Outlook

Overview

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

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

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

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

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

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

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

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

In-hospital Solution

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

Our hospital SaaS, *ClouDr. Yihui*, was launched in 2016 and the first of its kind in China to digitalize and standardize the in-hospital chronic condition management and treatment process, which can greatly reduce the medical errors in hospitals. Our SaaS system is capable of connecting to mainstream portal, POCT devices and other testing instrument and devices, such as glucose meters and vital sign monitors, with the help of our proprietary AIoT devices in chronic condition departments and clinical laboratories. It greatly improves the operational efficiency for doctors and nurses by automating health data input, and tracking health data intelligently. Our SaaS system can also support multi-department collaboration. We are the only company whose AIoT device can connect to NMPA-certified medical devices in China. As of December 31, 2022, approximately 2,567 hospitals had *ClouDr. Yihui* installed, including 714 Class III public hospitals, 1,092 Class II public hospitals, and 38 of China’s top 100 hospitals. Wuhan Huoshenshan Hospital also installed *ClouDr. Yihui* system.

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

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

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

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

	Year ended December 31		
	2022 RMB'000	2021 RMB'000	Change (%)
Revenue			
In-hospital solution	**2,184,477**	1,272,738	71.6
Subscription Solution	**539,391**	402,958	33.9
Value Added Solution	**1,645,086**	869,780	89.1
Gross profit			
In-hospital solution	**683,392**	473,067	44.5
Subscription Solution	**477,893**	351,158	36.1
Value Added Solution	**205,499**	121,909	68.6
Gross margin			
In-hospital solution	**31.3%**	37.2%	(5.9)
Subscription Solution	**88.6%**	87.1%	1.5
Value Added Solution	**12.5%**	14.0%	(1.5)

	Year ended December 31		
	2022	2021	Change (%)
Number of hospital that installed our hospital SaaS[1]	**2,567**	2,369	8,4
Subscription Solution — Number of partnered pharmaceutical companies[2]	**26**	15	73.3
Subscription Solution — Number of partnered SKUs[3]	**34**	22	54.5
Subscription Solution — Retention rate of partnered pharmaceutical companies	**93%**	100%	(7.0)
Subscription Solution — Average annual revenue per partnered pharmaceutical companies (in thousands)	**20,746**	26,864	(22.8)
Subscription Solution — Annual Recurring Revenue %[4]	**103%**	249%	(146)
Value Added Solution — Number of paying hospitals	**2,818**	2,101	34.1
Value Added Solution — Average annual revenue per paying hospitals (in thousands)	**584**	414	41.0
Value Added Solution — Annual Recurring Revenue %[4]	**112%**	121%	(9.5)

Notes:

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

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

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

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

Pharmacy Solution

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

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

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

	Year ended December 31		
	2022	2021	Change (%)
	RMB'000	RMB'000	
Revenue			
Pharmacy solution	**615,812**	349,967	76.0
Subscription Solution	**55,144**	49,006	12.5
Value Added Solution	**560,668**	300,961	86.3
Gross profit			
Pharmacy solution	**69,921**	62,285	19.8
Subscription Solution	**52,522**	47,146	11.4
Value Added Solution	**17,399**	15,139	14.9
Gross margin			
Pharmacy solution	**11.4%**	17.8%	(6.4)
Subscription Solution	**95.2%**	96.2%	(1.0)
Value Added Solution	**3.1%**	5.0%	(1.9)

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

Note:

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

Individual Chronic Condition Management Solution

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

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

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

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

Notes:

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

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

Significant events/Recent developments after the Reporting Period

Hang Sang Index and Shenzhen-Hong Kong Stock Connect Program

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

Strategic partnership with Shaanxi Pharmaceutical Holding Group

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

Real World Study

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

Partnership with ERNIE Bot

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

Business outlook

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

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

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

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

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

Management Discussion and Analysis

Revenues

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

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

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

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

Cost of sales

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

Gross profit and gross margin

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

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

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

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

Selling and marketing expenses

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

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

Administrative expenses

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

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

Research and development expenses

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

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

Loss from operations

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

Finance costs

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

Change in fair value of financial liabilities

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

Income tax

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

Loss for the year

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

Adjusted Net Loss (Non-IFRS Measure)

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

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

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

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

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

Notes:

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

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

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

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

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

Liquidity and capital resource

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

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

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

Significant investments

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

Material acquisitions and disposals

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

Pledge of assets

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

Future plans for material investments or capital asset

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

Gearing ratio

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

Foreign exchange exposure

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

Contingent liabilities

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

Indebtedness

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

Employees and remuneration

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

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

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

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

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

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

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

Report of Directors

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

Directors

The Directors who held office during the Reporting Period and up to the Latest Practicable Date are:

Executive Directors

Mr. Kuang Ming (匡明) *(Chairman and Chief Executive Officer)*

Non-Executive Director

Mr. Lee Kar Chung Felix (李家聰)

Independent Non-Executive Directors

Dr. Hong Weili (洪偉力)
Mr. Zhang Saiyin (張賽音)
Mr. Ang Khai Meng

Biographical details of the Directors are set out in the section headed "Directors and Senior Management" on pages 35 to 40 of this annual report.

General information

The Company was incorporated in the Cayman Islands on August 24, 2015 as an exempted company with limited liability. The shares of the Company were listed on the Main Board of the Stock Exchange on July 6, 2022.

Principal activities

The Company is an investment holding company. The Group is principally engaged in providing supplies and SaaS to hospitals and pharmacies, digital marketing services to pharmaceutical companies, and online consultation and prescriptions to patients, all centered around chronic condition management.

Analysis of the principal activities of the Group during the Reporting Period is set out in note 1 to the consolidated financial statements.

Results

The results of the Group for the Reporting Period are set out in the consolidated statement of profit or loss and other comprehensive income on page 74 of this annual report.

Business review

A business review of the Group, as required by Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), including a fair review of the Company's business, a description of the principal risks and uncertainties facing the Company, particulars of important events affecting the Company that have occurred since the end of the fiscal year, an indication of likely future development in the Group's business, an analysis of the Group's financial performance and the Group's key relationships with its stakeholders who have a significant impact on the Group and on which the Group's success depends, is set out in the sections headed "Business Review" and "Management Discussion and Analysis" on pages 5 to 18 of this annual report. These discussions form part of this report of Directors. Events affecting the Company that have occurred since the end of the fiscal year are set out in the sections headed "Significant events/ Recent developments after the Reporting Period" in "Business Review and Outlook".

An account of the Company's key relationships with its employees, customers and suppliers and others that have a significant impact on the Company and on which the Company's success depends is set out in the "Environmental, Social and Governance Report", which will be published at the same time as the publication of 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 sustain our revenue growth rate in the future;
- our ability to achieve or maintain profitability;
- our ability to monetize our solutions;
- extensive and evolving legal and regulatory requirements;
- our ability to maintain industry participants' trust in our platform;
- our ability to continue to expand our hospital and pharmacy networks;
- our ability to manage our relationships with third-party suppliers and distributors;
- risks associated with our relationship with pharmaceutical and medical device companies in relation to our product sales and digital marketing services; and
- our ability to attract or retain sufficient users or medical professionals for our individual chronic condition management platform.

However, the above is not an exhaustive list. Investors are advised to make their own judgment or consult their own investment advisors before making any investment in the Shares.

Environmental policies and performance

The Group is committed to fulfilling social responsibility, promoting employee benefits and development, protecting the environment and giving back to the community and achieving sustainable growth. In accordance with Rule 13.91 and the Environmental, Social and Governance Reporting Guide contained in Appendix 27 of the Listing Rules applicable to the financial year ended December 31, 2022, the Company's environmental, social and governance report will be available on our website and the website of the Stock Exchange at the same time as the publication of this annual report.

Compliance with relevant laws and regulations

As far as the Board and management are aware, the Group has complied in all material aspects with the relevant laws and regulations that have a significant impact on the Group during the Reporting Period.

Connected transactions

During the Reporting Period, save as disclosed in this annual report, no related party transaction disclosed in Note 31 to the consolidated financial statements falls under the definition of "connected transaction" or "continuing connected transaction" in Chapter 14A of the Listing Rules for which disclosure is required. The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules for the Reporting Period.

Contractual Arrangements

Background to the Contractual Arrangements

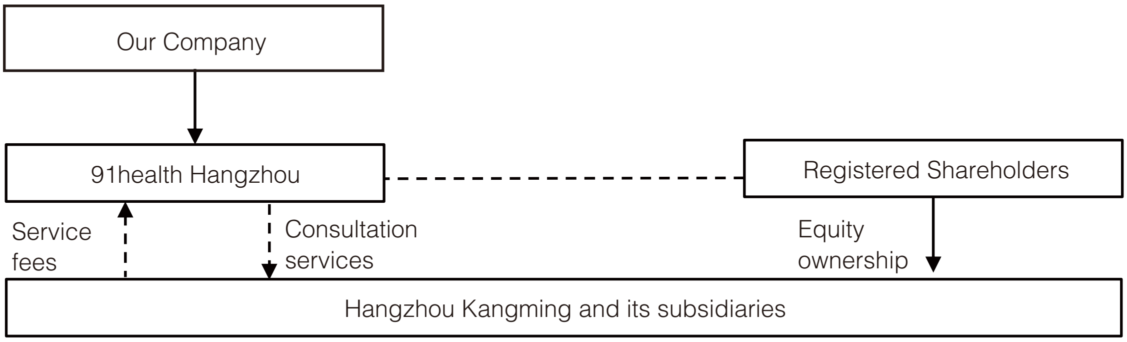
We currently conduct our value-added telecommunication services (through our doctor app, *ClouDr. Doctor*, and patient app, *ClouDr. Health*), internet hospitals and offline medical institution services and insurance brokerage services through our Consolidated Affiliated Entities in the PRC as the PRC laws, or their implementation by relevant government authorities, generally prohibit or restrict foreign ownership, or impose certain qualification requirements on foreign investors, in such businesses. Currently, the PRC laws restrict foreign ownership of value-added telecommunications service providers (in addition to imposing a qualification requirement on the foreign owners) and of medical institutions and internet hospitals.

As a result of the restrictions imposed by the PRC laws, the Company is unable to own or hold the entire direct equity interest in our Consolidated Affiliated Entities. We control our Consolidated Affiliated Entities through the Contractual Arrangements entered into with the Consolidated Affiliated Entities and the Registered Shareholders on June 16, 2021. Hence, we do not directly own any equity interest in our Consolidated Affiliated Entities. Pursuant to the Contractual Arrangements, we have effective control over the financial and operational policies of our Consolidated Affiliated Entities and are entitled to all the economic benefits derived from the Consolidated Affiliated Entities' operations. During the Reporting Period, the revenue contribution of the Consolidated Affiliated Entities accounted for 2.9% of our Group's total revenue (2021: 2.9%). The total assets of the Consolidated Affiliated Entities accounted for 3.8% of our Group's total assets (2021: 6.9%).

Based on the above and as set out in the section headed "Contractual Arrangements" in the Prospectus, the Contractual Arrangements, through which we are able to exercise control over and derive the economic benefits from our Consolidated Affiliated Entities, have been narrowly tailored to achieve our business purpose and minimize the potential for conflict with relevant PRC laws.

Our Directors believe that the Contractual Arrangements are fair and reasonable because: (i) the Contractual Arrangements were freely negotiated and entered into between the wholly foreign owned enterprises ("**WFOEs**") and our Consolidated Affiliated Entities; (ii) by entering into exclusive business cooperation agreements with the WFOEs, being subsidiaries of our Company, our Consolidated Affiliated Entities will enjoy better economic and technical support from us, as well as a better market reputation after Listing; and (iii) a number of other companies in the same or similar industries to those in which we operate use similar arrangements to accomplish the same purpose.

The following simplified diagram illustrates the flow of economic benefits from the Consolidated Affiliated Entities to our Group under the Contractual Arrangements:



Notes:

(1) Hangzhou Kangming is held as to 99.2% and 0.8% by Mr. Kuang and Ms. Hu Yue, head of human resources of our Group, respectively.

(2) "——→" denotes direct legal and beneficial ownership in the equity interest.

(3) "– – →" denotes contractual relationship.

(4) "_ _ _" denotes the control by 91health Hangzhou over the Registered Shareholders and the Consolidated Affiliated Entities through (i) powers of attorney to exercise all shareholders' rights in the Consolidated Affiliated Entities, (ii) exclusive options to acquire all or part of the equity interests in the Consolidated Affiliated Entities and (iii) equity pledges over the equity interests in the Consolidated Affiliated Entities.

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 102 to 112 of the Prospectus.

- If the PRC government finds that the agreements that establish the structure for operating some of our operations in China do not comply with PRC laws and regulations relating to the relevant industries, or if these laws and regulations or the interpretation of existing laws and regulations change in the future, we could be subject to severe penalties, be forced to relinquish our interests in those operations.

- We rely on Contractual Arrangements to exercise control over a portion of our business, which may not be as effective as direct ownership in providing operational control.

- Any failure by Hangzhou Kangming or the Registered Shareholders to perform their obligations under our Contractual Arrangements with them would have a material and adverse effect on our business.

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

- We may rely on dividends and other distributions on equity paid by our PRC subsidiaries to fund any cash and financing requirements we may have, and any limitation on the ability of our PRC subsidiaries to make payments to us could have a material and adverse effect on our ability to conduct our business.

- PRC regulation of loans to and direct investment in PRC entities by offshore holding companies and governmental control of currency conversion may delay or prevent us from making loans to our PRC subsidiaries and Consolidated Affiliated Entities or making additional capital contributions to our WFOE in China, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

- Our Contractual Arrangements may be subject to scrutiny by the PRC tax authorities and they may determine that we or our Consolidated Affiliated Entities owe additional taxes, which could negatively affect our financial condition and the value of your investment.

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

- We may lose the ability to use and benefit from assets held by our Consolidated Affiliated Entities that are critical to the operation of our business if our Consolidated Affiliated Entities go bankrupt or become subject to dissolution or liquidation proceedings.

- If we exercise the option to acquire equity interest of Hangzhou Kangming, this equity interest transfer may subject us to certain limitations and substantial costs.

- If the chops of our PRC subsidiaries or Consolidated Affiliated Entities are not kept safely, are stolen or are used by unauthorized persons or for unauthorized purposes, the corporate governance of these entities could be severely and adversely compromised.

Our Group works 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.

Our Group has adopted the following measures to ensure the effective operation of our Group with the implementation of the Contractual Arrangements and our compliance with the Contractual Arrangements:

- major issues arising from the implementation and compliance with the Contractual Arrangements or any regulatory enquiries from government authorities will be submitted to our Board, if necessary, for review and discussion on an occurrence basis;

- our Board has reviewed the overall performance of and compliance with the Contractual Arrangements;

- our Company has disclosed the overall performance of and compliance with the Contractual Arrangements in our annual reports; and

- our Company has engaged external legal advisors or other professional advisors, if necessary, to assist the Board to review the implementation of the Contractual Arrangements, review the legal compliance of 91health Hangzhou and our Consolidated Affiliated Entities to deal with specific issues or matters arising from the Contractual Arrangements.

Summary of the material terms of the Contractual Arrangements

The Contractual Arrangements which were in place during the Reporting Period, and a description of the specific agreements that comprise the Contractual Arrangements is set out below:

Exclusive Consulting Services Agreement

91health Hangzhou and Hangzhou Kangming entered into an exclusive consulting services agreement on June 16, 2021 and subsequently restated and amended on October 11, 2021 (the "**Exclusive Consulting Services Agreement**"), pursuant to which Hangzhou Kangming agreed to engage 91health Hangzhou as the exclusive provider to Hangzhou Kangming and its subsidiaries of technical consultancy, technical support, and other services which may include (i) provision of advices on business management; (ii) provision of advices on IT system and other technical support; (iii) provision of business development; marketing and promotion; (iv) provision of development, maintenance and upgrade of software and IT system; (v) provision of human resources support; (vi) provision of leasing services to equipment; and (vii) other services requested from time to time.

Without 91health Hangzhou's prior written consent, Hangzhou Kangming shall not, and shall procure its subsidiaries not to, receive services which are identical or similar to the services covered by the Exclusive Consulting Services Agreement from any third party.

In consideration of the services provided by 91health Hangzhou, Hangzhou Kangming shall pay to 91health Hangzhou services fees which is determined by 91health Hangzhou by taking into account factors such as (a) the complexity and difficulty of the services involved, (b) the time taken for the services, (c) the scope of service and its commercial value, and (d) the market reference price for services of similar kinds, and (e) the operation status of Hangzhou Kangming. The service fees shall be paid to 91health Hangzhou by Hangzhou Kangming on such time as agreed by both parties.

91health Hangzhou has the exclusive and proprietary rights and interest to all intellectual properties, in irrespective of being developed by Hangzhou Kangming or by 91health Hangzhou. Without the prior written consent of 91health Hangzhou, Hangzhou Kangming shall not, and shall procure its subsidiaries not to, transfer, assign, pledge, or by any other means dispose of any of such intellectual properties.

The Exclusive Consulting Services Agreement shall remain effective until, among others, the date on which 91health Hangzhou or the party designated by 91health Hangzhou is formally registered as the shareholder of Hangzhou Kangming, in the case where 91health Hangzhou is permitted by the PRC laws to directly hold the shares of Hangzhou Kangming and 91health Hangzhou and its subsidiaries and affiliates are allowed to engage in the Relevant Businesses being currently operated by Hangzhou Kangming.

Exclusive Purchase Option Agreements

(i) 91health Hangzhou, Hangzhou Kangming and the Registered Shareholders entered into an exclusive purchase option agreement on June 16, 2021 subsequently restated and amended on October 11, 2021 and (ii) each of Yinchuan Zhiyun Internet Hospital, Chengdu Zhiyun Internet Hospital, Tianjin Zhiyun and Yinbang Insurance Brokerage entered into an exclusive purchase option agreement with 91health Hangzhou and Hangzhou Kangming on March 1, 2022 (each a "**Exclusive Purchase Option Agreement**" and collectively the "**Exclusive Purchase Option Agreements**"), pursuant to which 91health Hangzhou, or its offshore parent company or its directly or indirectly owned subsidiaries was granted an irrevocable and exclusive right by the Registered Shareholders and Hangzhou Kangming to purchase from each of the Registered Shareholders and Hangzhou Kangming all or any part of their respective equity interest in the Consolidated Affiliated Entities and to require the Consolidated Affiliated Entities to transfer any or of its assets to 91health Hangzhou, or its offshore parent company or its directly or indirectly owned subsidiaries. For full details regarding covenants among the Consolidated Affiliated Entities, the Registered Shareholders and Hangzhou Kangming, please refer to the section headed "Contractual Arrangements" in the Prospectus.

The Registered Shareholders and Hangzhou Kangming irrevocably covenanted that unless with prior written consent by 91health Hangzhou, the Registered Shareholders and Hangzhou Kangming shall not sell, transfer, pledge, or otherwise dispose of all or any part of its equity interest in the Consolidated Affiliated Entities.

The purchase price payable by 91health Hangzhou or its designee in respect of the transfer of the entire equity interest and/or the total assets of the Consolidated Affiliated Entities shall be RMB24,000,000, which is equivalent to the principal loan amount under the Loan Agreement (such purchase price may be proportionally adjusted where only part of such interest is purchased), or the minimum price required by competent PRC authorities under PRC laws where such minimum price is above RMB24,000,000 and the Registered Shareholders shall return the purchase price in full to 91health Hangzhou or its designee.

The Exclusive Purchase Option Agreements shall remain effective until, among others, all the equity interest in and/or all assets of the Consolidated Affiliated Entities has been transferred to 91health Hangzhou and/or its designee, and registration has been completed for the change of members.

Equity Pledge Agreements

(i) 91health Hangzhou, Hangzhou Kangming and the then Registered Shareholders entered into an equity pledge agreement on June 16, 2021 and subsequently restated and amended on October 11, 2021 and (ii) each of Yinchuan Zhiyun Internet Hospital, Chengdu Zhiyun Internet Hospital, Tianjin Zhiyun and Yinbang Insurance Brokerage entered into an equity pledge agreement with 91health Hangzhou and Hangzhou Kangming on March 1, 2022 (each a "**Equity Pledge Agreement**" and collectively the "**Equity Pledge Agreements**"), pursuant to which, the then Registered Shareholders and Hangzhou Kangming pledged all of their respective equity interests in the Consolidated Affiliated Entities to 91health Hangzhou as collateral security to guarantee performance of their contractual obligations under the Contractual Arrangements and all liabilities, monetary debts or other payment obligations arising out of or in relation with the Contractual Arrangements.

Among others things, the Registered Shareholders and Hangzhou Kangming have warranted and undertaken that without 91health Hangzhou's prior written consent, they shall not, or allow all any other party(ies), transfer or otherwise dispose of the pledged shares, or allow creation of any encumbrances thereon.

Upon the occurrence of an event of default (as defined in the Equity Pledge Agreement), 91health Hangzhou may, at any time thereafter, serve a default notice to the Registered Shareholders and Hangzhou Kangming, upon which 91health Hangzhou may (1) demand all the outstanding payment due according to the Exclusive Consulting Service Agreement, and/or (2) exercise its right of pledge according to the Equity Pledge Agreement, or otherwise dispose of the pledged equity interest in accordance with applicable laws. 91health Hangzhou may exercise such right of pledge based on its own independent judgement. The Registered Shareholders and the Consolidated Affiliated Entities have covenanted to unconditionally collaborate with 91health Hangzhou when 91health Hangzhou exercises such right of pledge. 91health Hangzhou shall bear no responsibilities for any direct or indirect loss incurred consequent upon its exercise of such right of pledge.

The Equity Pledge Agreements shall remain effective until, among others, the Consolidated Affiliated Entities and the Registered Shareholders have recorded the release of such pledged shares in the Register of Members and completed relevant deregistration procedure.

Voting Proxy Agreements

(i) 91health Hangzhou, Hangzhou Kangming and the then Registered Shareholders entered into a shareholder voting rights proxy agreement on June 16, 2021 and (ii) each of Yinchuan Zhiyun Internet Hospital, Chengdu Zhiyun Internet Hospital, Tianjin Zhiyun and Yinbang Insurance Brokerage entered into a voting proxy agreement with 91health Hangzhou and Hangzhou Kangming on March 1, 2022 (each a "**Voting Proxy Agreement**" and collectively the "**Voting Proxy Agreements**"), pursuant to which each of the then Registered Shareholders and Hangzhou Kangming unconditionally and irrevocably agrees to appoint 91health Hangzhou and/or its designee as their exclusive agent and attorney to act on their behalf on all matters concerning the Consolidated Affiliated Entities and to exercise all of their rights as shareholder of the Consolidated Affiliated Entities.

Pursuant to the Voting Proxy Agreements, 91health Hangzhou is entitled to assign all or part of its rights to any other individuals and/or entities at its sole discretion, without first giving notification to, or seeking prior consent from, the Consolidated Affiliated Entities or Registered Shareholders. As a result of the Voting Proxy Agreements, the Company, through 91health Hangzhou, is able to exercise management control over the activities that most significantly impact the economic performance of the Consolidated Affiliated Entities, including, among others:

(i) to propose, convene and attend shareholders' meetings, and to exercise the minutes and resolutions of such meetings or other legal documents;

(ii) to exercise voting rights vested on the Registered Shareholders and Hangzhou Kangming under the articles of association of the Consolidated Affiliated Entities and the PRC laws (including but not limited to, transfer or disposal of shares and/or assets of the Consolidated Affiliated Entities, dissolution and liquidation of the Consolidated Affiliated Entities, formation of a liquidation committee and approval of liquidation report);

(iii) to execute any and all documents which shall be executed by Registered Shareholders and Hangzhou Kangming and to submit such documents for the purpose of filing to the company registration authority; and

(iv) to exercise any other rights of shareholders provided under PRC laws or the articles of associations of the Consolidated Affiliated Entities.

The Voting Proxy Agreements, shall remain effective until, among others, 91health Hangzhou, and/or its offshore shareholders, and/or its subsidiaries and affiliates are permitted by the PRC laws to directly hold the shares of the Consolidated Affiliated Entities and are allowed to engage in the business being currently operated by the Consolidated Affiliated Entities.

Loan Agreement

91health Hangzhou and Mr. Kuang entered into a loan agreement dated June 16, 2021, (the "**Loan Agreement**"), pursuant to which 91health Hangzhou agreed to provide a loan of RMB24,000,000 to Mr. Kuang to finance subscription of increased registered capital of Hangzhou Kangming.

The parties agree that the term of the Loan Agreement commences from the date of the agreement and ends on the tenth (10) anniversary since the execution of the Loan Agreement, or on such date as determined by 91health Hangzhou. The loan shall be repaid, among other things, by the transfer of acquired interests under the Loan Agreement from the borrower to 91health Hangzhou or its designee.

Save as disclosed above, there were no other new contractual arrangements entered into, renewed and/or reproduced between our Group and WFOEs and/or Consolidated Affiliated Entities during the Reporting Period. There was no material change in the Contractual Arrangements and/or the circumstances under which they were adopted during the Reporting Period.

For the Reporting Period, none of the Contractual Arrangements had been unwound on the basis that none of the restrictions that led to the adoption of the Contractual Arrangements had been removed. As of December 31, 2022, we had not encountered interference or encumbrance from any PRC governing bodies in operating our businesses through our Consolidated Affiliated Entities under the Contractual Arrangements.

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 305 to 309 of the Prospectus. During the Reporting Period, there was no material change in the Contractual Arrangements and/or the circumstances under which the Contractual Arrangements were adopted. During the Reporting Period, the regulatory restrictions that led to the adoptions of the Contractual Arrangements were not removed and hence, none of the Contractual Arrangements had been unwound as a result thereof.

Listing Rules implications and waiver from the Stock Exchange and annual review

For the purpose of Chapter 14A of the Listing Rules, and in particular the definition of 'connected person', our Consolidated Affiliated Entities will be treated as our Company's wholly-owned subsidiaries, and its directors, chief executives or substantial shareholders (as defined in the Listing Rules) and their respective associates will be treated as "connected persons" of our Company. The transactions contemplated under the Contractual Arrangements constitute continuing connected transactions of our Company.

Our Directors (including the independent non-executive Directors) are of the view that the Contractual Arrangements and the transactions contemplated therein are fundamental to our legal structure and business operations. Our Directors also believe that our structure, whereby the financial results of our Consolidated Affiliated Entities are consolidated into our financial statements as if they were our Company's wholly-owned subsidiaries, and all the economic benefits of their business flows to our Group, places our Group in a special position in relation to the connected transactions rules. Accordingly, notwithstanding that the transactions contemplated under the Contractual Arrangements and any new transactions, contracts and agreements or renewal of existing transactions, contracts and agreements to be entered into, among others, by our Consolidated Affiliated Entities and any member of our Group from time to time (including Consolidated Affiliated Entities) (the "**New Intergroup Agreements**") technically constitute continuing connected transactions under Chapter 14A of the Listing Rules, our Directors consider that it would be unduly burdensome and impracticable, and would add unnecessary administrative costs to our Company, for all such transactions to be subject to strict compliance with the requirements set out under Chapter 14A of the Listing Rules, including, among other things, the announcement and independent shareholders' approval requirements.

In respect of the Contractual Arrangements and New Intergroup Agreements, we have applied for, and the Stock Exchange has granted us, waivers from strict compliance with (i) the announcement, circular and independent shareholders' approval requirements pursuant to Rule 14A.105 of the Listing Rules, (ii) the requirement to set a term of three years or less under Rule 14A.52 of the Listing Rules, and (iii) the requirement to set annual caps under Rule 14A.53 of the Listing Rules, for so long as our Shares are listed on the Stock Exchange subject to the following conditions:

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

(ii) no change without independent Shareholders' approval;

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

(iv) the Contractual Arrangements may be renewed and/or reproduced without an announcement, circular, or obtaining the approval of our Shareholders (i) upon the expiry of the existing arrangements, (ii) in connection with any changes to the shareholders or directors of, or of their shareholdings in, the Consolidated Affiliated Entities, or (iii) in relation to any existing, new or acquired wholly foreign-owned enterprise or operating company (including branch company) engaging in a business similar or relating to those of our Group, on substantially the same terms and conditions as the existing Contractual Arrangements; and

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

Confirmation from independent non-executive Directors

Our independent non-executive Directors have reviewed the Contractual Arrangements and confirmed that:

(i) the transactions carried out 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 its equity interests which are not otherwise subsequently assigned or transferred to the Group during the Reporting Period;

(iii) no new contracts were entered into, renewed or reproduced between the Group and the Consolidated Affiliated Entities during the Reporting Period; and

(iv) the Contractual Arrangements have been entered into in the ordinary and usual course of business of the Group;

(v) the Contractual Arrangements have been entered into on normal commercial terms or better; and

(vi) the Contractual Arrangements have been entered into 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.

Confirmations from the Company's Independent Auditor

Pursuant to Rule 14A.56 of the Listing Rules, the Company's auditor, KPMG, was engaged by the Board to report on the Group's continuing connected transactions carried out pursuant to the Contractual Arrangements in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised), "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 (Revised), "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. Based on the work performed, the auditor of the Company confirmed to the Board of Directors that:

(i) nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have not been approved by the Company's Board of Directors;

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

(III) nothing has come to their attention that causes them to believe that dividends or other distributions have been made by our Consolidated Affiliated Entities to the holders of their equity interests which are not otherwise subsequently assigned or transferred to the Group.

Major customers

The Group recognizes the importance of maintaining a good relationship with its stakeholders, including Shareholders, employees, suppliers, business partners are key to the Group success. The Group will continue to ensure effective communication and maintain good relationship with each of its key stakeholders.

Our customers include hospital and pharmacy customers who use our in-hospital value added solution and our pharmacy solution, and pharmaceutical companies who use our in-hospital subscription solution; we also have indirect customers who help to distribute our value added solutions to the end customers who are hospitals and pharmacies.

During the Reporting Period, we generated revenue of RMB312.6 million from our largest customer, representing 10.5% of our total revenue during the Reporting Period. During the same period, we generated revenue of RMB825.5 million in aggregate from our five largest customers combined, representing less than 30% of our total revenue.

None of the Directors, their respective close associates, or any Shareholder (which to the knowledge of the Directors own more than 5% of the number of issued Shares of the Company) had any interest in any of our five largest customers during the Reporting Period.

Major suppliers

During the Reporting Period, the purchases we made from the largest supplier was RMB377.3 million, representing 10.6% of our total purchases during the Reporting Period. During the same period, the purchases we made from the five largest suppliers combined was RMB1,151.9 million, representing 32.5% of our total purchases.

None of the Directors, their respective close associates, or any Shareholder (which to the knowledge of the Directors own more than 5% of the number of issued Shares of the Company) had any interest in any of our five largest suppliers during the Reporting Period.

During the Reporting Period, the Group did not experience any significant disputes with its customers or suppliers.

Pre-emptive rights

There are no provisions for pre-emptive rights under 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 of holders of listed securities

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.

Subsidiaries

Particulars of the Company's subsidiaries are set out in Note 15 to the consolidated financial statements.

Property, plant and equipment

Details of movements in the property, plant and equipment of the Group during the year ended December 31, 2022 are set out in Note 11 to the consolidated financial statements.

None of the Company's properties are held for development and/or sale or for investment purposes.

Share capital and Shares issued

Details of movements in the share capital of the Company for the Reporting Period are set out in Note 28 to the consolidated financial statements.

Sufficiency of public float

Based on information that is publicly available to the Company and within the knowledge of the Directors as at the date of this annual report, the Company has maintained the prescribed percentage of public float under the Listing Rules.

Donation

During the Reporting Period, the Group made charitable donations of approximately RMB708,200.

Debenture issued

The Group has not issued any debentures during the Reporting Period.

Equity-linked agreements

Save as disclosed in the section headed "Share Schemes" in this report of Directors, no equity-linked agreements were entered into by the Group, or existed during the Reporting Period.

Final Dividend

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

Permitted indemnity

Pursuant to the Articles of Association of the Company and subject to the applicable laws and regulations, every Director shall be indemnified and secured harmless out of the assets 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 Reporting Period. The Company has taken out liability insurance to provide appropriate coverage for the Directors since the Listing Date.

Distributable reserves

As of December 31, 2022, the Company did not have any reserves available for distribution to Shareholders.

Details of movements in the reserves of the Group and the Company during the Reporting Period are set out in the consolidated statement of changes in equity on page 142 and in note 28 to the consolidated financial statements, respectively.

Loans and borrowings

As of December 31, 2022, the Company had bank loans and borrowings of RMB192.5 million. Please refer to the note 24 to the consolidated financial statements for details.

Directors' service contracts

Our executive Director has entered into a service contract with the Company for an initial term of three years with effect from the Listing Date or until the third annual general meeting of the Company after the Listing Date, whichever is sooner (subject to retirement as and when required under the Articles of Association).

Our non-executive Director has entered into an appointment letter with our Company. The term of appointment shall be for an initial term of three years from the Listing Date or until the third annual general meeting of our Company after the Listing Date, whichever is sooner (subject to retirement as and when required under the Articles of Association).

Each of our independent non-executive Directors has entered into an appointment letter with our Company. The term of appointment shall be for an initial term of three years from the Listing Date or until the third annual general meeting of our Company after the Listing Date, whichever is sooner (subject to retirement as and when required under the Articles of Association).

None of the Directors proposed for re-election at the forthcoming annual general meeting of the Company has a service contract with any member of our Group that is not determinable by the employer within one year without the 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, its holding company, or any of its subsidiaries or fellow subsidiaries was a party subsisting during or at the end of the Reporting Period.

Emoluments of Directors and the five highest paid individuals

In compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code, the Company has established the Remuneration Committee of the Company 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 Pre-IPO Equity Incentive Scheme and the Post-IPO Share Award Scheme, details of which are set out in the Prospectus, note 27 to the consolidated financial statements and pages 44 and 47 under "Other Information" in this annual report.

Details of the remuneration of the Directors, senior management and the five highest paid individuals are set out in Note 8, Note 31 and Note 9, 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 or the five highest paid individuals as an inducement to join, or upon joining the Group, or as compensation for loss of office.

For the Reporting Period, the aggregate amount of remuneration (including wages, salaries, bonuses, defined contribution plans, other social security costs, housing benefits and share-based compensation expenses) for our Directors was approximately RMB24.3 million (as set out in note 8 to the consolidated financial statements).

Directors' interests in competing business

Save as disclosed in this annual report, during the Reporting Period, none of our Directors had any interest in a business which materially competes or is likely to compete, directly or indirectly, with our business, which would require disclosure under Rule 8.10 of the Listing Rules.

Contracts with controlling shareholders

Save as disclosed in the Prospectus and in this annual report, to the best knowledge and belief of our Directors, 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 controlling shareholders or any of their subsidiaries during the Reporting Period.

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 Reporting Period.

Auditor

The consolidated financial statements of the Group have been audited by KPMG, who will retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting.

There has been no change in the Company's auditor in any of the preceding three years.

Continuing disclosure obligations pursuant to the Listing Rules

The Company does not have any other disclosure obligations under Rules 13.20, 13.21 and 13.22 of the Listing Rules.

Directors' rights to acquire shares or debentures

Save as disclosed in this annual report, at no time during the Reporting Period was the Company or any of its subsidiaries, fellow subsidiaries or its holdings companies 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.

Appreciation

The Board would like to express its sincere gratitude to the Shareholders, management team, employees, business partners and customers of the Group for their support and contribution to the Group.

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

Hong Kong
March 22, 2023

Directors and Senior Management

Members of our Board

Name	Age	Position(s)	Date of appointment as Director
Directors			
Mr. Kuang Ming (匡明)	42	Founder, executive Director, chairman and chief executive officer	August 24, 2015
Mr. Lee Kar Chung Felix (李家聰)	41	Non-executive Director	May 21, 2021
Dr. Hong Weili (洪偉力)	53	Independent non-executive Director	July 6, 2022
Mr. Zhang Saiyin (張賽音)	43	Independent non-executive Director	July 6, 2022
Mr. Ang Khai Meng	62	Independent non-executive Director	July 6, 2022

Executive Director

Mr. Kuang Ming (匡明), aged 42, is the founder, executive Director, chairman of the Board, chief executive officer, chairperson of the Nomination Committee and a member of the Remuneration Committee of the Company. Mr. Kuang is primarily responsible for the overall strategic planning, business direction and research and development initiatives of our Group. Mr. Kuang is currently the legal representative and an executive director and/or general manager of certain subsidiaries of our Group, including Hangzhou Kangsheng Health Management Consultant Co. Ltd* (杭州康晟健康管理咨詢有限公司), Hangzhou Kangming, 91health Shanghai Limited* (上海運臻網絡科技有限公司), Shanghai Kangmeng Health Management Consultation Co., Ltd, Hainan Zhiyun Distance Medical Center Co., Ltd, Hainan Youyi Technology Co., Ltd, Yinbang Insurance Brokerage, Shenzhen Yinsiubao Technology Co., Limited, 91health Hangzhou Limited* (杭州智雲匯醫科技有限公司), Jiangsu Xinwange Medical Technology Co., Ltd, Hainan Zhiyun Internet Hospital Co., Ltd and Guangxi Zhiyun Health Technology Co., Ltd..

Mr. Kuang has over 15 years of experience in healthcare and technology industries in the PRC and the United States. Prior to founding of our Company, Mr. Kuang was a senior strategic marketing manager in APAC at Johnson & Johnson (NYSE: JNJ) between July 2012 and January 2015. From October 2011 to April 2012, Mr. Kuang worked in the US division of Johnson & Johnson. From April 2006 to September 2010, Mr. Kuang served in various technical roles for APAC Business Development at Intel China.

Mr. Kuang received a bachelor's degree in Electrical Engineering from Tongji University in July 2002, and a master's degree in Communication Engineering from Shanghai Jiaotong University in March 2006. He also received a master's degree in Business Administration from Cambridge Judge Business School in March 2012.

Non-executive Director

Mr. Lee Kar Chung Felix (李家聰), aged 41, is a non-executive Director and a member of the Audit Committee. He is primarily responsible for supervising and providing guidance and independent judgement to the Board.

Mr. Lee is currently a senior vice president of Chow Tai Fook Enterprises Limited with responsibilities in making investments in the healthcare sector in Asia and globally since September 2014.

Mr. Lee is also an executive director of UMP Healthcare Holdings Limited (a company listed on the Stock Exchange, stock code: 722) since August 2015 and an independent non-executive director of China Resources Medical Holdings Company Limited (a company listed on the Stock Exchange, stock code: 1515) since August 2015 and an independent non-executive director of Asymchem Laboratories (Tianjin) Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 002821, and the Stock Exchange, stock code: 6821) since June 2021.

He has over 15 years of experience in law and finance. He served as a solicitor with the law firm Freshfields Bruckhaus Deringer from January 2005 to February 2008, an analyst in the investment banking department of UBS AG, Hong Kong branch from March 2008 to January 2009. He then joined Deutsche Bank AG, Hong Kong branch and last held the position of director in the Corporate Finance Division, where he worked from January 2009 to August 2014.

Mr. Lee obtained a bachelor's degree of Laws from the London School of Economics and Political Sciences and a postgraduate certificate in Laws from the University of Hong Kong in July 2003 and June 2004, respectively. He is a solicitor of the High Court of Hong Kong since September 2007 and a solicitor (non-practising) in the Senior Courts of England and Wales since February 2013.

Independent non-executive Directors

Dr. Hong Weili (洪偉力), aged 53, is an independent non-executive Director, the chairperson of the Remuneration Committee, a member of the Audit Committee and a member of the Nomination Committee. He is primarily responsible for supervising and providing independent judgement to the Board.

Dr. Hong has extensive experience in finance and investment in both Chinese and overseas financial institutions and capital markets. He was the president and chief research officer of CMC Holdings from November 2016 to September 2018. Prior to joining CMC Holdings, he was a partner of the Gopher Asset Management from February 2014 to March 2016, in charge of private equity and venture capital funds of funds and direct investments. Dr. Hong also served as the managing partner of KTB Ventures from April 2008 to April 2012, and the head of business development in ING China from June 2004 to July 2007.

Dr. Hong also serves as an independent director for Dingdong (Cayman) Limited (a company listed on the New York Stock Exchange, stock symbol: DDL), Chindata Group Holdings Limited (a company listed on the Nasdaq Stock Market, stock symbol: CD), and Luolai Lifestyle Technology Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 002293).

Dr. Hong currently serves as a guest professor and a supervisor of the master degree program in the School of Economics of Fudan University; and a guest professor of the Fanhai International School of Finance. He is also the vice chairman of the Global Alumni Association of the Fudan University.

Dr. Hong received both of his bachelor's and doctor's degrees in Economics from Fudan University.

Mr. Zhang Saiyin (張賽音), aged 43, is an independent non-executive Director, the chairperson of the Audit Committee, a member of the Remuneration Committee and a member of the Nomination Committee. He is primarily responsible for supervising and providing independent judgement to the Board.

Mr. Zhang served as a director for MINISO Group Holding Limited ("**MINISO**") (a company listed on the New York Stock Exchange, stock symbol: MNSO, and the Stock Exchange, stock code: 9896) from December 2018 to January 2023, and chief financial officer and executive vice president from October 2018 to January 2023. Prior to joining MINISO, Mr. Zhang served as the chief financial officer between June 2015 and July 2017 and multiple finance leadership roles between April 2011 and May 2015 at China Resources Textiles (Holdings) Company Limited and China Resources Fashion (Holdings) Company Limited, both of which are indirectly wholly owned subsidiaries of China Resources (Holdings) Company Limited. From September 2009 to March 2011, Mr. Zhang worked as a manager in the finance department of Shenzhen Jinjia Color Printing Group Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 002191, now renamed as "**Shenzhen Jinjia Group Co., Ltd.**"). Between July 2005 and September 2009, Mr. Zhang served as a senior auditor at Deloitte, Shenzhen branch. He worked at the international financing department of ZTE Corporation (a company listed on the Shenzhen Stock Exchange, stock code: 000063, and the Stock Exchange, stock code: 763) between March 2004 and July 2005.

Mr. Zhang received his bachelor's degree in Accounting from Huazhong Agricultural University in China and his master's degree in Accounting and Finance from University of Birmingham in the United Kingdom. Mr. Zhang is also a fellow of Association of Chartered Certified Accountants.

Mr. Ang Khai Meng, aged 62, is an independent non-executive Director of the Company, primarily responsible for supervising and providing independent judgement to the Board.

Mr. Ang has extensive experience in innovative pharma, generics, biologics, devices, diagnostics, consumables, and consumer health in his 37 years of experience in healthcare industry. He is currently serving as advisor to several companies in China.

In September 2016, Mr. Ang started to serve as the head of China at Roche Diabetes Care. Prior to this, Mr. Ang joined as a vice president of Hospira Asia in July 2011. Mr. Ang also worked as a general manager at Vascular Business Unit of Medtronic in January 2007.

Mr. Ang received a bachelor's degree in Science from Australian National University in Australia, in 1983. Mr. Ang received his Master's degree in Business Administration from Ohio State University in the United States, in 1985.

Senior Management

Our senior management team comprises of Mr. Kuang, Ms. Xu Lili, Mr. Wang Jingxu, Mr. Li Gang and Ms. Zuo Yinghui. Please see Mr. Kuang's biography in the section headed "Executive Director" in this section above. The senior management (other than our executive Director) of the Group comprises the following:

Name	Age	Position(s)	Date of joining our Group
Xu Lili (徐黎黎)	41	Chief financial officer	October 2020
Wang Jingxu (王靜旭)	54	Vice president for Hospital Business & Development	August 2018
Li Gang (李剛)	42	Head of technology department	March 2016
Zuo Yinghui (左穎暉)	47	Vice president of supply chain and customer services department	January 2015

Ms. Xu Lili (徐黎黎), aged 41, has served as the chief financial officer of our Company since October 2020, primarily responsible for overseeing the corporate finance, handling investor relationships, and overseeing all the investments and acquisitions of the group.

Ms. Xu has more than 16 years of experience in financial management. From March 2014 to September 2020, Ms. Xu was the chief financial officer and executive director of Tongdao Liepin Group (a company listed on the Stock Exchange, stock code: 6100). Prior to joining Tongdao Liepin Group, Ms. Xu held various leadership positions at General Electric Company (a company currently listed on the New York Stock Exchange, stock symbol: GE), with her last role as the chief financial officer of GE Power Generation Services China, from January 2005 to March 2014.

Ms. Xu also serves as an independent director of MINISO Group Holding Limited (a company listed on the New York Stock Exchange, stock symbol: MNSO, and the Stock Exchange, stock code: 9896) and Yalla Group Limited (a company listed on the New York Stock Exchange, stock symbol: YALA).

Ms. Xu received a bachelor's degree in International Business from Nanjing University in June 2003 and a master of science degree in local Economic Development from the London School of Economics and Political Science in November 2004. Ms. Xu is a public accountant certified by the Board of Accountancy of Washington State of the United States since June 13, 2012.

Mr. Wang Jingxu (王靜旭), aged 54, has served as our vice president for Hospital Business & Development of our Group since August 2018, primarily responsible for our in-hospital solution business.

Mr. Wang has 30 years of experience in life science & pharmaceutical industry. Prior to joining our Group, he worked at Chengdu Kanghong Pharmaceutical Group Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 002773) from March 2017 to August 2018 where he led generic drug business. He also served various senior roles in various domestic and global pharmaceutical companies, including Luye Pharma Group Ltd. (a company listed on the Stock Exchange, stock code: 2186), Abbott Laboratories (a company currently listed on the New York Stock Exchange, stock symbol: ABT), and GlaxoSmithKline plc. (a company currently listed on the London Stock Exchange and the New York Stock Exchange, stock symbol: GSK).

Mr. Wang obtained a bachelor's degree in Microbiology from Shandong University in July 1991.

Mr. Li Gang (李剛), aged 42, has served as the head of technology department of our Company since March 2016, primarily responsible for the research and development of products and technologies of our Company.

Mr. Li has extensive experience in computer science and technology. Prior to joining our Group, Mr. Li served as a technology expert at Alibaba Group Holding Limited, a company currently listed on the New York Stock Exchange (stock symbol: BABA) and the Stock Exchange (stock code: 9988), from July 2010 to June 2015. From June 2007 to June 2010, Mr. Li was a technology manager at Beijing Youjie Xinda Information Technology Co., Ltd.

Mr. Li obtained a bachelor's degree in computer science and technology from Yantai University in Yantai, the PRC, in June 2005.

Ms. Zuo Yinghui (左穎暉), aged 47, has served as the vice president of supply chain and customer services department of our Company since January 2015, She is primarily responsible for supply chain management and business development of our Company.

Prior to joining our Group, Ms. Zuo held various positions at Johnson & Johnson (Shanghai) Medical Equipment Co. Ltd, a subsidiary of Johnson & Johnson (a company currently listed on the New York Stock Exchange (stock symbol: JNJ)) from October 1999 to December 2014, with her last role as the Senior Sales Operation Manager.

Ms. Zuo received a bachelor's degree in English from Shanghai University in Shanghai, the PRC, in July 1997.

Joint Company Secretaries

Ms. Liu Mengya (劉夢雅), aged 34, is our joint company secretary and the senior finance director of our Group since October 2020. She is primarily responsible for investor relations and finance operation of the Company.

Prior to joining our Group, Ms. Liu served as the Asia finance director in GE Healthcare Digital from August 2020 to October 2020. From August 2018 to July 2020, Ms. Liu was a healthcare service FP&A and product manager at GE Medical systems Trade and Development (Shanghai) Co., Ltd. Prior to this, Ms. Liu graduated from the global leadership program at GE Company in January 2017 after serving as one of the team members of GE Corporate Audit Staff. In July 2011, Ms. Liu began her career at GE Corporate (China) Limited as a financial management program trainee after her graduation.

Ms. Liu obtained her bachelor's degree in Economics from Shanghai Jiaotong University in 2011.

Ms. Fung Wai Sum (馮慧森), aged 40, is our joint company secretary and a senior manager of corporate services of Tricor Services Limited. She is a Chartered Secretary, a Chartered Governance Professional and an Associate of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom.

Ms. Fung obtained her bachelor's degree in Business Administration in Operations Management and Economics from The Hong Kong University of Science and Technology in November 2004, and her master's degree in Professional Accounting and Corporate Governance from City University of Hong Kong in November 2008.

Ms. Fung has over 15 years of experience in the corporate secretarial field. She has been providing professional corporate services to Hong Kong listed companies as well as multinational, private and offshore companies. Ms. Fung is currently the company secretary of Tongdao Liepin Group (a company listed on the Stock Exchange, stock code: 6100), Greenland Hong Kong Holdings Limited (a company listed on the Stock Exchange, stock code: 0337), China ZhengTong Auto Services Holdings Limited (a company listed on the Stock Exchange, stock code: 1728) and FriendTimes Inc. (a company listed on the Stock Exchange, stock code: 6820), and the joint company secretary of Shenzhen Neptunus Interlong Bio-technique Company Limited (a company listed on the Stock Exchange, stock code: 8329).

Changes to directors' information

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

Mr. Zhang Saiyin resigned as an executive director, executive vice president and the chief financial officer of MINISO Group Holding Limited (a company listed on the New York Stock Exchange, stock symbol: MNSO, and the Stock Exchange, stock code: 9896) effective on January 31, 2023.

Save as disclosed above, there has been no change to the information of the Directors which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules during the Reporting Period and as at the date of this annual report.

Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures

As far as the Company is aware, as of December 31, 2022, the interests and short positions of the Directors and the chief executives in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), which were required (a) to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein, or (c) pursuant to the Model Code, to be notified to our Company and the Stock Exchange are set out below:

Name of Director	Capacity/Nature of interest	Relevant entity	Number of Shares	Approximate % interest[(1)]
Mr. Kuang[(2)]	Interest in a controlled corporation/ Other	Company	130,447,385(L)[(3)]	22.22%

Notes:

1. The calculation is based on the total number of 587,038,219 Shares in issue as of December 31, 2022.

2. This includes (i) 89,414,780 Shares held by HaoYuan health Limited (formerly known as "**ClouDr Limited**"). The entire interest in HaoYuan health Limited is held through a trust which was established by Mr. Kuang (as settlor) and the beneficiaries of which are himself and his family members. Mr. Kuang is deemed to be interested in the Shares held by HaoYuan health Limited; (ii) various voting proxies granted to Mr. Kuang over the Shares of the Company, which in aggregate amount to 39,032,605 Shares. Each of SIG Global China Fund I, LLLP, FORTUNE SEEKER INVESTMENTS LIMITED, Treasure Harvest Investments Limited and Tembusu HZ II Limited (each a "**Proxy Grantor**") has entered into a voting agreement with Mr. Kuang before Listing, pursuant to which each Proxy Grantor granted Mr. Kuang, as their respective attorney, a voting proxy of 50% of the Shares that each Proxy Grantor holds, upon Listing, representing an aggregate of approximately 6.65% voting power in the Company; and (iii) 2,000,000 restricted share units granted to Mr. Kuang under the Pre-IPO Equity Incentive Scheme on December 30, 2022 which have not vested yet. Together with the voting power in our Company that Mr. Kuang holds through HaoYuan health Limited, Mr. Kuang controls an aggregate of approximately 22.22% voting power in the Company.

3. The letter "L" denotes the person's long position (as defined under Part XV of the SFO) in the Shares.

Save as disclosed above, as of December 31, 2022, none of the Directors and chief executives of the Company had or was deemed to have any interest or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to notify 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 they were taken or deemed to have taken under provisions of the SFO), or which were required to be recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Model Code.

Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares

As of December 31, 2022, so far as our Directors are aware, the following persons (other than the Directors and the chief executives of the Company whose interests have been disclosed in this annual report) had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company, pursuant to Section 336 of Part XV of the SFO:

Name of substantial Shareholder	Capacity/Nature of interest	Number of Shares	Approximate % of interest[1]
Trident Trust Company (HK) Limited[2]	Trustee	153,326,771 (L)	26.12%
Data Vantage Development Limited[3][4]	Interest in controlled corporations	89,414,780 (L)	15.23%
HaoYuan health Limited[3]	Beneficial owner	89,414,780 (L)	15.23%
Prime Forest Assets Limited[5]	Beneficial owner	63,911,991 (L)	10.89%
China Merchants Bank Co., Ltd.[6]	Interest in controlled corporations	32,138,712 (L)	5.47%
CMB International Financial Holdings Limited (招銀國際金融控股有限公司)[6]	Interest in controlled corporations	32,138,712 (L)	5.47%
CMB International Capital Corporation Limited (招銀國際金融有限公司)[6]	Interest in controlled corporations	32,138,712 (L)	5.47%
CMB Financial Holdings (Shenzhen) Limited (招銀金融控股(深圳)有限公司)[6]	Interest in controlled corporations	32,138,712 (L)	5.47%
CMB International Financial Holdings (Shenzhen) Limited (招銀國際金融控股(深圳)有限公司)[6]	Interest in controlled corporations	32,138,712 (L)	5.47%
Shanghai Qiji Technology Partnership (Limited Partnership) (上海旗驥科技合夥企業(有限合夥))[6]	Beneficial owner	32,138,712 (L)	5.47%
Jeffrey Steven Yass[7]	Interest in controlled corporations	31,570,783 (L)	5.38%
Colombus International Holdings, Inc.[7]	Interest in controlled corporations	31,570,783 (L)	5.38%
Explorer Partner Corp. [7]	Interest in controlled corporations	31,570,783 (L)	5.38%
SIG Global Investments GP, LLC[8]	Interest in controlled corporations	31,570,783 (L)	5.38%
SIG Pacific Holdings, LLLP[7]	Interest in controlled corporations	31,570,783 (L)	5.38%
SIG Global China Fund I, LLLP[7]	Beneficial owner	31,570,783 (L)	5.38%
Ho Chi Sing[9]	Interest in controlled corporations	30,388,981 (L)	5.18%
Zhou Quan[9]	Interest in controlled corporations	30,388,981 (L)	5.18%
IDG China Venture Capital Fund GP IV Associates Ltd.[9]	Interest in controlled corporations	30,388,981 (L)	5.18%

Notes:

(1) The calculation is based on the total number of 587,038,219 Shares in issue as of December 31, 2022.

(2) Trident Trust Company (HK) Limited, as trustees of the Hao and Yuan Trust and 91health Incentive Trust, controls (i) (through Data Vantage Development Limited) HaoYuan health Limited, which holds 89,414,780 Shares and (ii) Prime Forest Assets Limited, which holds 63,911,991 Shares. Trident Trust Company (HK) Limited is therefore deemed to be interested in the Shares in which HaoYuan health Limited and Prime Forest Assets Limited respectively have interest. The interest of HaoYuan health Limited has also been disclosed as the interests of Mr. Kuang in the above section headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures".

(3) The relevant interest has also been disclosed as the interests of Mr. Kuang in the above section headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures".

(4) Data Vantage Development Limited controls 100% of HaoYuan health Limited (which holds 89,414,780 Shares) and is therefore deemed to be interested in the Shares in which HaoYuan health Limited has interest.

(5) Prime Forest Assets Limited, a limited liability company incorporated under the laws of British Virgin Islands, is established for the purpose of holding Shares pursuant to the Pre-IPO Equity Incentive Scheme and Post-IPO Share Award Scheme. The Pre-IPO Equity Incentive Scheme shall be administered by the Board, or a committee consisting of one or more members of the Board of the Company (the "**Scheme Committee**" or "**Scheme Administrator**"), which has the exclusive power, authority and discretion to, administer the Pre-IPO Equity Incentive Scheme. In practice, the Board has delegated the administration of the Pre-IPO Equity Incentive Scheme to the Remuneration Committee, which acts as the Scheme Administrator. The Remuneration Committee comprises Dr. Hong Weili, Mr. Zhang Saiyin and Mr. Kuang, with Dr. Hong Weili as the chair person. As such, Mr. Kuang is not able to control the Remuneration Committee. As of December 31, 2022, Ms. Mengya Liu, an employee, the joint company secretary and the senior finance director of the Company, was the sole member of the advisory committee for Prime Forest Assets Limited for handling of the administrative matters for the Pre-IPO Equity Incentive Scheme and she will take instruction from the Scheme Administrator, i.e. the Remuneration Committee of the Company.

(6) China Merchants Bank Co., Ltd. holds interest, through a series of wholly-owned subsidiaries (namely CMB International Financial Holdings Limited, CMB International Capital Corporation Limited, CMB Financial Holdings (Shenzhen) Limited and CMB International Financial Holdings (Shenzhen) Limited), in 100% of Shanghai Qiji Technology Partnership (Limited Partnership) ("**Shanghai Qiji**") which, in turn, holds 32,138,712 Shares. In addition, CMB International Financial Holdings (Shenzhen) Limited, the general partner of Shanghai Qiji, and CMB Financial Holdings (Shenzhen) Limited, the sole limited partner of Shanghai Qiji, are interested in 0.1% and 99.9% of Shanghai Qiji, respectively. Therefore, each of China Merchants Bank Co., Ltd., CMB International Financial Holdings Limited, CMB International Capital Corporation Limited, CMB Financial Holdings (Shenzhen) Limited and CMB International Financial Holdings (Shenzhen) Limited is deemed to be interested in the Shares in which Shanghai Qiji has interest.

(7) Jeffrey Steven Yass controls (i) 100% of Colombus International Holdings, Inc. and (ii) 60.96% of Explorer Partner Corp., which, in turn, controls 58.79% and 1% of SIG Pacific Holdings, LLLP, respectively. SIG Pacific Holdings, LLLP as limited partner controls 100% of SIG Global China Fund I, LLLP (which holds 31,570,783 Shares). Therefore, each of Jeffrey Steven Yass, Colombus International Holdings, Inc., Explorer Partner Corp. and SIG Pacific Holdings, LLLP is deemed to be interested in the Shares in which SIG Global China Fund I, LLLP has interest.

(8) SIG Global Investments GP, LLC as general partner controls 100% of SIG Global China Fund I, LLLP (which holds 31,570,783 Shares). Therefore, SIG Global Investments GP, LLC is deemed to be interested in the Shares in which SIG Global China Fund I, LLLP has interest.

(9) Each of Ho Chi Sing and Zhou Quan controls 50% of IDG China Venture Capital Fund GP IV Associates Ltd., which, in turn, controls (i) 100% of IDG China Venture Capital Fund IV Associates L.P., which controls 100% of IDG China Venture Capital Fund IV L.P. (which holds 26,939,832 Shares) and (ii) 100% of IDG China IV Investors L.P. (which holds 3,449,149 Shares). Therefore, each of Ho Chi Sing, Zhou Quan, IDG China Venture Capital Fund GP IV Associates Ltd. and IDG China Venture Capital Fund IV Associates L.P. is deemed to be interested in the Shares in which IDG China Venture Capital Fund IV L.P. and IDG China IV Investors L.P. have interest.

(10) The letter "L" denotes the person's long position (as defined under Part XV of the SFO) in the Shares.

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

Share Schemes

The Company has two existing share schemes, namely the Pre-IPO Equity Incentive Scheme and the Post-IPO Share Award Scheme. From January 1, 2023, the Company will rely on the transitional arrangements provided for the existing share schemes and will comply with the new Chapter 17 accordingly (effective from January 1, 2023).

58,703,821 new Shares, representing approximately 15.7% of the weighted average number of issued Shares, may be issued in respect of all options and awards granted during the Reporting Period to eligible participants pursuant to the Post-IPO Share Award Scheme.

Further, details and relevant breakdowns of each of the share schemes are set out below:

1. Pre-IPO Equity Incentive Scheme

The Pre-IPO Equity Incentive Scheme was approved and adopted by the Company on August 24, 2015.

Purpose

The purpose of the Pre-IPO Equity Incentive Scheme is to attract and retain the best available personnel for positions of substantial responsibility, to provide additional incentives to selected employees, directors, and consultants of the Group and to promote the success of the Company's business by offering these individuals or entities an opportunity to acquire a proprietary interest in the success of the Company.

Eligible participants

Persons eligible to participate in the Pre-IPO Equity Incentive Scheme include an officer, an employee, a director or a consultant employed by the Company (collectively, the "**Service Providers**") or any parent company or subsidiary of the Company or trusts or companies established in connection with any employee benefit plan of the Company for the benefits of the Service Providers but excluding a ten percent owner, who is in the employment of or other contractual relationship with any member of the Group.

Maximum number of new Shares available for issue

The maximum aggregate number of new Shares issued and may be issued pursuant to all share awards under the Pre-IPO Equity Incentive Scheme is 84,254,735 Shares as of August 24, 2015 that are reserved under the Pre-IPO Equity Incentive Scheme. The grant of RSUs under the Pre-IPO Equity Incentive Scheme will be satisfied with existing Shares held by Prime Forest Assets Limited (a limited liability company incorporated under the laws of British Virgin Islands established for the purpose of holding Shares pursuant to the Pre-IPO Equity Incentive Scheme) and no new Shares will be issued pursuant to grant under the Pre-IPO Equity Incentive Scheme.

The total number of Shares available for grant under the Pre-IPO Equity Incentive Scheme is 2,961,449 Shares as of January 1, 2022 and 705,856 Shares as of December 31, 2022.

As of the Latest Practicable Date, outstanding restricted share units ("**RSUs**") representing 54,129,949 underlying Shares, being approximately 9.2% of the issued share capital of the Company, were granted to eligible participants pursuant to the Pre-IPO Equity Incentive Scheme. Details of the Pre-IPO Equity Incentive Scheme are set out in Note 27 to the consolidated financial statements.

Limit for each participant

Under the Pre-IPO Equity Incentive Scheme, there is no specific limit on the maximum number of Shares which may be granted to a single eligible participant but unvested under the Pre-IPO Equity Incentive Scheme.

Option period

The relevant option agreement shall specify the term of the relevant option; provided, however, that the term shall not exceed 10 years from the date of grant. Subject to the preceding sentence, the Scheme Administrator in its sole discretion shall determine when an option is to expire.

Vesting Period

The vesting criteria and conditions, and the vesting date are specified in the share award agreement. Details of the vesting period of individual grants are stated in the table below.

Period of the Pre-IPO Equity Incentive Scheme

The Pre-IPO Equity Incentive Scheme commenced on August 24, 2015 and will expire on August 24, 2035. The remaining life of the Pre-IPO Equity Incentive Scheme is around 13 years. Upon expiry of the Pre-IPO Equity Incentive Scheme, any Pre-IPO incentive shares that are outstanding shall remain in force according to the terms of the Pre-IPO Equity Incentive Scheme and the applicable award agreement.

Purchase price

The purchase price, if any, shall be determined by the Scheme Administrator in its sole discretion.

Exercise price

The exercise price shall be set forth in the option agreement to be entered into between the Company and the optionee under the Pre-IPO Equity Incentive Scheme which generally shall not be less than 100% of the fair market value of the Company's Shares on the date of grant and such price shall be payable according to the relevant option agreement.

Payment for Shares

The consideration to be paid for the Shares to be issued under the Pre-IPO Equity Incentive Scheme, including the method of payment, shall be determined by the Scheme Administrator (and, in the case of an incentive stock option, shall be determined on the date of grant).

Further details of the Pre-IPO Equity Incentive Scheme are set out in the section headed "Statutory and General Information — D. Share Incentive Plans" of Appendix IV to the Prospectus.

Details of the outstanding RSUs granted under the Pre-IPO Equity Incentive Scheme are as follows:

Other Information

Name	Role	Date of Grant	Vesting Period[1]	Purchase price	Unvested RSUs as of January 1, 2022	Granted during the period	Vested and transferred during the period	Lapsed during the period	Cancelled during the period	Unvested RSUs as of December 31, 2022	Closing price of Shares immediately before the grant	Fair value of RSUs at the date of grant and the accounting standard and policy adopted[1]	Weighted average closing price of the Share immediately before the date of vesting and transfer during the period
Director													
Mr. Kuang	Executive Director, Chief Executive Officer	January 1, 2020	4 years	HK$0.01 per share	5,249,835	–	–	–	–	5,249,835	–	–	–
		December 30, 2022	4 years	HK$0.01 per share	–	2,000,000	–	–	–	2,000,000	HK$13.42	HK$13.41	–
Four highest paid individuals (excluding Mr. Kuang) during the Reporting Period in aggregate[2]		Between 2018 and 2021	4 years	HK$0.01	36,807,159	–	11,059,444	–	–	25,747,715	–	–	HK$16.30
		July 1, 2022	4 years	HK$0.01	–	200,000	–	–	–	200,000	–	–	–
Other grantees in aggregate		Between 2015 and 2021	Between immediately available and 4 years	HK$0.01 to HK$18.28	28,311,192	–	–	824,407	–	27,486,785	–	–	–
		September 1, 2022	4 years	HK$0.01 to HK$3.92	–	842,500	–	42,500	–	800,000	HK$15.48	HK$11.56 to HK$15.47	–
		December 15, 2022	4 years	HK$0.01	–	80,000	–	–	–	80,000	HK$13.08	HK$13.07	–
Total					70,368,186	3,122,500	11,059,444	866,907	–	61,564,335			

1 The fair value of the RSUs was determined based on the difference between the closing market price of the Company's Shares that are publicly traded on the Stock Exchange at the grant date and the price of the RSUs payable by the grantee. Details of the accounting policy adopted are set out in note 27 to the Consolidated Financial Statements.

2 One of the five highest paid individuals during 2022 was our executive Director and CEO Mr. Kuang, whose interest in the Pre-IPO Equity Incentive Scheme was disclosed separately in the table.

2. Post-IPO Share Award Scheme

The Post-IPO Share Award Scheme was conditionally adopted by our Company on June 10, 2022. The following is a summary of the principal terms of the Post-IPO Share Award Scheme. Our Company may appoint one or more trustees ("**Trustee(s)**") to administer the Post-IPO Share Award Scheme with respect to the grant of any award by the Board (an "**Award**") which may vest in the form of Shares ("**Award Shares**") or the actual selling price of the Award Shares in cash in accordance with the Post-IPO Share Award Scheme.

Purpose

The purpose of the Post-IPO Share Award Scheme is to align the interests of Eligible Persons (as defined below) with those of the Group through ownership of Shares, dividends and other distributions paid on Shares and/or the increase in value of the Shares, and to encourage and retain Eligible Persons to make contributions to the long-term growth and profits of the Group.

Eligible Persons

Any individual, being an employee, director (including executive directors, non-executive directors and independent non-executive directors) of any member of the Group or any affiliate of the Group (including nominees and/or trustees of any employee benefit trust established for them), and any officer, consultant, advisor, distributor, contractor, customer, supplier, agent, business partner, joint venture business partner or service provider of any member of the Group or any affiliate of the Group who the Board or its delegate(s) considers, in its sole discretion, to have contributed or will contribute to the Group (an "**Eligible Person**" and, collectively "**Eligible Persons**") is eligible to receive an Award. However, no individual who is resident in a place where the grant, acceptance or vesting of an Award pursuant to the Post-IPO Share Award Scheme is not permitted under the laws and regulations of such place or where, in the view of the Board or its delegate(s), compliance with applicable laws and regulations in such place makes it necessary or expedient to exclude such individual, shall be entitled to participate in the Post-IPO Share Award Scheme.

Awards

An Award gives a selected participant a conditional right, when the Award Shares vest, to obtain the Award Shares or, if in the absolute discretion of the Board or its delegate(s), it is not practicable for the selected participant to receive the Award in Shares, the cash equivalent from the sale of the Award Shares. An Award includes all cash income from dividends in respect of those Shares from the date the Award is granted (the "**Grant Date**") to the date the Award vests (the "**Vesting Date**"). For the avoidance of doubt, the Board at its discretion may from time to time determine that any dividends declared and paid by the Company in relation to the Award Shares be paid to the selected participant even though the Award Shares have not yet vested.

Granting of Awards

The Board or the committee of the Board or person(s) to which the Board has delegated its authority may, from time to time, at their absolute discretion, grant an Award to a selected participant (in the case of the Board's delegate(s), to any selected participant other than a Director or an officer of the Company) by way of an award letter ("**Award Letter**"). The Award Letter will specify the Grant Date, the number of Award Shares underlying the Award, the vesting criteria and conditions, the Vesting Date and such other details as the Board or its delegate(s) may consider necessary.

Each grant of an Award to any Director or the chairman of the board of the Company shall be subject to the prior approval of the independent non-executive Directors of the Company (excluding any independent non-executive Director who is a proposed recipient of an Award). The Company will comply with the relevant requirements under Chapter 14A of the Listing Rules for any grant of Shares to connected persons of the Company.

Maximum number of Award Shares (which can be satisfied by existing Shares) available for grant

The aggregate number of Shares underlying all grants made pursuant to the Post-IPO Share Award Scheme (excluding Award Shares which have been forfeited in accordance with the Post-IPO Share Award Scheme) will not exceed 58,703,821 Shares without Shareholders' approval (the "**Post-IPO Share Award Scheme Limit**") subject to an annual limit of 3% of the total number of issued Shares at the relevant time.

During the Reporting Period, 13,092,500 Award Shares were granted to eligible participants pursuant to the Post-IPO Share Award Scheme. It follows that, as of December 31, 2022, 45,611,321 Award Shares were available for grant under the Post-IPO Share Award Scheme.

Maximum number of new Shares available for issue

The total number of new Shares issued and may be issued pursuant to the Post-IPO Share Award Scheme will not exceed 58,703,821 Shares, representing 10% of the Company's issued share capital upon the Listing (the "**Scheme Mandate**"). During the Reporting Period, no new Share was issued pursuant to the Post-IPO Share Award Scheme. It follows that, as of December 31, 2022 and the Latest Practicable Date, 58,703,821 new Shares (representing approximately 10.00% of the issued share capital of the Company as of the Latest Practicable Date) were available for issue under the Scheme Mandate.

Consideration and purchase price

The purchase price of Shares awarded or any amount payable on application or acceptance of the Award shall be determined by the Board or the committee of the Board or person(s) to which the Board has delegated its authority in its sole discretion.

Limit for each participant

Under the Post-IPO Share Award Scheme, there is no specific limit on the maximum number of Shares which may be granted to a single eligible participant but unvested under the Post-IPO Share Award Scheme.

Termination

The Post-IPO Share Award Scheme shall terminate on the earlier of:

(a) the end of the period of ten years commencing on the Listing Date except in respect of any non-vested Award Shares granted hereunder prior to the expiration of the Post-IPO Share Award Scheme, for the purpose of giving effect to the vesting of such Award Shares or otherwise as may be required in accordance with the provisions of the Post-IPO Share Award Scheme; and

(b) such date of early termination as determined by the Board provided that such termination shall not affect any subsisting rights of any selected participant under the rules of the Post-IPO Share Award Scheme, provided further that for the avoidance of doubt, the change in the subsisting rights of a selected participant in this paragraph refers solely to any change in the rights in respect of the Awards Shares already granted to a selected participant.

Remaining life of the Post-IPO Share Award Scheme

The Post-IPO Share Award Scheme is valid and effective for a period of 10 years commencing from the Listing Date and up to July 6, 2032. The remaining life of the Post-IPO Share Award Scheme is approximately over 9 years.

Further details of the Post-IPO Share Award Scheme are set out in the section headed "Statutory and General Information — Share Incentive Plan" of Appendix IV to the Prospectus.

Details of the unvested Award Shares granted under the Post-IPO Share Award Scheme (to be satisfied by new Shares) are as follows:

Grantees in category	Date of Grant	Vesting Period	Purchase price	Unvested Award Shares as of the Listing Date	Granted during the period	Vested during the period	Lapsed during the period	Cancelled during the period	Unvested Award Shares as of December 31, 2022	Closing price of Shares immediately before the grant	Fair value of Award Shares at the date of grant and the accounting standard and policy adopted[1]
Employee Participants	December 30, 2022	2 or 4 years	HK$0.01	–	13,092,500	–	–	–	13,092,500	HK$13.42	HK$13.41
Total				–	13,092,500	–	–	–	13,092,500		

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

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

Material litigation

The Company was not involved in any material litigation or arbitration during the Reporting Period. The Directors are also not aware of any material litigation or claims that are pending or threatened against the Group during the Reporting Period and up to the date of this annual report.

2 The fair value of the share awards was determined based on the difference between the closing market price of the Company's Shares that are publicly traded on the Stock Exchange at the grant date and the price of the RSUs payable by the grantee. Details of the accounting policy adopted are set out in note 27 to the Consolidated Financial Statements.

Use of proceeds from the Global Offering

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

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

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

Corporate Governance Report

The Board is pleased to present the Corporate Governance Report of the Company from the Listing Date to December 31, 2022.

Corporate Governance Practices

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

Since the shares of the Company were listed on the Main Board of the Stock Exchange on July 6, 2022, the Company has adopted the principles and code provisions as set out in the Corporate Governance Code as a basis of our corporate governance practices and complied with the applicable code provisions during the period from the Listing Date to December 31, 2022, save for deviations from code provision C.2.1 as disclosed in the later part of this report.

The Company is committed to enhancing its corporate governance practices appropriate to the conduct and the growth of its business and to reviewing such practices from time to time to ensure that it complies with statutory and professional standards and align with the latest business development and business strategies. The Company will continue to regularly review and monitor its corporate governance practices to ensure compliance with the CG Code, and maintain a high standard of corporate governance practices of the Company.

Board of Directors

The Board is responsible for the overall leadership of the Group, oversees the Group's businesses, strategic decisions, monitors performance and takes decisions objectively in the best interests of the Company.

The Board has delegated the authorities and responsibilities for day-to-day management and operation of the Group to the senior management of the Group. To oversee particular aspects of the Company's affairs, the Board has established three Board committees including the Audit Committee, the Remuneration Committee and the Nomination Committee. The Board has delegated to the Board committees responsibilities as set out in their respective terms of reference. All Board committees are provided with sufficient resources to perform their duties.

All Directors shall ensure that they carry out their duties in good faith, in compliance with applicable laws and regulations, and in the interests of the Company and its Shareholders at all times.

The Board regularly reviews the contribution required from a Director to perform his responsibilities to the Company, and whether the Director is devoting sufficient time performing such responsibilities.

Board Composition

As at the Latest Practicable Date, the Board currently comprises five Directors, consisting of one executive Director, one non-executive Director and three independent non-executive Directors. The members of the Board of the Company during the Reporting Period are listed as follows:

Executive Director
Mr. Kuang Ming (匡明) *(Chairperson and Chief Executive Officer)*

Non-executive Director
Mr. Lee Kar Chung Felix (李家聰)

Independent Non-executive Directors
Dr. Hong Weili (洪偉力)
Mr. Zhang Saiyin (張賽音)
Mr. Ang Khai Meng

The list of Directors (by category) is also disclosed in all corporate communications issued by the Company from time to time pursuant to the Listing Rules. The independent non-executive Directors are expressly identified in all corporate communications pursuant to the Listing Rules.

The biographical information of the Directors are set out in the section headed "Directors and Senior Management" of this annual report.

To the best knowledge of the Company, there are no financial, business, family, or other material or relevant relationships among members of the Board.

Chairman and Chief Executive Officer

The positions of chairman of the Board and Chief Executive Officer is held by Mr. Kuang. The chairman provides leadership and is responsible for the effective functioning and leadership of the Board. The Chief Executive Officer focuses on the Company's business development and the daily management and operations generally. Their respective responsibilities are clearly defined and set out in writing.

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

Independent non-executive Directors

During the period from the Listing Date to the date of this annual report, the Board has at all times met the requirements of Rules 3.10(1), 3.10(2) and 3.10A the Listing Rules relating to the appointment of at least three independent non-executive Directors, representing at least 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 written annual confirmation in respect of his independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent and remain so as of the date of this annual report.

The Company has established a Board Independence Evaluation Mechanism during the year which sets out the processes and procedures to ensure a strong independent element on the Board, which allows the Board effectively exercises independent judgment to better safeguard Shareholders' interests.

The Board Independence Evaluation Mechanism is available on the website of the Company.

The objectives of the evaluation are to improve Board effectiveness, maximise strengths, and identify the areas that need improvement or further development. The evaluation process also clarifies what actions of the Company need to be taken to maintain and improve the Board performance, for instance, addressing individual training and development needs of each Director.

Pursuant to the Board Independence Evaluation Mechanism, the Board will conduct annual review on its independence. The Board Independence Evaluation Report will be presented to the Board which will collectively discuss the results and the action plan for improvement, if appropriate.

During the year ended December 31, 2022, all Directors has completed the independence evaluation in the form of a questionnaire individually and supplemented by individual interviews. The Board Independence Evaluation Report was presented to the Board and the evaluation results were satisfactory.

During the year ended December 31, 2022, the Board reviewed the implementation and effectiveness of the Board Independence Evaluation Mechanism and the results were satisfactory.

Appointment and Re-election of Directors

Our executive Director has entered into a service contract with the Company for an initial term of three years commencing from the Listing Date or until the third annual general meeting of the Company after the Listing Date, and are subject to termination in accordance with the terms and conditions of the services contract.

Each of the non-executive Director and the independent non-executive Directors has entered into an appointment letter with the Company for an initial term of three years commencing from the Listing Date and are subject to termination in accordance with their respective terms and conditions of the appointment letters.

All Directors will hold office subject to provision of retirement and rotation of directors under the Articles of Association. Pursuant to Article 16.19 of the Articles of Association, at every annual general meeting of the Company one-third of the Directors for the time being (or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third) shall retire from office by rotation and be eligible for re-election, provided that every Director (including those appointed for a specific term) is 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 he retires and shall be eligible for re-election thereat.

Accordingly, Mr. Kuang and Mr. Lee Kar Chung Felix, shall retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company.

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 independent non-executive Directors, have brought a wide spectrum of valuable business experience, skills, 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 view and judgement on corporate actions and operations. Independent non-executive Directors are invited to serve on the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company.

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.

As regards the code provision under the CG Code requiring directors to disclose the number and nature of offices held in public companies or organizations and other significant commitments as well as their identity and the time involved to the Company, the Directors update the Board regarding offices held in public companies and organisations, and other significant commitments once every half year.

The Board reserves for its decision on all major matters relating to the approval and monitoring of 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 Company are delegated to the management.

The Company has arranged appropriate insurance coverage on Directors' and officers' 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 of Directors

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 has received formal, comprehensive and tailored induction on the first occasion of his 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 are encouraged to 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 material 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.

The training records of the Directors for the Reporting Period are summarized as follows:

Name of Director	Attending training, briefings, seminars, conferences and workshops relevant to the Company's industry and business, director's duties and/or corporate governance	Reading news alerts, newspapers, journals, magazines and publications relevant to the Company's industry and business, director's duties and/or corporate governance
Executive Director		
Mr. Kuang	√	√
Non-executive Director		
Mr. Lee Kar Chung Felix	√	√
Independent non-executive Directors		
Dr. Hong Weili	√	√
Mr. Zhang Saiyin	√	√
Mr. Ang Khai Meng	√	√

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 which deal clearly with their authorities and duties. The terms of reference of each of these committees will be revised from time to time to ensure that they continue to meet the needs of the Company and to ensure compliance with the CG Code where applicable. 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 established the Audit Committee in compliance with Rules 3.21 and 3.22 of the Listing Rules with written terms of reference in compliance with the CG Code and the roles and responsibilities delegated to the Audit Committee by the Board.

The Audit Committee comprises three members, namely Mr. Zhang Saiyin, Dr. Hong Weili and Mr. Lee Kar Chung Felix. Mr. Lee Kar Chung Felix is a non-executive Director and each of Mr. Zhang Saiyin and Dr. Hong Weili is an independent non-executive Director. Mr. Zhang Saiyin (being our independent non-executive Director with the appropriate professional qualifications or accounting or related financial management expertise) is the chairperson of the Audit Committee.

The terms of reference of the Audit Committee are of no less exacting terms than those set out in the CG Code. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal controls system of our Group, review and approve connected transactions and provide advice and comments to the Board.

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

During the Reporting Period, the Audit Committee held two meetings, during which matters such as the review of interim financial results and report for the six months ended June 30, 2022, the audit plan for the Reporting Period, effectiveness of the risk management, internal control systems and internal audit function, the implementation status of the internal control's rectification measures and appointment of external auditors and relevant scope of works were discussed.

The Audit Committee also met the external auditor once without the presence of the executive Director during the Reporting Period.

Remuneration Committee

The Remuneration Committee comprises three members, namely Dr. Hong Weili, Mr. Kuang and Mr. Zhang Saiyin. Mr. Kuang is an executive Director and each of Mr. Zhang Saiyin and Dr. Hong Weili is an independent non-executive Director. Dr. Hong Weili is the chairperson of the Remuneration Committee.

The terms of reference of the Remuneration Committee are of no less exacting terms than those set out in the CG Code. 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 our Directors and other senior management.

During the Reporting Period, the Remuneration Committee held one meeting, during which matters such as the review of the remuneration policy and the remuneration packages of the Directors and senior management of the Company, the review and recommendation of the grant of share awards and the restricted share units to our executive Director and employees of the Company were discussed.

Pursuant to paragraph E.1.5 of the CG Code, the remuneration paid to the members of senior management by bands for the Reporting Period is set out below:

Remuneration bands	Number of individuals
Nil to RMB5,000,000	1
RMB5,000,001 to RMB10,000,000	1
Above RMB10,000,001	3
Total	**5**

Nomination Committee

The Nomination Committee comprises three members, namely Mr. Kuang, Dr. Hong Weili and Mr. Zhang Saiyin. Mr. Kuang is an executive Director and each of Mr. Zhang Saiyin and Dr. Hong Weili is an independent non-executive Director. Mr. Kuang is the chairperson of the Nomination Committee.

The terms of reference of the Nomination Committee are of no less exacting terms than those set out in the CG Code. The primary duties of the Nomination Committee include making recommendations to our Board on the appointment of Directors and management of Board succession, reviewing the Board Diversity Policy, the Nomination Policy, and assessing the independence of the independent non-executive Directors. The Nomination Committee considered an appropriate balance of diversity perspectives of the Board is maintained.

During the Reporting Period, the Nomination Committee held one meeting to review the structure, size and composition of the Board and the independence of the independent non-executive Directors and consider the qualifications of the retiring directors standing for election at the forthcoming annual general meeting.

In assessing the Board composition, the Nomination Committee would take into account various aspects as well as factors concerning Board diversity as set out in the Company's Board Diversity Policy, details of which will be set out in the section headed "Board Diversity Policy".

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's character, qualifications, experience, independence (for appointment of independent non-executive Directors), and Board diversity aspects, where appropriate, before making recommendation to the Board. The details of which will be set out in the section headed "Director Nomination Policy".

Board Diversity Policy

The Company adopted a Board Diversity Policy which sets out the approach to achieve diversity of the Board. The Company recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level, including gender diversity, as an essential element in maintaining the Company's competitive advantage and enhancing its ability to attract, retain and motivate employees from the widest possible pool of available talent. Pursuant to the Board Diversity Policy, in reviewing and assessing suitable candidates to serve as a Director of the Company, the Nomination Committee will consider a number of aspects, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge, and industry experience. Pursuant to the Board Diversity Policy, the Nomination Committee will discuss periodically and when necessary, agree on the measurable objectives for achieving diversity, including gender diversity, on the Board and recommend them to the Board for formal adoption.

Our Board has a balanced mix of knowledge, skills and experiences, including management, strategic planning, law, finance, investment, innovative pharma, generics, healthcare and technology industries. The Directors obtained degrees in various areas such as electrical engineering, law, economics, accounting and science. The Nomination Committee is responsible for ensuring the diversity of our Board members. During the Reporting Period, the Board conducted a review of the implementation and effectiveness of the Board Diversity Policy, and believed that the experience and competence of the Directors in all aspects and areas could enable the Company to maintain operation at a high standard.

Going forward, in order to enhance gender diversity of the Board and to achieve the measurable objectives, the Company will appoint at least one female director to join the Board by December 2023. The Nomination Committee will identify and recommend multiple suitable female candidates, including female representatives of our investors, to our Board for its consideration on appointment of a Director.

We will implement policies to ensure gender diversity when recruiting staff to develop a pipeline of female senior management and potential successors to the Board. We will strive to enhance our female representation and achieve appropriate balance of gender diversity with reference to the stakeholders' expectation and international and local recommended best practices. Furthermore, we will implement comprehensive programs aimed at identifying and training our female staff who display leadership and potential, with the goal of promoting them to the senior management or the Board.

The Board will consider setting measurable objectives to implement the Board Diversity Policy and review such objectives from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives.

The Nomination Committee will review the Board Diversity Policy, from time to time and as appropriate, to ensure its effectiveness.

Employees' diversity

The Company is committed to promoting diversity in its workforce, providing an open and inclusive work environment with equal opportunities and protecting the rights of women and minorities. We prohibit any form of harassment or discrimination on the basis of race, colour, age, gender, sexual orientation, gender identity or expression, disability, pregnancy, religion, political affiliation, veteran status, labour union membership, and the discrimination in hiring or employment practices with respect to marital status, promotion, awards or access to training. The Company embraces people of all genders. The Company's recruitment strategy is to hire the right person for the right job, regardless of gender. The Company is committed to providing equal opportunities for its employees in recruitment, training and development, position promotion and remuneration. Workers with the same level of skill and labour proficiency are paid for the same work, regardless of gender, age, ethnicity, disability, region, etc., as long as they can provide the same amount of labour in different ways.

As at 31 December 2022, female employees represented 48% of the total workforce. The Company will continue to monitor and evaluate the diversity policy from time to time to ensure its continued effectiveness. The Company is not aware of any mitigating factor or circumstances which make achieving gender diversity across the workforce (including senior management) more challenging or less relevant.

The Company aims to maintain an appropriate balance of diversity perspectives that are relevant to the Company's business growth and is also committed to ensuring that recruitment and selection practices at all levels (from the Board downwards) are appropriately structured so that a diverse range of candidates are considered.

Directors' Nomination Policy

The Board has delegated its responsibilities and authority for selection and appointment of Directors to the Nomination Committee of the Company.

The Company has adopted a Director Nomination Policy which sets out the selection criteria and nomination process and the Board succession planning considerations in relation to nomination and appointment of Directors of the Company and aims to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the Company and the continuity of the Board and appropriate leadership at Board level.

The Nomination Committee would nominate the suitable candidates for directorship. In identifying and assessing the suitability and the potential contribution to the Board of a proposed candidate, the Nomination Committee may make reference to certain selection criteria, such as reputation for integrity, professional qualifications and skills, accomplishment and experience in the industry, commitment and relevant contribution, diversity in all aspects. The Nomination Committee shall report its findings and make recommendation to the Board on the appointment of appropriate candidate for directorship for decision and succession planning. The ultimate responsibility for selection and appointment of Directors rests with the entire Board.

From the Listing Date to December 31, 2022, there was no change in the composition of the Board.

The Nomination Committee will review the Director Nomination Policy, as appropriate, to ensure its effectiveness and the Board possesses the necessary skills, experience and knowledge in alignment with the Company's strategy.

Directors' Remuneration Policy

The Remuneration Committee is responsible for making recommendations to the Board on the Company's policy and structure on the remuneration of all Directors and senior management of the Company and on the establishment of a formal and transparent procedure for developing remuneration policy for the Company for approval by the Board.

It shall also make recommendations to the Board on the remuneration packages of individual executive Director and senior management. The remuneration of individual executive Director and senior management is determined with reference to factors such as the level of remuneration paid by comparable companies, the time commitment and responsibilities of directors and senior management, and the employment conditions of the Company and its subsidiaries.

Corporate governance functions

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

During the Reporting Period, the Board had reviewed 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, the compliance of the Model Code, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

Board Meetings and Directors' Attendance Records

Pursuant to the code provision C.5.1 of the CG Code, Board meetings should be held at least four times a year at approximately quarterly intervals with active participation of the majority of the Directors, either in person or through electronic means of communication. As the Company was only listed on the Stock Exchange on July 6, 2022, only two Board meetings were held during the period from the Listing Date to December 31, 2022. The Company expects to convene at least four regular meetings in each financial year at approximately quarterly intervals in accordance with the code provision C.5.1 of the CG Code. No general meeting was convened during the period from the Listing Date to December 31, 2022.

The attendance records of each Director at the Board and Board committee meetings of the Company held during the period from the Listing Date to December 31, 2022 are set out below:

	Attendance/No. of Meeting(s)			
Name of Directors	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**
Mr. Kuang	2/2	—	1/1	1/1
Mr. Lee Kar Chung Felix	2/2	2/2	—	—
Dr. Hong Weili	2/2	2/2	1/1	1/1
Mr. Zhang Saiyin	2/2	2/2	1/1	1/1
Mr. Ang Khai Meng	2/2	—	—	—

The Company was only listed on July 6, 2022. From the Listing Date to December 31, 2022, the chairman of the Board did not hold any meeting with the independent non-executive Directors without the presence of other Directors. The Company will fully comply with the code provision C.2.7 that the chairman of the Board would at least annually hold meetings with the independent non-executive Directors without the presence of other Directors.

Risk management and internal control

The Company has adopted and implemented comprehensive risk management policies in various aspects of our business operations, such as financial reporting, information system, internal control, human resources and investment management.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks (including among others, material risks relating to environmental, social and governance) it is willing to take in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems.

The Audit Committee assists the Board to monitor the implementation of our risk management policies across our company on an ongoing basis to ensure that our internal control system is effective in identifying, managing and mitigating risks involved in our business operations.

The Company's internal audit department is responsible for assessing the risks, reviewing the effectiveness of risk management and internal controls and reporting to the Audit Committee and senior management on any issues identified. Our internal audit department members conducted risk assessment mainly through goal setting, risk identification, risk analysis and evaluation, the supervision and improvement of risk management. They also examined key issues relating to the accounting practices and all material controls, and provided its findings and recommendations to the Audit Committee, and they are required to report to the management to discuss any internal control issues encountered by the Company and the corresponding measures to implement toward resolving such issues. The internal audit department reports to the Audit Committee to ensure that any major issues identified are channeled to the Audit Committee on a timely basis. The Audit Committee then discusses the issues and reports to the Board, if necessary.

We endeavour to uphold the integrity of our business by building an internal control system into our daily business operations. Our internal control and risk management systems cover, among others, corporate governance, operations, management, legal matters and finance. Our internal audit department reviewed our internal control system and we have implemented and will continue to implement the relevant suggestions they proposed/propose. There are also ongoing dialogues between the Board and the internal audit department to assess the potential impact of current and emerging risks and their mitigation measures so as to minimize or eliminate potential financial, compliance or other risks to the Company's businesses. Our internal audit department performed a review of the adequacy and effectiveness of the risk management and internal control systems over our major business processes such as segregation of duties, management reviews and controls, etc.

Our Audit Committee, internal audit department and senior management together monitor the implementation of our risk management policies on an ongoing basis to ensure our policies and implementation are effective and sufficient.

The Board is responsible for the Group's risk management and internal control system and reviews the effectiveness of this system once every year. 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 Board has completed the review of the effectiveness of the Group's risk management and internal control system and believes that for the year ended December 31, 2022, (a) the Group has adequate and effective internal audit functions to continuously monitor the success of its risk management and internal control system; and (b) the Group's risk management and internal control systems are effective and adequate.

Whistleblowing and anti-corruption policies

The Company has adopted arrangement to facilitate employees and other stakeholders to raise concerns, in confidence, about possible improprieties in financial reporting, internal control or other matters.

In addition, the Company has in place an anti-bribery and anti-corruption policy to safeguard against any corruption within our Company and to outline the principles and guidelines that the Company intends to apply to promote and support anti-corruption laws and regulations.

The Audit Committee shall review such arrangement regularly and ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action.

The Group was not aware of any material non-compliance with the relevant laws and regulations of bribery, extortion, fraud and money laundering that would have a significant impact on the Group.

Inside information

The Company has also put in place a disclosure of information policy for the handling and disclosure of inside information. The policy sets out the procedures and internal controls for the handling and dissemination of inside information in a timely manner and provides the Directors, senior management and relevant employees a general guide in monitoring information disclosure and responding to enquiries. Further, control procedures have been implemented to ensure that the unauthorized access and use of inside information is strictly prohibited.

Dividend Policy

In accordance with code provision F.1.1 of the CG Code, the Company has adopted a dividend policy. According to the dividend policy, payment of dividends depends on a number of factors, including but not limited to: future operations of the Company, general financial condition of the Company, capital requirements of the Company and any other factors which the Board may consider relevant. Interim dividends may be proposed and/or declared by the Board during a financial year, and any final dividend for a financial year will be subject to the shareholders' approval.

Compliance with the Model Code for Securities Transactions by Directors

The Company has adopted the Model Code as the code of conduct regarding the Directors' dealings in the securities of the Company.

The Company's employees, who are likely to be in possession of unpublished inside information of the Company, are also subject to the Model Code.

Specific enquiry has been made of all the Directors and the relevant employees and they have confirmed that they have complied with the Model Code throughout the period from the Listing Date to December 31, 2022.

Directors' Responsibility in Respect of Financial Statements

The Directors acknowledge their responsibility for preparing the consolidated financial statements of the Company for the year ended December 31, 2022.

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.

The statement of the independent auditor of the Company about their reporting responsibilities on the consolidated financial statements is set out in the Independent Auditor's Report of this annual report.

Auditor's Remuneration

Set out below is a breakdown of the remuneration paid and payable to the external auditor of the Company, KPMG, in respect of the audit services for the Reporting Period. There is no non-audit services conducted by the external auditor.

Service category	Fees paid/payable RMB'000
Audit services	4,500
Non-audit services	—
Total	**4,500**

Joint Company Secretaries

Ms. Liu Mengya ("**Ms. Liu**"), our senior finance director, was appointed as our joint company secretary with effect from the Listing Date. In order to uphold good corporate governance and ensure compliance with the Listing Rules and applicable Hong Kong laws, the Company has also appointed Ms. Fung Wai Sum ("**Ms. Fung**") of Tricor Services Limited (a company secretarial services provider), to act as another joint company secretary and to provide assistance to Ms. Liu for performing her duties as a company secretary of the Company. Ms. Fung's primary contact person at the Company is Ms. Liu.

During the Reporting Period, each of Ms. Liu and Ms. Fung has undertaken not less than 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules.

Communications with Shareholders and Investors Relations

Shareholders' communication policy

The Company considers effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company also recognizes the importance of transparency and timely disclosure of corporate information, which will enable Shareholders and investors to make the best investment decisions.

The Company endeavors to maintain an on-going dialogue with Shareholders and in particular, through annual general meetings and other general meetings. The general meetings of the Company provide a platform for communication between the Board and the Shareholders. The chairman of the Board as well as chairperson of each of the Audit Committee, the Remuneration Committee and the Nomination Committee or, in their absence, other members of the respective committees, are available to answer Shareholders' questions at general meetings. The external auditor of the Company is also invited to attend the annual general meetings of the Company to answer questions about the conduct of audit, the preparation and contents of the auditor's report, the accounting policies and auditor independence.

To promote effective communication and to build a communication channel between the Company and the Shareholders, the Company adopts a Shareholders' Communication Policy and maintains a website (www.cloudr.cn), where information and updates on the Company's financial information, corporate governance practices, biographical information of the Board and other information are available for public access.

During the Reporting Period, the Board reviewed the Shareholders' Communication Policy and ensured its implementation and effectiveness.

Shareholders' Rights

To safeguard Shareholders' interests and rights, a separate resolution is proposed for each substantially 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.

Procedures for Shareholders to Convene Extraordinary General Meeting

Pursuant to Article 12.3 of the Articles of Association, general meetings shall be convened on the written requisition of any one or more members holding together, as at the date of deposit of the requisition, shares representing not less than one-tenth of the voting rights, on a one vote per share basis, of the Company which carry the right of voting at general meetings of the Company. The written requisition shall be 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, specifying the objects of the meeting and the resolutions to be added to the meeting agenda, and signed by the requisitionist(s).

If the Board does not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further 21 days, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Board provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to them by the Company.

Putting Forward Proposals at General Meetings

There are no provisions in the Articles of Association or in the Companies Law of the Cayman Islands for putting forward proposals of new resolutions by Shareholders at general meetings. Shareholders who wish to move forward a resolution may request the Company to convene a general meeting in accordance with the procedures mentioned above.

Detailed procedures for Shareholders to propose a person for election as a Director are published on the Company's website.

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.

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

Address : Rooms 401, 403 and 405(A), 4/F
No. 998 Wenyi West Road (Haichuang Yuan)
Wuchang Street, Yuhang District, Hangzhou
Zhejiang Province, China

Email : cloudrir@91jkys.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.

Change in Constitutional Documents

The Company adopted amended and restated Articles of Association on June 10, 2022, which have been effective from the Listing Date. During the period from the Listing Date to the date of this annual report, no other changes have been made to the said Articles of Association. The up-to-date version of the Company's Articles of Association are available on the websites of the Company and the Stock Exchange.

Independent Auditor's Report

Independent auditor's report to the shareholders of ClouDr Group Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of ClouDr Group Limited ("**the Company**") and its subsidiaries ("**the Group**") set out on pages 73 to 162, which comprise the consolidated statement of financial position as at 31 December 2022, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement 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 at 31 December 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 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 Hong Kong Standards on Auditing ("**HKSAs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). 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 HKICPA's *Code of Ethics for Professional Accountants* ("**the Code**") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the Cayman Islands, and we have fulfilled our other ethical responsibilities in accordance with these requirements and 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 judgement, 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 MATTERS (continued)

Expected credit loss allowance for trade receivables

Refer to notes 18 and 29(a) to the consolidated financial statements and the accounting policies in note 2(j)(i).

The Key Audit Matter	How the matter was addressed in our audit
As at 31 December 2022, the Group's gross trade receivables amounted to RMB797.0 million, which represented approximately 28% of the total assets of the Group. Management assessed the expected credit losses ("**ECL**") of the trade receivables and an allowance of RMB43.5 million was made against the trade receivables as at 31 December 2022. According to the Group's past experience, the loss patterns for different customers are not significantly different. Therefore, the trade receivables are not segmented when calculating the loss allowance. The Group's loss allowance for trade receivables is measured at an amount equal to lifetime ECL based on management's estimated loss rates. The estimated loss rates take into account the aging of the trade receivables balances, historical default rates, current market conditions and forward-looking information. Such assessment involves management judgement and estimation. We identified the ECL allowance for trade receivables as a key audit matter because the assessment of the loss allowance requires the exercise of management judgement which is inherently subjective.	Our audit procedures to assess the ECL allowance for trade receivables included the following: • obtaining an understanding of and assessing the design, implementation and operating effectiveness of managements' key internal controls relating to credit control procedures and the estimation of the credit loss allowance; • evaluating the Group's policy for estimating the credit loss allowance with reference to the requirements of the prevailing accounting standards; • assessing whether items in the trade receivable ageing report were categorised in the appropriate ageing bracket by comparing the individual items in the trade receivable ageing report with the underlying goods delivery notes, on a sample basis; • obtaining an understanding of the key data and assumptions that management uses in its implementation of the ECL model, including the historical default data used in management's estimated loss rates; • assessing the appropriateness of management's assessment that no segmentation of the trade receivables is required and management's estimates of loss allowance by examining the information used by management to derive such assessment and estimates, including testing the accuracy of the historical default data and evaluating whether the historical loss rates are appropriately adjusted based on current market conditions and forward-looking information; and • re-performing the calculation of the loss allowance as at 31 December 2022 based on the Group's ECL allowance policies.

KEY AUDIT MATTERS (continued)

Recognition of intangible assets and goodwill arising from the acquisition of 100% equity interest in Polifarma (Nanjing) Co., Ltd.

Refer to note 30 to the consolidated financial statements and the accounting policies in notes 2(d)(ii) and 2(e).

The Key Audit Matter	How the matter was addressed in our audit
The Group acquired 100% equity interest in Polifarma (Nanjing) Co., Ltd. from Alashankou Urban Undertaking Investment Co., Ltd. at an aggregated cash consideration of RMB101.7 million. The acquisition was completed on 22 December 2022. Management engaged an external appraiser to value intangible assets acquired in business acquisition. The intangible assets comprise pharmaceutical distribution rights, and technology and know-how. Fair value of the pharmaceutical distribution rights, and technology and know-how was derived using the multi-period excess earnings method and relief-from-royalty method respectively under the income approach. The valuations are dependent on certain key assumptions that require significant management judgement, including revenue growth rate, profit margins, remaining useful life, contributory asset charges, royalty rate and the discount rates applied. The Group recognised the excess of the fair value of the consideration transferred over the fair value of the net identifiable assets acquired as goodwill in the consolidated financial statements.	Our audit procedures to assess the recognition of goodwill and intangible assets arising from the acquisition of Polifarma (Nanjing) Co., Ltd. included the following: • obtaining and inspecting the equity transfer agreement, the board resolution in connection with the acquisition and other relevant documents to identify the key transaction terms and conditions, including the purchase consideration and the completion date, which are relevant in considering the accounting treatment for the acquisition; • comparing details of the consideration transferred with bank statements and other relevant documentation; • assessing the objectivity, capabilities and competence of the external appraiser engaged by the Group to perform the valuation; • obtaining the valuation report prepared by the external appraiser engaged by the Group and involving our internal valuation specialist to assist us in evaluating the appropriateness of the valuation methodologies with reference to the prevailing accounting standards;

KEY AUDIT MATTERS (continued)

Recognition of intangible assets and goodwill arising from the acquisition of 100% equity interest in Polifarma (Nanjing) Co., Ltd.

Refer to note 30 to the consolidated financial statements and the accounting policies in notes 2(d)(ii) and 2(e).

The Key Audit Matter	How the matter was addressed in our audit
As at 22 December 2022, the carrying values of the intangible assets and the goodwill arising from the acquisition were RMB110.9 million and RMB37.9 million respectively. We identified the recognition of intangible assets and goodwill arising from the acquisition of 100% equity interest in Polifarma (Nanjing) Co., Ltd. as a key audit matter because of their significance to the consolidated financial statements and because estimating the fair value of the intangible assets arising from the acquisition involves significant judgement and estimation.	• challenging the key assumptions and critical judgements adopted in the valuation models by comparing key inputs, which included, revenue growth rate and profit margins with historical performance, financial forecasts approved by the senior management, and the remaining useful life with market information and the period of the Group's legal right to use the technology and know-how; • with the assistance of our internal valuation specialist, evaluating the reasonableness of other key assumptions adopted in the valuation models, by comparing royalty rate with market information and by comparing the discount rates and contributory asset charges applied in the valuation models with the discount rates and contributory asset charges independently calculated by our internal valuation specialist; • re-performing the mathematical calculation of goodwill prepared by management; and • evaluating the reasonableness of the disclosures in the consolidated financial statements.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than 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 THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors 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.

The directors are assisted by the Audit Committee in discharging their responsibilities 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. This report is made solely to you, as a body, 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 HKSAs 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 HKSAs, we exercise professional judgement and maintain professional scepticism 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 the Audit Committee 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.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and 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 the Audit Committee, 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 this independent auditor's report is Yeung Ka Chun.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

22 March 2023

Consolidated Statement of Profit or Loss

For the year ended 31 December 2022
(Expressed in Renminbi ("**RMB**"))

	Note	2022 RMB'000	2021 RMB'000
Revenue	*4*	**2,988,056**	1,756,731
Cost of sales		**(2,195,956)**	(1,186,707)
Gross profit		**792,100**	570,024
Other net income	*5*	**39,435**	29,916
Selling and marketing expenses		**(933,217)**	(787,280)
Administrative expenses		**(335,562)**	(269,609)
Research and development expenses		**(114,789)**	(236,244)
Impairment loss on trade receivables and other receivables under expected credit loss model		**(39,530)**	(2,718)
Loss from operations		**(591,563)**	(695,911)
Finance costs	*6(a)*	**(8,391)**	(61,962)
Change in fair value of financial liabilities		**(1,087,874)**	(3,397,634)
Impairment loss on intangible assets		**(3,562)**	—
Impairment loss on goodwill		**(2,253)**	—
Loss before taxation		**(1,693,643)**	(4,155,507)
Income tax	*7*	**1,422**	2,314
Loss for the year		**(1,692,221)**	(4,153,193)
Attributable to:			
— Equity shareholders of the Company		**(1,688,937)**	(4,138,913)
— Non-controlling interests		**(3,284)**	(14,280)
Loss for the year		**(1,692,221)**	(4,153,193)
Loss per share	*10*		
Basic and diluted (RMB)		**(5.62)**	(42.88)

The notes on pages 80 to 162 form part of these financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2022
(Expressed in Renminbi ("**RMB**"))

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

The notes on pages 80 to 162 form part of these financial statements.

Consolidated Statement of Financial Position

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

	Note	At 31 December 2022 RMB'000	2021 RMB'000
Non-current assets			
Property, plant and equipment	11	**137,377**	36,213
Intangible assets	12	**327,290**	164,583
Goodwill	13	**85,980**	25,625
Other non-current assets	14	**35,319**	—
		585,966	226,421
Current assets			
Financial assets measured at fair value through profit or loss (FVTPL)	16	**423,501**	28,000
Inventories	17	**224,809**	110,924
Trade and bills receivables	18	**758,533**	497,266
Prepayments, deposits and other receivables	19	**467,575**	420,045
Restricted bank deposits	20	**74,370**	134,922
Time deposits with initial term over three months	20	**50,000**	—
Cash and cash equivalents	20	**249,674**	1,090,575
		2,248,462	2,281,732
Current liabilities			
Trade payables	21	**120,800**	67,763
Other payables and accrued expenses	22	**459,870**	456,555
Contract liabilities	23	**99,576**	93,593
Bank and other loans	24	**192,543**	114,383
Lease Liabilities	25	**11,228**	4,123
Financial liabilities at FVTPL	26	**—**	8,907,708
		884,017	9,644,125
Net current assets/(liabilities)		**1,364,445**	(7,362,393)
Total assets less current liabilities		**1,950,411**	(7,135,972)

Consolidated Statement of Financial Position

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

	Note	At 31 December 2022 RMB'000	2021 RMB'000
Non-current liabilities			
Lease liabilities	25	**19,611**	4,800
Deferred tax liabilities		**49,425**	14,359
		69,036	19,159
NET ASSETS/(LIABILITIES)		**1,881,375**	(7,155,131)
CAPITAL AND RESERVES			
Share capital	28(c)	**391**	110
Reserves	28(d)	**1,848,957**	(7,138,062)
Total equity attributable to equity shareholders of the Company		**1,849,348**	(7,137,952)
Non-controlling interests		**32,027**	(17,179)
TOTAL EQUITY/(DEFICIT)		**1,881,375**	(7,155,131)

Approved and authorised for issue by the board of directors on 22 March 2023.

Kuang Ming
Director

Zhang Saiyin
Director

The notes on pages 80 to 162 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2022
(Expressed in Renminbi ("**RMB**"))

	Note	Attributable to equity shareholders of the Company								Non-controlling interests RMB'000	Total deficit RMB'000
		Share capital RMB'000 *Note 28*	Treasury share reserve RMB'000 *Note 28*	Capital reserve RMB'000 *Note 28*	Share-based payments reserve RMB'000 *Note 27*	Other reserve RMB'000	Exchange reserve RMB'000 *Note 28*	Accumulated losses RMB'000	Subtotal RMB'000		
Balance at 1 January 2021		56	–	147,888	117,304	–	136,897	(3,764,066)	(3,361,921)	(31,297)	(3,393,218)
Changes in equity for 2021:											
Loss for the year		–	–	–	–	–	–	(4,138,913)	(4,138,913)	(14,280)	(4,153,193)
Other comprehensive income		–	–	–	–	–	131,932	–	131,932	–	131,932
Total comprehensive income		–	–	–	–	–	131,932	(4,138,913)	(4,006,981)	(14,280)	(4,021,261)
Issuance of ordinary shares	*28(c)(i)*	47	–	–	–	–	–	–	47	–	47
Treasury shares	*28(d)(i)*	–	(47)	–	–	–	–	–	(47)	–	(47)
Non-controlling interests arising from acquisition of subsidiaries	*30*	–	–	–	–	–	–	–	–	21,775	21,775
Capital injection into a subsidiary by non-controlling shareholders		–	–	–	–	–	–	–	–	8,100	8,100
Disposal of a subsidiary		–	–	–	–	–	–	–	–	(1,477)	(1,477)
Equity-settled share-based payment	*6(b)*	–	–	–	222,619	–	–	–	222,619	–	222,619
Exercise of the share options	*27*	7	–	55,094	(49,316)	–	–	–	5,785	–	5,785
Issued share options as subsidiary acquisition consideration	*30*	–	–	–	–	2,546	–	–	2,546	–	2,546
Balance at 31 December 2021		110	(47)	202,982	290,607	2,546	268,829	(7,902,979)	(7,137,952)	(17,179)	(7,155,131)
Balance at 1 January 2022		110	(47)	202,982	290,607	2,546	268,829	(7,902,979)	(7,137,952)	(17,179)	(7,155,131)
		–	–	–	–	–	–	–	–	–	–
Changes in equity for 2022:											
Loss for the year		–	–	–	–	–	–	(1,688,937)	(1,688,937)	(3,284)	(1,692,221)
Other comprehensive income		–	–	–	–	–	(466,551)	–	(466,551)	–	(466,551)
Total comprehensive income		–	–	–	–	–	(466,551)	(1,688,937)	(2,155,488)	(3,284)	(2,158,772)
Issuance of shares by initial public offering, net of transaction costs	*28(c)(i)*	13	–	472,020	–	–	–	–	472,033	–	472,033
Treasury shares	*28(d)(i)*	–	(40,288)	–	–	–	–	–	(40,288)	–	(40,288)
Conversion of convertible redeemable preferred shares	*26*	268	–	10,521,952	–	–	–	–	10,522,220	–	10,522,220
Non-controlling interests arising from acquisition of subsidiaries	*30*	–	–	–	–	–	–	–	–	10,221	10,221
Capital injection into a subsidiary by non-controlling shareholders		–	–	–	–	–	–	–	–	42,269	42,269
Equity-settled share-based payment	*6(b)*	–	–	–	188,722	–	–	–	188,722	–	188,722
Restricted share units vested and transferred	*27*	–	7	85,809	(85,715)	–	–	–	101	–	101
Balance at 31 December 2022		391	(40,328)	11,282,763	393,614	2,546	(197,722)	(9,591,916)	1,849,348	32,027	1,881,375

The notes on pages 80 to 162 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2022
(Expressed in Renminbi ("**RMB**"))

	Note	2022 RMB'000	2021 RMB'000
Operating activities			
Cash used in operations	*20(b)*	**(638,632)**	(665,960)
Income tax paid		**(3,999)**	(373)
Net cash used in operating activities		**(642,631)**	(666,333)
Investing activities			
Proceeds from disposal of property, plant and equipment		**53**	1,039
Repayment of advances to third parties		**8,951**	10,900
Acquisition of subsidiaries, net of cash acquired		**(152,070)**	(48,227)
Disposal of a subsidiary		**1,307**	(1,042)
Payment for the purchase of property, plant and equipment and intangible assets		**(167,236)**	(88,683)
Net payment for purchase of financial assets measured at FVTPL		**(384,628)**	(19,603)
Placement of time deposits with original maturity over three months		**(50,000)**	—
Advances to third parties		**(1,318)**	(9,881)
Net cash used in investing activities		**(744,941)**	(155,497)

Consolidated Cash Flow Statement

For the year ended 31 December 2022
(Expressed in Renminbi ("**RMB**"))

	Note	**2022 RMB'000**	2021 RMB'000
Financing activities			
Proceeds from bank and other loans	20(c)	**178,507**	370,256
Advances from non-controlling shareholders of the Group	20(c)	**4,291**	7,300
Advance from third parties and staffs	20(c)	**22,334**	—
Proceeds from issuance of convertible redeemable preferred shares and convertible loans	20(c)	**–**	1,397,456
Proceeds from issuance of shares by initial public offering		**497,357**	—
Capital injection from non-controlling interests in a subsidiary		**42,269**	8,100
Repayment of bank and other loans	20(c)	**(160,268)**	(476,599)
Repayment of advance from a non-controlling shareholder of the Group		**–**	(6,300)
Interest expense paid	20(c)	**(7,028)**	(9,269)
Payment of capital element of lease liabilities	20(c)	**(13,061)**	(8,694)
Payment of interest element of lease liabilities	20(c)	**(993)**	(338)
Payment of redemption of convertible redeemable preferred shares and convertible loans	20(c)	**–**	(222,471)
Payment for purchase of treasury shares	28(d)(i)	**(40,288)**	—
Issuance cost of convertible redeemable preferred shares and prepayments for costs in connection with the listing of the Company's shares		**(19,572)**	(44,070)
Net cash generated from financing activities		**503,548**	1,015,371
Net (decrease)/increase in cash and cash equivalents		**(884,024)**	193,541
Cash and cash equivalents at 1 January		**1,090,575**	914,226
Effect of foreign exchange rate changes		**43,123**	(17,192)
Cash and cash equivalents at 31 December		**249,674**	1,090,575

The notes on pages 80 to 162 form part of these financial statements.

Notes to the Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

1 PRINCIPAL ACTIVITIES AND ORGANISATION

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current accounting period reflected in these financial statements.

(b) Basis for preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2022 comprise the Company and its subsidiaries.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

— Investments in debt and equity securities, other than investments in subsidiaries, associates and joint ventures (see note 2(f)); and

— Convertible redeemable preferred shares and convertible loans (see note 2(p)).

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Basis for preparation of the financial statements (continued)

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised 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.

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 3.

(c) Changes in accounting policies

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

- Amendments to IAS 16, Property, plant and equipment: Proceeds before intended use
- Amendment Amendments to IAS 37, Provisions, contingent liabilities and contingent assets: Onerous contracts — cost of fulfilling a contract

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Changes in accounting policies (continued)

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

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

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

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with notes 2(o) or (q) depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Subsidiaries and non-controlling interests (continued)

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(f)) or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2(j)).

(i) Subsidiaries controlled through Contractual Arrangements

In order to comply with the PRC laws and regulations which prohibit or restrict foreign control of companies involved in provision of internet content and other restricted businesses, the Group operates its value-added telecommunication services, internet hospitals and offline medical institution services and insurance brokage services (the "**Relevant business**") in the PRC through certain PRC operating entities, whose equity interests are held by certain management members of the Group and certain investors of the Company ("**Nominee Shareholders**"). The Group signed Contractual Arrangements (the series of contractual arrangements entered into between, among others, 91health Hangzhou Limited (a wholly foreign owned enterprises or "**the WFOE**") and Hangzhou Kangming Information Technology Co., Ltd., Mr. Kuang Ming and Ms. Hu Yue) with the PRC operating entity. The Contractual Arrangements include exclusive consulting services agreement, exclusive purchase option agreement, equity pledge agreement, voting proxy agreement and loan agreements, which enable the Group to:

- govern the financial and operating policies of the PRC operating entity;
- exercise equity holder voting rights of the PRC operating entity;
- receive substantially all of the economic interest returns generated by the PRC operating entity in consideration for the technical support, consulting and other services provided exclusively by the WFOE, at the WFOE's discretion;
- obtain an irrevocable and exclusive right to purchase part or all of the equity interests in the PRC operating entity at any time and from time to time, at the minimum consideration permitted by the relevant law in China at the time of transfer; and
- obtain a pledge over all of its equity interests from its respective Nominee Shareholders as collateral for all of the PRC entity's payments due to the Group to secure performance of entities' obligation under the Contractual Arrangements.

Accordingly, the Group has rights to control the entity. As a result, it is presented as entity controlled by the Group.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Subsidiaries and non-controlling interests (continued)

(ii) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Acquisition-related costs are expensed as incurred.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability.

(iii) Asset acquisition

Groups of assets acquired and liabilities assumed are assessed to determine if they are business or asset acquisitions. On an acquisition-by-acquisition basis, the Group chooses to apply a simplified assessment of whether an acquired set of activities and assets is an asset rather than business acquisition, when substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

When a group of assets acquired and liabilities assumed do not constitute a business, the overall acquisition cost is allocated to the individual identifiable assets and liabilities based on their relative fair values at the date of acquisition. An exception is when the sum of the individual fair values of the identifiable assets and liabilities differs from the overall acquisition cost. In such case, any identifiable assets and liabilities that are initially measured at an amount other than cost in accordance with the Group's policies are measured accordingly, and the residual acquisition cost is allocated to the remaining identifiable assets and liabilities based on their relative fair values at the date of acquisition.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Goodwill

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 2(j)).

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(f) Other investments in debt and equity securities

The Group's policies for investments in debt and equity securities, other than investments in subsidiaries, associates and joint ventures, are set out below.

Investments in debt and equity securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss (FVTPL) for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see note 29(d). These investments are subsequently accounted for as follows, depending on their classification.

(i) Investments other than equity investments

Non-equity investments held by the Group are classified into one of the following measurement categories:

— amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method (see note 2(u)(ii)).

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Other investments in debt and equity securities (continued)

(i) Investments other than equity investments (continued)

— fair value through other comprehensive income (FVOCI) — recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

— fair value through profit or loss (FVTPL) if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

(ii) Equity investments

An investment in equity securities is classified as FVTPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an irrevocable election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVTPL or FVOCI, are recognised in profit or loss as other income.

(g) Property, plant and equipment

The following items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 2(j)):

— right-of-use assets arising from leases over freehold or leasehold properties where the Group is not the registered owner of the property interest; and

— items of plant and equipment, including right-of-use assets arising from leases of underlying plant and equipment (see note 2(i)).

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Property, plant and equipment (continued)

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follow:

—	Plants and buildings	30 years
—	Electronic and production equipment	3–10 years
—	Office Equipment	3–6 years
—	Motor vehicles	3–5 years
—	Leasehold improvement	1–5 years
—	Right-of-use assets	Over the lease term

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(h) Intangible assets (other than goodwill)

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development. The expenditure capitalised includes the costs of materials, direct labour, and an appropriate proportion of overheads and borrowing costs, where applicable (see note 2(w)). Capitalised development costs are stated at cost less accumulated amortisation and impairment losses (see note 2(j)). Other development expenditure is recognised as an expense in the period in which it is incurred

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 2(j)). Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

—	Patents	10 years
—	Software	2–10 years
—	Exclusive right	2–5 years
—	License	2–5 years
—	Customer relationship	5–10 years
—	Pharmaceutical distribution rights	20 years
—	Technology and know-how	20 years

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Intangible assets (other than goodwill) (continued)

Both the period and method of amortisation are reviewed annually.

Intangible assets are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives as set out above.

The patent useful life is determined based on the period of validity of patent protected by the relevant laws after considering the period of the economic benefits to the Group, technical obsolescence and estimates of useful lives of similar assets.

The software useful lives are determined to be the shorter of the period of contractual rights or estimated period during which such software can bring economic benefits to the Group considering the different purposes, usage of the software and technological obsolescence.

The customer relationship useful lives are determined with reference to each acquired business existing contract based on contract expiring dates, historical trend of termination or renewal rate and to the useful lives of customer relationships used by the industry peers. The pharmaceutical distribution rights useful lives are determined with reference to the current pharmaceutical economic benefits situations, estimated market prospects and pharmaceutical renewal cycle, economic life of similar pharmaceutical in the industry. The technology and know-how useful lives are determined based on the periods of validity of technology or the period of the economic benefits to the enterprise after considering the useful lives of similar technologies and the market condition.

(i) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

As a lessee

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets which, for the Group are primarily laptops and office furniture. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Leased assets (continued)

As a lessee (continued)

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see notes 2(g) and 2(j)(ii)).

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("**lease modification**") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are any rent concessions which arose as a direct consequence of the COVID-19 pandemic and which satisfied the conditions set out in paragraph 46B of IFRS 16 Leases. In such cases, the Group has taken advantage of the practical expedient not to assess whether the rent concessions are lease modifications, and recognised the change in consideration as negative variable lease payments in profit or loss in the period in which the event or condition that triggers the rent concessions occurred.

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Credit losses and impairment of assets

(i) Credit losses from financial instruments

The Group recognises a loss allowance for expected credit losses (ECLs) on financial assets measured at amortised cost (including trade and bills receivables, other receivables, and cash and cash equivalents).

Other financial assets measured at fair value, including investments in wealth management products and fund management products, are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

— trade and other receivables: effective interest rate determined at initial recognition or an approximation thereof;

— variable-rate financial assets: current effective interest rate.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

— 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

— lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Credit losses and impairment of assets (continued)

(i) ***Credit losses from financial instruments*** (continued)

Measurement of ECLs (continued)

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. 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 since initial recognition:

— failure to make payments of principal or interest on their contractually due dates;

— an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

— an actual or expected significant deterioration in the operating results of the debtor; and

— existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Credit losses and impairment of assets (continued)

(i) ***Credit losses from financial instruments*** (continued)

Significant increases in credit risk (continued)

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

— significant financial difficulties of the debtor;

— a breach of contract, such as a default or past due event;

— it becoming probable that the borrower will enter into bankruptcy or other financial reorganization;

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

— the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Credit losses and impairment of assets (continued)

(ii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

— property, plant and equipment, including right-of-use assets;

— intangible assets;

— goodwill; and

— investments in subsidiaries in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

— Calculation of recoverable amount

The recoverable amount of an asset is the greater of its 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. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest Group of assets that generates cash inflows independently (i.e. a cash-generating unit).

— Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

— Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Inventories

Inventories are assets which are held for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services.

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(l) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset.

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see note 2(j)(i)).

(m) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement. Cash and cash equivalents are assessed for expected credit losses (ECL) in accordance with the policy set out in note 2(j)(i).

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Contract liabilities

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (see note 2(u)). A contract liability would also be recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 2(l)).

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see note 2(u)(ii)).

(o) Trade and other payables

Trade and other payables are initially recognised at fair value. Trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(p) Convertible redeemable preferred shares and convertible loans

The Group designated the convertible redeemable preferred shares as financial liabilities at FVTPL. They are initially recognised at fair value. Subsequent to initial recognition, the convertible redeemable preferred shares are re-measured to fair value at the end of each reporting period with changes in fair value being recognised in profit or loss, except that changes in fair value of the convertible redeemable preferred shares that are attributable to changes in its own credit risk are presented in other comprehensive income.

The convertible loans contain both a debt component and an embedded derivative component (conversion option that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Group's own equity instruments). The convertible loans are accounted in its entirety at fair value. Subsequent to initial recognition, the convertible loans are re-measured to fair value at the end of each reporting period with changes in fair value being recognised in profit or loss, except that changes in fair value of the convertible loans that are attributable to changes in its own credit risk are presented in other comprehensive income.

(q) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs (see note 2(w)).

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Employee benefits

(i) Short-term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Share-based payments

Restricted share units

The difference between the granted price and the fair value of the restricted share units granted to employees is recognised as an employee cost with a corresponding increase in share-based payments reserve within equity. The fair value of the restricted share units is measured at date of grant by reference to the market price of the underlying shares. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the restricted share units, the total difference between the granted price and the fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

Share options

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a share-based payments reserve within equity. The fair value is measured at grant date using the binomial lattice model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the share-based payments reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the share-based payments reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the share-based payments reserve until either the option is exercised (when it is included in the amount recognised in share-based payments reserve for the shares issued) or the option expires (when it is released directly to retained profits).

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Employee benefits (continued)

(ii) ***Share-based payments*** (continued)

Share options (continued)

Modifications of an equity settled share-based payment arrangement are accounted for only if they are beneficial to the employee. If the Group modifies the terms and conditions of the equity instruments granted in a manner that reduces the fair value of the equity instruments granted, or is not otherwise beneficial to the employee, the Group continues to recognize the services received measured as the grant date fair value of the equity instruments granted, unless those equity instruments do not vest because of failure to satisfy a vesting condition (other than a market condition) that was specified at grant date.

(iii) ***Termination benefits***

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

(s) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Income tax (continued)

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

— in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

— in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

    — the same taxable entity; or

    — different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Provisions and contingent liabilities

Provisions are recognised when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(u) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods, the provision of services in the ordinary course of the Group's business.

Revenue is recognised when control over a product or service is transferred to the customer, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Revenue from contracts with customers

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

The Group transfers control of goods or services and recognizes revenue over time, 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 asset is created or enhanced; 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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) Revenue and other income (continued)

(i) ***Revenue from contracts with customers*** (continued)

If control of the goods or services transfers over time, revenue is recognized over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognized at a point in time when the customer obtains control of the goods or services.

The Group recognize revenues from contracts with customers by major products or services line as follows:

(a) Sales of hospital supplies, pharmacy supplies and chronic condition products

Revenue from sales of hospital supplies, pharmacy supplies and chronic condition products is recognized at the point in time when control of the asset is transferred to customer, generally on acceptance of the pharmaceutical products and medical devices by the customer.

(b) Providing digital marketing services

Digital marketing services involve provision of professional medical marketing services to the pharmaceutical and medical device companies. The revenue is generally recognized when the services are rendered and completed.

(c) Providing hospital SaaS and pharmacy SaaS

The Group provides hospitals with SaaS products and integrated solutions that deliver digitalized clinic care for patients in-hospital. The pharmacy SaaS solutions facilitate pharmacies with customer and resource management, such as in-store online consultation and prescription services for customers. The Group charges hospital/pharmacy a subscription fee with respect to the software offerings. Typical SaaS product contracts has terms of one year. The subscription fee is recognized over the contract period.

(d) Premium membership services

The Group provides instant, professional care for chronic conditions and other health management services for individuals through its integrated chronic condition management platform. The Group charges individual members annual membership fees based on membership tiers and service packages. The Membership fee is recognised over the service period.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) Revenue and other income (continued)

(i) ***Revenue from contracts with customers*** (continued)

(e) Others

Others includes rendering insurance brokerage service and advertisement agent services.

— Providing insurance brokerage service

The Group sells the consumer healthcare packages of different insurance companies to individual consumers on a retail basis or to corporate customers for the benefit of their employees on a wholesale basis, as an agent through its insurance brokerage service. The commission fees are generally charged as a percentage of premiums paid by the policyholder depending on the product category and terms of contract companies. The revenue is generally recognized when the healthcare packages are sold and effective and the Group has a present right to payment from the insurance companies since the Group has fulfilled its performance obligation to sell healthcare packages on behalf of the insurance companies.

— Providing advertisement agent services

Revenue from advertisement agent services is primarily derived from commissions received for assisting advertising clients in obtaining advertising time on media platforms. When the Group acts in the capacity of an agent rather than as the principal in a transaction, the revenue recognized is the net amount of commission made by the Group. The revenue is generally recognized when the Group's advertising clients obtain the advertising time on media platforms.

(ii) ***Interest income***

Interest income is recognised as it accrues under the effective interest method using the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. For financial assets measured at amortised cost or FVOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see note 2(j)(i)).

(iii) ***Government grants***

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are initially recognized as deferred income and are subsequently recognized in profit or loss over the useful life of the related asset.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the Company initially recognises such non-monetary assets or liabilities. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into Renminbi at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into Renminbi at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

(w) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(x) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

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

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a Group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

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

(vi) The entity is controlled or jointly controlled by a person identified in (a).

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

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

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(y) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 ACCOUNTING JUDGEMENT AND ESTIMATES

(a) Expected credit losses for receivables

The credit losses for trade receivables and other receivables are based on assumptions about the expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. For details of the key assumptions and inputs used, see Note 29(a). Changes in these assumptions and estimates could materially affect the result of the assessment and the Group may make additional loss allowances in future periods.

(b) Fair value of financial instruments

The financial instruments issued by the Group mainly represents convertible redeemable preferred shares and convertible loans which are not traded in an active market and the respective fair value is determined by using valuation techniques. The Group uses its judgements to select a variety of methods and make assumptions that are mainly based on market conditions existing at the respective valuation dates. The Group has used discounted cash flow method and Backsolve method to determine the business value of the Group, and adopted the option- pricing method to determine the fair value of convertible redeemable preferred shares and convertible loans, which involved the use of significant accounting estimates and judgements. Key assumptions such as risk-free rate, volatilities, weighted average cost of capital and discount for lack of marketability are disclosed in Note 26.

(c) Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in Note 2(j)(ii). The recoverable amounts of cash-generating units have been determined based on the higher of the cash-generating units' fair value less costs to sell and its value in use. These calculations require the use of estimates which are disclosed in Note 13.

3 ACCOUNTING JUDGEMENT AND ESTIMATES (continued)

(d) Fair value of assets acquired and liabilities assumed upon business combination

In connection with an acquisition of subsidiary which constitutes a business combination, the assets acquired and liabilities assumed were adjusted to their estimated fair values on the acquisition date. The determination of the fair values of assets acquired and liabilities assumed involves management's judgements and assumptions. The fair values of assets acquired and liabilities assumed were derived from a valuation report from an independent professional qualified valuer. Such valuations were based on certain assumptions, which were subject to uncertainty and might materially differ from the actual results. Any change in such judgements and assumptions would affect the fair value of assets acquired and liabilities assumed. Details of the fair value of identified assets and liabilities are disclosed in note 30.

4 REVENUE AND SEGMENT REPORTING

(a) Revenue from contracts with customers

(i) Disaggregation of revenue

The Group's products and services portfolio consists essentially of: (i) sales of hospital supplies, providing hospital SaaS, and providing digital market service to pharmaceutical companies, which all center around the demands of the end hospital customers, collectively as "In-hospital solution"; (ii) sales of pharmacy supplies and providing pharmacy SaaS, which both center around the demands of the end pharmacy customers, collectively as "Pharmacy solution"; (iii) sales of chronic condition products to individual customers, providing premium membership services and insurance brokerage services and others, collectively as "Individual chronic condition management solution and others".

The Group categorised above products or services portfolio into three solutions, value added solutions, subscription solutions, individual chronic condition management solution and others. Details as below:

— Value added solutions include sales of hospital supplies, pharmacy supplies and providing hospital SaaS；

— Subscription solutions include providing digital marketing services and pharmacy SaaS;

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

4 REVENUE AND SEGMENT REPORTING (continued)

(a) Revenue from contracts with customers (continued)

(i) ***Disaggregation of revenue*** (continued)

Disaggregation of revenue from contracts with customers by type of customer is as follows:

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

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

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

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

4 REVENUE AND SEGMENT REPORTING (continued)

(a) Revenue from contracts with customers (continued)

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

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

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

(b) Segment reporting

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

5 OTHER NET INCOME

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

6 LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

(a) Finance costs

		Year ended 31 December	
		2022	2021
	Note	**RMB'000**	RMB'000
Interest expenses	*20(c)*	**7,028**	9,269
Interest on lease liabilities	*20(c)*	**993**	338
Issuance cost of convertible redeemable preferred shares *(note (i))*		**–**	51,554
Other financial cost		**370**	801
		8,391	61,962

Note:

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

6 LOSS BEFORE TAXATION (continued)

(b) Staff costs

	Note	Year ended 31 December 2022 RMB'000	2021 RMB'000
Salaries, wages and other benefits		**400,920**	445,168
Contributions to defined contribution retirement plan *(note (i))*		**20,532**	19,872
Equity-settled share-based payment expenses	*27*	**188,722**	222,619
		610,174	687,659

Note:

(i) Employees of the Group are required to participate in a defined contribution retirement scheme administered and operated by the local municipal governments where the subsidiaries are registered. The Group contributes funds which are calculated on certain percentages of the average employee salary as agreed by the respective local municipal governments to the scheme to fund the retirement benefits of the employees. There are no forfeited contributions for the defined contribution retirement scheme as the contributions are fully vested to the employees upon payment to the scheme.

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

(c) Other items

	Note	Year ended 31 December 2022 RMB'000	2021 RMB'000
Amortisation of intangible assets	*12*	**75,507**	71,132
Depreciation expenses	*11*	**26,435**	15,409
Write down of inventories	*17*	**1,078**	2,134
Costs incurred in connection with the listing of the Company's shares		**70,230**	37,391
Auditors' remuneration			
— audit services		**4,500**	—
Cost of inventories	*17*	**2,044,758**	1,084,105

7 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

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

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

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

7 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS (continued)

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

Notes:

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

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

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

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

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

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

(c) Deferred tax assets not recognised

As at 31 December 2022, the Group has unused tax losses of approximately RMB2,185 million (2021: RMB2,060 million) available for offset against future profits. No deferred tax assets have been recognised in respect of the tax losses due to the unpredictability of future profits streams.

As at 31 December 2022, tax losses of approximately RMB659 million (2021: RMB656 million) will expire in five years from the dates they were incurred, if unused. Kangsheng's tax losses of approximately RMB1,526 million (2021: RMB1,404 million) will expire in 10 years from the dates they were incurred, if unused.

8 DIRECTORS' EMOLUMENTS

	Year ended 31 December 2022						
	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Sub-Total RMB'000	Equity-settled share-based payments (note (a)) RMB'000	Total RMB'000
Executive director							
Kuang Ming	–	13,994	400	31	14,425	9,417	23,842
Non-executive director							
Lee Kar Chung Felix *(note (b))*	–	–	–	–	–	–	–
Independent non-executive directors							
Hong Weili *(note (b))*	169	–	–	–	169	–	169
Zhang Saiyin *(note (b))*	169	–	–	–	169	–	169
Ang Khai Meng *(note (b))*	169	–	–	–	169	–	169
	507	13,994	400	31	14,932	9,417	24,349

	Year ended 31 December 2021						
	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Sub-Total RMB'000	Equity-settled share-based payments (note (a)) RMB'000	Total RMB'000
Executive director							
Kuang Ming	–	980	510	25	1,515	14,594	16,109
Non-executive director							
Lee Kar Chung Felix *(note (b))*	–	–	–	–	–	–	–
	–	980	510	25	1,515	14,594	16,109

8 DIRECTORS' EMOLUMENTS (continued)

Notes:

(a) These represent the estimated value of share options/restricted share units ("**equity instruments**") granted to the directors under the Pre-IPO Equity Incentive Plan or Post-IPO Share Award Scheme. The value of these equity instruments are measured according to the Group's accounting policies for share-based payment transactions and, in accordance with that policy, includes adjustments to reverse amounts accrued in previous years where grants of equity instruments are forfeited prior to vesting. The details of these benefits in kind, including the principal terms and number of equity instruments granted, are disclosed in note 27.

(b) Lee Kar Chung Felix was appointed as non-executive director of the Company on 21 May 2021. Hong Weili, Zhang Saiyin and Ang Khai Meng were appointed as independent non-executive director of the Company on 6 July 2022. During the year ended 31 December 2021, no remuneration had been rendered to them.

For the years ended 31 December 2022 and 2021, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, one (2021: one) is a director of the Company for the year ended 31 December 2022, whose emoluments are disclosed in note 8. The aggregate of the emoluments in respect of the remaining highest paid individuals are as follows:

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Salaries, allowance and benefit in kind	**5,095**	3,872
Discretionary bonuses	**18,244**	1,548
Share based payment expenses	**154,305**	139,338
	177,644	144,758

(Expressed in Renminbi unless otherwise indicated)

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS (continued)

The emoluments of the individuals who are not directors and who are amongst the five highest paid individuals of the Group are within the following bands:

	Year ended 31 December	
	2022 Number of individuals	2021 Number of individuals
HKD0 — HKD1,000,000	**–**	—
HKD8,500,001 — HKD9,000,000	**–**	1
HKD14,450,001 — HKD14,500,000	**1**	—
HKD35,350,001 — HKD35,400,000	**1**	—
HKD36,500,001 — HKD37,000,000	**–**	1
HKD38,500,001 — HKD39,000,000	**–**	1
HKD42,200,001 — HKD42,250,000	**1**	—
HKD90,000,001 — HKD90,500,000	**–**	1
HKD113,200,001 — HKD113,250,000	**1**	—

10 LOSS PER SHARE

(a) Basic loss per share

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

(Expressed in Renminbi unless otherwise indicated)

10 LOSS PER SHARE (continued)

(a) Basic loss per share (continued)

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

	Year ended 31 December	
	2022 Number of shares '000	2021 Number of shares '000
Issued ordinary shares at 1 January	**96,756**	92,206
Effect of shares issued by initial public offering on the Listing Date *(note 28(c))*	**9,266**	—
Effect of conversion of convertible redeemable preferred shares *(note 28(c))*	**194,070**	—
Effect of equity instruments vested and transferred *(note 27)*	**1,007**	4,327
Effect of treasury shares repurchased *(note 28(d)(iii))*	**(801)**	—
Weighted average number of ordinary shares for the year	**300,298**	96,533

(b) Diluted loss per share

The convertible redeemable preferred shares and the equity instruments (note 27) were excluded from the calculation of diluted loss per share because their effect would have been anti-dilutive. The diluted loss per share is the same as the basic loss per share for the years ended 31 December 2022 and 2021.

(Expressed in Renminbi unless otherwise indicated)

11 PROPERTY, PLANT AND EQUIPMENT

(a) Reconciliation of carrying amount

	Plant and Buildings RMB'000	Electronic and production equipment RMB'000	Office Equipment RMB'000	Motor vehicles RMB'000	Leasehold improvement RMB'000	Construction in progress RMB'000	Right-of-use assets RMB'000	Total RMB'000
Cost:								
At 1 January 2021	–	11,874	3,027	1,543	5,758	7	12,103	34,312
Additions	–	9,216	801	3,970	1,312	1,462	12,529	29,290
Addition through acquisition of subsidiaries *(note 30)*	–	713	37	449	602	–	–	1,801
Transfer from CIP	–	24	–	–	427	(451)	–	–
Disposals	–	(22)	(91)	(1,722)	–	–	(4,368)	(6,203)
Decrease through the disposal of a subsidiary	–	(172)	(589)	–	(1,094)	–	–	(1,855)
At 31 December 2021	–	21,633	3,185	4,240	7,005	1,018	20,264	57,345
Additions	–	38,925	657	1,482	4,389	–	24,363	69,816
Addition through acquisition of subsidiaries *(note 30)*)	13,367	18,590	715	272	1,924	–	25,272	60,140
Transfer from CIP	–	119	–	–	899	(1,018)	–	–
Disposals	–	(1,326)	(614)	(931)	–	–	(11,399)	(14,270)
At 31 December 2022	13,367	77,941	3,943	5,063	14,217	–	58,500	173,031
Accumulated depreciation:								
At 1 January 2021	–	(2,588)	(871)	(28)	(1,243)	–	(5,282)	(10,012)
Charge for the year	–	(3,260)	(678)	(997)	(2,665)	–	(7,809)	(15,409)
Written back on disposals	–	2	85	160	–	–	2,698	2,945
Written back through the disposal of a subsidiary	–	94	322	–	928	–	–	1,344
At 31 December 2021	–	(5,752)	(1,142)	(865)	(2,980)	–	(10,393)	(21,132)
Charge for the year	–	(6,079)	(749)	(1,231)	(7,680)	–	(10,696)	(26,435)
Written back on disposals	–	346	456	301	–	–	10,810	11,913
At 31 December 2022	–	(11,485)	(1,435)	(1,795)	(10,660)	–	(10,279)	(35,654)
Net book value:								
At 31 December 2022	13,367	66,456	2,508	3,268	3,557	–	48,221	137,377
At 31 December 2021	–	15,881	2,043	3,375	4,025	1,018	9,871	36,213

11 PROPERTY, PLANT AND EQUIPMENT (continued)

(a) Reconciliation of carrying amount (continued)

Additions to right-of-use assets were RMB49,635,000 (31 December 2021: RMB12,529,000) for the year ended 31 December 2022. This amount primarily related to the capitalised lease payments payable under new tenancy agreements and the fair value of land use rights acquired through acquisition of a subsidiary.

As of 31 December 2022, certain of the Group's property, plant and equipment are pledged as collaterals for the Group's bank and other loans. Further details are set out in note 24.

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Depreciation charge of right-of-use assets	**10,696**	7,809
Interest on lease liabilities *(note 6(a))*	**993**	338

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in notes 20(d) and 25, respectively.

(Expressed in Renminbi unless otherwise indicated)

12 INTANGIBLE ASSETS

	Patent RMB'000	Software RMB'000	Exclusive right RMB'000	License RMB'000	Customer relationship RMB'000	Pharmaceutical distribution rights RMB'000	Technology and know-how RMB'000	Total RMB'000
Cost:								
At 1 January 2021	418	7,165	89,761	37,055	11,440	–	–	145,839
Additions *(note (i))*	–	1,822	61,100	–	–	–	–	62,922
Addition through acquisition of subsidiaries *(note 30)*	–	2,714	27,420	–	32,200	–	–	62,334
Decrease through the disposal of a subsidiary	–	(102)	–	(1,690)	–	–	–	(1,792)
At 31 December 2021	418	11,599	178,281	35,365	43,640	–	–	269,303
Additions *(note (i))*	–	818	99,935	–	–	–	–	100,753
Addition through acquisition of subsidiaries *(note (iii) and 30)*	–	276	447	–	29,400	74,500	36,400	141,023
At 31 December 2022	418	12,693	278,663	35,365	73,040	74,500	36,400	511,079
Accumulated amortisation and impairment:								
At 1 January 2021	(92)	(60)	(29,279)	(4,167)	(763)	–	–	(34,361)
Charge for the year	(40)	(2,341)	(52,692)	(11,881)	(4,178)	–	–	(71,132)
Written back through the disposal of a subsidiary	–	14	–	759	–	–	–	773
At 31 December 2021	(132)	(2,387)	(81,971)	(15,289)	(4,941)	–	–	(104,720)
Charge for the year	(42)	(2,907)	(52,577)	(11,583)	(7,958)	(288)	(152)	(75,507)
Impairment loss *(note (ii))*	–	(999)	–	(2,563)	–	–	–	(3,562)
At 31 December 2022	(174)	(6,293)	(134,548)	(29,435)	(12,899)	(288)	(152)	(183,789)
Net book value:								
At 31 December 2022	244	6,400	144,115	5,930	60,141	74,212	36,248	327,290
At 31 December 2021	286	9,212	96,310	20,076	38,699	–	–	164,583

12 INTANGIBLE ASSETS (continued)

Note:

(i) During the year ended 31 December 2022, the Group entered into several agreements with independent third parties, pursuant to which, the Group agreed to acquire exclusive rights for certain medical devices and drugs at consideration of RMB99,935,000 (2021: RMB61,100,000).

(ii) During the year ended 31 December 2022, the Group decided to close a subsidiary with an internet medical license and software, and assessed that the intangible assets can no longer generate future economic benefits. As a result, the carrying amount of the intangible assets were written down to their recoverable amount of $nil. An impairment loss of RMB3,562,000 (2021: RMB0) was recognised in the other net gains.

(iii) On 28 May 2021, the Group entered into a sale and purchase agreement to acquire 100% equity interest in Zhejiang Jijia Pharmaceutical Technology Co., Ltd. ("**Zhejiang Jijia**") at a total consideration of RMB27,420,000 (note 30) and the transaction was completed in June 2021. Zhejiang Jijia held an exclusive right for distributing a brand medicine in authorized districts. The transaction is accounted for as acquisition of assets, rather than a business combination, given that no sales teams with necessary skills, knowledge or experience to perform the distribution activities were transferred and therefore no substantive process was acquired in the transaction. Further details of the net assets acquired are set out in note 30.

13 GOODWILL

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Cost:		
At 1 January	**25,625**	19,017
Acquisitions through business combination *(note 30)*	**62,608**	7,002
Decrease through the disposal of a subsidiary	**—**	(394)
At 31 December	**88,233**	25,625
Accumulated impairment loss:		
At 1 January	**—**	—
Impairment loss	**(2,253)**	—
At 31 December	**(2,253)**	—
Carrying amount:		
At 31 December	**85,980**	25,625

13 GOODWILL (continued)

Impairment tests for goodwill

For purpose of impairment testing, goodwill acquired through business combination (note 30) was allocated to respective cash-generating units (CGUs) representing the lowest level within the Group at which the relevant goodwill is monitored for internal management purpose and not larger than operating segment. The significant CGUs and allocated goodwill are set out as follows:

	At 31 December	
	2022 **RMB'000**	2021 RMB'000
Polifarma (Nanjing) Co., Ltd. ("**Polifarma**")	**37,870**	—
Hangzhou Zhimin Pharmaceutical Chain Co., Ltd. ("**Hangzhou Zhimin**")	**18,692**	—
Jiangsu Xinwange Medical Technology Co., Ltd. ("**Jiangsu Xinwange**")	**8,337**	8,337
Yinbang Insurance Brokerage Co., Ltd. ("**Yinbang Insurance**")	**8,033**	8,033
Zhejiang Qilian Medicine Co., Ltd. ("**Zhejiang Qilian**")	**6,015**	6,015
Zhejiang Xiening Medicine Co., Ltd. ("**Zhejiang Xiening**")	**5,650**	—
Shanghai Yitong Culture Media Co., Ltd. ("**Shanghai Yitong**")	**2,253**	2,253

The Group completed the business acquisition of Polifarma in December 2022 at a consideration of RMB101.7 million. The fair value of assets acquired and liabilities assumed at the acquisition date are disclosed in note 30.

Impairment tests based on fair value less costs of disposal calculations

As at 31 December 2022, the recoverable amounts of the CGUs, Hangzhou Zhimin and Shanghai Yitong, were determined based on fair value less costs of disposal calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period, and pre-tax discount rate of 15.5% and 22.5% respectively. Cash flows beyond the five-year period are extrapolated using an estimated weighted average growth rate at 2%. The cash flows and discount rate reflect assumptions that market participants would use when pricing the relevant CGUs. Key assumptions include estimated sales growth rate and discount rate. The management determined these key assumptions based on past performance and expectation on market development.

The managements of the Group determined that the advertising business scale of Shanghai Yitong will be reduced in the foreseeable future and the Group will principally focus on the provision of hospitals and pharmacies supplies, digital marketing services and online consultation and prescriptions, etc. Accordingly, an impairment loss of RMB2,253,000 (2021: RMB0) was recognized in 2022.

The following sensitivity analysis on the CGU, Hangzhou Zhimin demonstrates no goodwill impairment required. If estimated sales growth rate decreased 1.12% or discount rate increased 1.01% and all the other variables were held constant, the CGU remaining headroom will be removed.

(Expressed in Renminbi unless otherwise indicated)

13 GOODWILL (continued)

Impairment tests based on value-in-use calculations

As at 31 December 2022, the recoverable amounts of the CGUs, Jiangsu Xinwange, Yinbang Insurance, Zhejiang Qilian, and Zhejiang Xiening, and as at 31 December 2021, the recoverable amounts of the CGUs Jiangsu Xinwange, Yinbang Insurance, Zhejiang Qilian, and Shanghai Yitong, were determined based on value-in-use calculations ("**VIU**"). These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using an estimated weighted average growth rate. The growth rates used do not exceed the long-term average growth rates for the business in which the CGU operates.

Key assumptions in the value-in-use calculations of the above CGUs as at 31 December 2022 and 2021 are set out as follows:

	At 31 December 2022			
	Jiangsu Xinwange	Yinbang Insurance	Zhejiang Qilian	Zhejiang Xiening
Long-term growth rate	2.0%	2.0%	2.0%	2.0%
Pre-tax discount rate	12.8%	21.8%	13.0%	13.0%

	At 31 December 2021			
	Jiangsu Xinwange	Yinbang Insurance	Shanghai Yitong	Zhejiang Qilian
Long-term growth rate	3.0%	3.0%	3.0%	3.0%
Pre-tax discount rate	12.6%	21.1%	22.5%	12.7%

With regard to the assessment of the VIU of the above CGUs, the directors of the Company believe that any reasonably possible change in any of the above key assumptions would not cause the carrying value, including goodwill, of the CGUs to exceed the recoverable amounts as at 31 December 2022 and 2021.

14 OTHER NON-CURRENT ASSETS

The other non-current assets mainly represent the amounts already paid to acquire the property, plant and equipment, and intangible assets as at 31 December 2022.

(Expressed in Renminbi unless otherwise indicated)

15 INVESTMENTS IN SUBSIDIARIES

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

Company name	Place and date of incorporation/ establishment	Particulars of issued/ paid-up capital	Proportion of ownership interest Held by the Company	Held by the subsidiaries	Principal activities
Directly held					
ClouDr Group HK Limited	Hong Kong 4 September 2015	HKD1	100%	–	Investment holding
Indirectly held					
91health Shanghai Limited 上海運臻網絡科技有限公司*	PRC 24 November 2015	USD6,500,000	–	100%	Sale of products
Hangzhou Kangsheng Health Management Consultant Co., Ltd. 杭州康晟健康管理諮詢有限公司*	PRC 9 December 2014	RMB10,100,000	–	100%	Provision of SaaS services, digital marketing services, sale and marketing of products
Shandong Guoyitang Pharmaceutical Chain Co., Ltd. 山東國一堂大藥房連鎖有限公司*	PRC 1 August 2014	RMB10,000,000	–	100%	Sales of pharmaceutical products and medical devices
Shanghai Kangmeng Health Management Consultation Co., Ltd. 上海康檬健康管理諮詢有限公司*	PRC 22 January 2015	RMB5,000,000	–	100%	Rendering of digital marketing services
Jiangsu Xinwange Medical Technology Co., Ltd. 江蘇新萬格醫療科技有限公司*	PRC 11 October 2018	RMB30,000,000	–	55%	Sales of pharmaceutical products and medical devices
Chongqing Medical Public Creditability Medicine Wholesale Co., Ltd. 重慶醫藥公信網藥品批發有限公司*	PRC 13 July 2015	RMB22,650,000	–	51%	Sales of pharmaceutical products and medical devices
Zhejiang Qilian Medicine Co., Ltd. 浙江啟聯醫藥有限公司*	PRC 8 May 2003	RMB20,000,000	–	55%	Sales of pharmaceutical products and medical devices

(Expressed in Renminbi unless otherwise indicated)

15 INVESTMENTS IN SUBSIDIARIES (continued)

Company name	Place and date of incorporation/ establishment	Particulars of issued/ paid-up capital	Proportion of ownership interest Held by the Company	Proportion of ownership interest Held by the subsidiaries	Principal activities
Polifarma (Nanjing) Co., Ltd. 寶利化(南京)製藥有限公司*	PRC 8 February 2002	RMB90,351,902.78	–	62%	Production and sales of pharmaceutical products
Held through Contractual Arrangements					
Hangzhou Kangming Information Technology Co., Ltd. 杭州康明信息技術有限公司*	PRC 11 December 2020	RMB24,000,000	–	100%	Provision of internet and e-commerce services
Yinchuan Zhiyun Internet Hospital Co., Ltd. 銀川智雲互聯網醫院有限公司*	PRC 12 July 2017	Nil	–	100%	Providing pharmacy SaaS solution
Yinbang Insurance Brokerage Co., Ltd. 銀邦保險經紀有限公司*	PRC 5 September 2011	RMB50,000,000	–	100%	Distribution of insurance companies' products

* The official name of this entity is in Chinese. The English name is for identification purpose only.

All companies comprising the Group have adopted 31 December as their financial year end date.

16 FINANCIAL ASSETS MEASURED AT FAIR VALUE THOUGH PROFIT OR LOSS

The Group

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

The Company

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Financial products issued by financial institutions		
— Fund management products	**256,194**	—

As at 31 December 2022, the Group's financial products mainly represent various financial products issued by commercial banks in PRC and other financial institutions in Hong Kong, Cayman Islands and British Virgin Islands., with expected annual rates of return ranging from 1.21% to 6.23% (2021:2%) and will mature within one year. The analysis on the fair value measurement of the above financial assets is disclosed in note 29(d).

17 INVENTORIES

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

(Expressed in Renminbi unless otherwise indicated)

17 INVENTORIES (continued)

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

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

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

18 TRADE AND BILLS RECEIVABLES

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

18 TRADE AND BILLS RECEIVABLES (continued)

(a) Ageing analyses

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

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

All the trade and bills receivables are expected to be recovered within one year. Further details on the Group's credit policy and credit risk are set out in note 29(a).

(b) Impairment of trade receivables

Movement in the loss allowance account in respect of trade receivables during each reporting period is as follows:

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Balance at 1 January	**15,800**	13,082
Impairment losses recognised	**27,663**	2,718
At the end of the year	**43,463**	15,800

19 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

The Group

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

Notes:

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

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

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

20 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents comprise:

	At 31 December	
	2022	2021
	RMB'000	RMB'000
The Group		
Cash at bank and on hand	**374,044**	1,225,497
Less: Time deposits with initial term over three months	**50,000**	—
Less: restricted bank deposits for payable insurance premium *(note 22)*	**74,370**	134,922
Cash and cash equivalent	**249,674**	1,090,575
The Company		
Cash at bank and on hand	**2,629**	53,556

The restricted bank deposits for payable insurance premium represents the cash collected from the insured on behalf of insurance companies but not yet remitted to the insurance companies as of 31 December 2022 and 2021.

20 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (continued)

(b) Reconciliation of loss before taxation to cash used in operations

	Note	**2022 RMB'000**	2021 RMB'000
Loss before taxation		**(1,693,643)**	(4,155,507)
Adjustments for:			
Impairment loss on trade receivables		**39,530**	2,718
Write down of inventories	*6(c)*	**1,078**	2,134
Depreciation	*6(c)*	**26,435**	15,409
Amortisation	*6(c)*	**75,507**	71,132
Loss on disposal of property, plant and equipment		**1,715**	751
Impairment loss of goodwill		**2,253**	—
Impairment loss of intangible assets		**3,562**	—
Net gain on disposal of a subsidiary	*5*	**—**	(618)
Changes in fair value of financial liabilities		**1,087,874**	3,397,634
Interest expense	*6(a)*	**7,028**	9,269
Interest on lease liabilities	*6(a)*	**993**	338
Interest income from other financial assets	*5*	**(10,873)**	(8,397)
Issuance cost of financial liabilities at FVTPL	*6(a)*	**—**	51,554
Equity-settled share-based payment expenses	*6(b)*	**188,722**	222,619
Changes in working capital:			
Increase in inventories		**(85,459)**	(16,012)
Increase in trade and bills receivables and other receivables		**(309,973)**	(213,946)
(Decrease)/increase in trade and other payables and accrued expenses		**(39,914)**	118,027
Increase/(decrease) in contract liabilities		**5,981**	(28,143)
Decrease/(increase) in restricted bank deposits	*20(a)*	**60,552**	(134,922)
Cash used in operations		**(638,632)**	(665,960)

20 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (continued)

(c) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

	Bank and other loans RMB'000 *(note 24)*	Financial liabilities at FVTPL RMB'000 *(note 26)*	Lease Liabilities RMB'000 *(note 25)*	Other payables and accrued expenses RMB'000 *(note 22)*	Total RMB'000
At 1 January 2022	114,383	8,907,708	8,923	1,000	9,032,014
Changes from financing cash flows:					
Proceeds from bank and other loans	178,507	–	–	–	178,507
Advances from a non-controlling shareholder of the Group	–	–	–	4,291	4,291
Advances from third parties and staffs	–	–	–	22,334	22,334
Repayment of bank and other loans	(160,268)	–	–	–	(160,268)
Interest expenses paid	(7,028)	–	–	–	(7,028)
Payment of capital element of lease liabilities	–	–	(13,061)	–	(13,061)
Payment of interest element of lease liabilities	–	–	(993)	–	(993)
Total changes from financing cash flows	11,211	–	(14,054)	26,625	23,782
Exchange adjustments	–	526,638	–	–	526,638
Other changes:					
Increase in lease liabilities from entering into new leases during the year	–	–	24,363	–	24,363
Interest expenses *(note 6(a))*	7,028	–	993	–	8,021
Changes in fair value	–	1,087,874	–	–	1,087,874
Conversion of convertible redeemable preferred shares	–	(10,522,220)	–	–	(10,522,220)
Addition through acquisition of subsidiaries *(note 30)*	59,921	–	11,203	–	71,124
Disposal	–	–	(589)	–	(589)
Total other changes	66,949	(9,434,346)	35,970	–	(9,331,427)
At 31 December 2022	192,543	–	30,839	27,625	251,007

20 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (continued)

(c) Reconciliation of liabilities arising from financing activities (continued)

	Bank and other loans RMB'000 *(note 24)*	Financial liabilities at FVTPL RMB'000 *(note 26)*	Lease Liabilities RMB'000 *(note 25)*	Other payables and accrued expenses RMB'000 *(note 22)*	Total RMB'000
At 1 January 2021	203,511	4,478,160	6,555	—	4,688,226
Changes from financing cash flows:					
Proceeds from bank and other loans	370,256	—	—	—	370,256
Advances from a non-controlling shareholder of the Group	—	—	—	7,300	7,300
Repayment of bank and other loans	(476,599)	—	—	—	(476,599)
Repayment to a non-controlling shareholder of the Group	—	—	—	(6,300)	(6,300)
Interest expenses paid	(9,269)	—	—	—	(9,269)
Proceeds from issuance of convertible redeemable preferred shares	—	1,397,456	—	—	1,397,456
Payment of redemption of convertible redeemable preferred shares and convertible loans	—	(222,471)	—	—	(222,471)
Payment of capital element of lease liabilities	—	—	(8,694)	—	(8,694)
Payment of interest element of lease liabilities	—	—	(338)	—	(338)
Total changes from financing cash flows	(115,612)	1,174,985	(9,032)	1,000	1,051,341
Exchange adjustments	—	(149,231)	—	—	(149,231)
Other changes:					
Increase in lease liabilities from entering into new leases during the year	—	—	12,529	—	12,529
Interest expenses	9,269	—	338	—	9,607
Changes in fair value	—	3,397,634	—	—	3,397,634
Changes of amounts due from investors in relation to issuance of convertible redeemable preferred shares and convertible loans	—	(1,957)	—	—	(1,957)
Changes of payables for repurchase of convertible redeemable preferred shares	—	8,117	—	—	8,117
Addition through acquisition of subsidiaries *(note 30)*	17,215	—	—	—	17,215
Disposal	—	—	(1,467)	—	(1,467)
Total other changes	26,484	3,403,794	11,400	—	3,441,678
At 31 December 2021	114,383	8,907,708	8,923	1,000	9,032,014

20 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (continued)

(d) Total cash outflow for leases

Amounts included in the cash flow statement for leases comprise the following:

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Lease rentals paid in financing cash flows	**14,054**	9,032

21 TRADE PAYABLES

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

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

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

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

22 OTHER PAYABLES AND ACCRUED EXPENSES

The Group

	At 31 December	
	2022	2021
	RMB'000	RMB'000
Salary and welfare payables	**81,202**	86,041
Payables for flexible staffs	**183,858**	124,203
VAT payable and other tax payables	**6,844**	9,928
Payables for acquiring of subsidiaries and exclusive rights	**18,888**	13,420
Refund liabilities	**21,024**	18,424
Payables for listing expenses	**2,042**	25,333
Advance from non-controlling shareholders of the Group	**5,291**	1,000
Advance from third parties and staffs	**22,334**	—
Payables for issuance cost of convertible redeemable preferred shares	**12,536**	13,477
Payables for Insurance premium *(note 20(a))*	**74,370**	134,922
Deposits and others	**31,481**	29,807
	459,870	456,555

The Company

	At 31 December	
	2022	2021
	RMB'000	RMB'000
Payables for issuance cost of convertible redeemable preferred shares	**12,536**	13,477
Payables for listing expenses	**2,042**	25,333
	14,578	38,810

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

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

23 CONTRACT LIABILITIES

	At 31 December	
	2022	2021
	RMB'000	RMB'000
Sales of pharmaceuticals, consumables, medical devices and miscellaneous	**30,419**	16,675
Providing services	**69,157**	76,918
	99,576	93,593

Contract liabilities primarily arises from relates to the considerations received from customers before the Group satisfying performance obligations. It would be recognized as revenue upon the rendering of goods and services.

24 BANK AND OTHER LOANS

Analysis of the carrying value of bank and other loans is as follows:

	At 31 December	
	2022	2021
	RMB'000	RMB'000
Bank loans		
— Guaranteed by a subsidiary of the Group and related parties *(note (i))*	**5,000**	—
— Guaranteed by a subsidiary of the Group	**132,278**	69,963
— Guaranteed by related parties *(note (ii))*	**—**	10,420
— Guaranteed by third parties *(note (iii))*	**—**	25,000
— Secured by bills receivables	**50,000**	9,000
	187,278	114,383
Other loans from third parties:		
— Secured by the Group's manufacturing equipment	**5,265**	—
Total	**192,543**	114,383

Notes:

(i) These bank loans were guaranteed by 91health Shanghai Limited or Hangzhou Kangsheng Health Management Consulting Co., Ltd. and jointly guaranteed by Mr Kuang Ming and his spouse.

(ii) As at 31 December 2021, these bank loans were guaranteed by the ultimate beneficial owners of the Group's non-controlling shareholder.

(iii) These bank loans were guaranteed by third party guarantee companies and jointly guaranteed by Mr Kuang Ming and his spouse.

As at 31 December 2022 and 2021, the bank and other loans were repayable within 1 year or on demand.

25 LEASE LIABILITIES

As at 31 December 2022 and 2021, the lease liabilities were repayable as follows:

	At 31 December			
	2022		2021	
	Present value of the minimum lease payments RMB'000	**Total minimum lease payments RMB'000**	Present value of the minimum lease payments RMB'000	Total minimum lease payments RMB'000
Within 1 year	**11,228**	**12,299**	4,123	4,447
After 1 year but within 2 years	**9,226**	**10,145**	2,674	2,842
After 2 years but within 5 years	**10,385**	**11,020**	2,126	2,184
	19,611	**21,165**	4,800	5,026
	30,839	**33,464**	8,923	9,473
Less: total future interest expenses		**(2,625)**		(550)
Present value of lease liabilities		**30,839**		8,923

26 FINANCIAL LIABILITIES AT FVTPL

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

26 FINANCIAL LIABILITIES AT FVTPL (continued)

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

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

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

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

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

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

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

26 FINANCIAL LIABILITIES AT FVTPL (continued)

(b) Convertible loans

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

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

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

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

Valuation

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

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

(Expressed in Renminbi unless otherwise indicated)

26 FINANCIAL LIABILITIES AT FVTPL (continued)

(b) Convertible loans (continued)

Valuation (continued)

Key valuation assumptions are set as below:

	At 31 December 2021
WACC	17.00%
DLOM	6.00%

27 EQUITY-SETTLED SHARE-BASED PAYMENT

(a) Pre-IPO equity Incentive plans

The Group granted share-based awards to qualified directors and employees pursuant to the 2015 Global Share Plan ("**the Plan**"), which was adopted in August 2015. The qualified participants of the Plan are required to satisfy certain vesting service for the entitlement. The share options granted are generally vested on the grant date or over a one-year period on condition that employees remain in service without any performance requirements or four-year period on condition that employees remain in service without any performance requirements, under which an employee is entitled to vest in 25% of his option grants annually thereafter of completed service. Options granted typically expire in 10 years from the respective grant dates.

In July 2021, the Company appointed Prime Forest Assets Limited ("**Prime Forest**") as the holding company to hold the ordinary shares of the Company on trust for "the Plan", according to which the options previously granted to relevant employees and directors that are not cancelled and forfeited as of 6 August 2021 were replaced by Restricted Share Units ("**RSUs**", collectively with options as "**equity instruments**"). There were no modification of terms or conditions when converted to RSUs which had increased the fair value of the equity instruments granted and such arrangement was accounted for as the continuance of the original share options. Accordingly, there were no financial impact as a result of such replacement.

The Group recognise share-based payments expenses in its consolidated statements of profit or loss based on awards ultimately expected to vest.

27 EQUITY-SETTLED SHARE-BASED PAYMENT (continued)

(a) Pre-IPO equity Incentive plans (continued)

The number and weighted average exercise prices of RSUs during 2022 are as follows:

	Year ended 31 December 2022	
	Weighted average exercise price RMB	**Number of equity instruments '000**
Outstanding at the beginning of the year	**1.63**	**70,368**
Vested and transferred during the year	**0.01**	**(11,059)**
Forfeited during the year	**3.42**	**(867)**
Granted during the year	**1.13**	**3,123**
Outstanding at the end of the year	**0.01**	**61,565**

The fair value of the RSUs was determined based on the difference between the closing market price of the Company's shares that are publicly traded on the Stock Exchange at the grant date and the price of the RSUs payable by the grantee. The weighted average grant date fair value of these RSUs granted during 2022 is RMB11.70 per share unit.

Pursuant to a board resolution in October 2022 and an announcement to employees in December 2022, certain level employees' exercise price of RSUs were waived which resulted in an incremental fair value of RSUs. The incremental fair value is the difference between the fair values as measured immediately before and after the modification. The Group recognise the incremental fair value over the remaining modified vesting period, of which RMB52.9 million was recognised in 2022.

The number and weighted average exercise prices of options during 2021 are as follows:

	Year ended 31 December 2021	
	Weighted average exercise price RMB	Number of equity instruments '000
Outstanding at the beginning of the year	1.00	58,812
Vested and transferred during the year	0.53	(10,925)
Forfeited during the year	1.95	(1,807)
Granted during the year	2.69	24,288
Outstanding at the end of the year	1.63	70,368
Exercisable at the end of the year	0.82	30,833

(Expressed in Renminbi unless otherwise indicated)

27 EQUITY-SETTLED SHARE-BASED PAYMENT (continued)

(a) Pre-IPO equity Incentive plans (continued)

The fair value of the share options granted is measured based on a binominal model. The assumptions of the binominal model on the dates of grant are as following:

	Year ended 31 December 2021
Fair value of equity instruments and assumptions	
Fair value at measurement date	USD0.90 ~ USD3.08
Expected volatility (expressed as weighted average volatility used in the modelling under equity allocation model)	48.28% ~ 48.66%
Exercise multiple	2.20x ~ 2.80x
Expected dividends	0%
Risk-free interest rate	1.7% ~ 2.0%

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility based on publicly available information. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

The equity instruments outstanding as at 31 December 2022 and 2021 had weighted average remaining contractual life of 6.67 years (2021: 7.63 years), respectively.

(b) Post-IPO share award scheme

The Post-IPO share award scheme was adopted on 10 June 2022. Under the Post-IPO share award scheme, the restricted share units ("**RSUs**") granted by the Company are subject to pro rata vesting over a four-year period, with one-fourth of such RSUs vesting on each anniversary of the date of the grant, or two-year period, with one-second of such RSUs vesting on each anniversary of the date of the grant, subject to the grantees continuing to be employed by, or continuing to provide services to, the Group on the applicable vesting date.

The expiration date for subscription of the RSUs is 10 years from the grant date.

27 EQUITY-SETTLED SHARE-BASED PAYMENT (continued)

(b) Post-IPO share award scheme (continued)

The number and movements of RSUs are as follows:

	Year ended 31 December 2022	
	Weighted average exercise price RMB	Number of RSUs '000
Outstanding at the beginning of the year	–	–
Granted during the year	0.01	13,093
Outstanding at the end of the year	0.01	13,093

As at 31 December 2022, all the RSUs remained unvested. The fair value of the RSUs was determined based on the difference between the closing market price of the Company's shares that are publicly traded on the Stock Exchange of Hong Kong at the grant date and the price of the RSUs payable by the grantee. The weighted average grant date fair value of these RSUs granted on 30 December 2022 is RMB11.98 per share unit. The remaining contract life of these RSUs are 10 years.

28 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity for the years ended 31 December 2022 and 2021 are set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual component of equity are set out below:

The Company

	Share capital RMB'000	Treasury share reserve RMB'000	Capital reserve RMB'000	Share-based payments reserve RMB'000	Other reserve RMB'000	Exchange reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
Balance at 1 January 2021	56	–	146,888	117,304	–	79,919	(2,275,789)	(1,931,622)
Changes in equity for 2021:								
Total comprehensive income for the year	–	–	–	–	–	93,266	(3,689,248)	(3,595,982)
Issuance of ordinary shares *(note 28(c)(i))*	47	–	–	–	–	–	–	47
Treasury shares *(note 28(d)(i))*	–	(47)	–	–	–	–	–	(47)
Equity-settled share-based payment *(note 27)*	–	–	–	222,619	–	–	–	222,619
Exercise of the share options *(note 27)*	7	–	55,094	(49,316)	–	–	–	5,785
Issued share options as subsidiary acquisition consideration *(note 30)*	–	–	–	–	2,546	–	–	2,546
Balance at 31 December 2021	**110**	**(47)**	**201,982**	**290,607**	**2,546**	**173,185**	**(5,965,037)**	**(5,296,654)**
Changes in equity for 2022:								
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**(220,767)**	**(1,125,509)**	**(1,346,276)**
Issuance of shares by initial public offering, net of transaction costs *(note 28(c)(i))*	**13**	**–**	**472,020**	**–**	**–**	**–**	**–**	**472,033**
Treasury shares *(note 28(d)(i))*	**–**	**(40,288)**	**–**	**–**	**–**	**–**	**–**	**(40,288)**
Conversion of convertible redeemable preferred shares *(note 26)*	**268**	**–**	**10,521,952**	**–**	**–**	**–**	**–**	**10,522,220**
Equity-settled share-based payment *(note 6(b))*	**–**	**–**	**–**	**188,722**	**–**	**–**	**–**	**188,722**
Restricted share units vested and transferred *(note 27)*	**–**	**7**	**85,809**	**(85,715)**	**–**	**–**	**–**	**101**
Balance at 31 December 2022	**391**	**(40,328)**	**11,281,763**	**393,614**	**2,546**	**(47,582)**	**(7,090,546)**	**4,499,858**

28 CAPITAL, RESERVES AND DIVIDENDS (continued)

(b) Dividends

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

(c) Share capital

Authorized

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

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

(i) Issued share capital

	31 December 2022		31 December 2021	
	Number of shares	Share capital RMB'000	Number of shares	Share capital RMB'000
Ordinary shares, issued and fully paid:				
At 1 January	170,085,661	110	85,830,926	56
Issuance of shares by initial public offering *(note (i))*	19,000,000	13	—	—
Conversion of convertible redeemable preferred shares	397,952,558	268	—	—
Issuance of shares to exercise share options *(note 27)*	—	—	10,925,100	7
Issuance of shares to Prime Forest *(note 28(d)(i))*	—	—	73,329,635	47
At 31 December	587,038,219	391	170,085,661	110

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

28 CAPITAL, RESERVES AND DIVIDENDS (continued)

(d) Nature and purpose of reserves

(i) Treasury share reserve

The treasury share reserve represents the shares held by employee share trust, Prime Forest Assets Limited ("**Prime Forest**"), controlled by the Company for the equity settled share-based payment plan (note 27). As the Company has power to govern the relevant activities of Prime Forest and can derive benefits from the contributions of the eligible employees who are awarded with the shares under the equity settled share-based payment plan, the directors of the Company consider that it is appropriate to regard Prime Forest as a branch of the Company. As at 31 December 2022, the 63,911,991 ordinary shares of the Company hold by Prime Forest were presented as treasury shares.

(ii) Capital reserve

The capital reserve comprises the capital contribution from the equity holders of the Group's subsidiaries and the excess of the total proceeds received from the Company share issuance over the total par value of shares issued.

(iii) Share-based payments reserve

The share-based payments reserve represents the portion of the grant date fair value of share option and the difference between the granted price and the fair value of the restricted share units (note 27) granted to the directors and employees of the Group that has been recognised in accordance with the accounting policy adopted for share-based payments in note 2(r)(ii).

(iv) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations of the Company and certain subsidiaries within the Group. The reserve is dealt with in accordance with the accounting policies set out in note 2(v).

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade receivables.

The Group's exposure to credit risk arising from cash and cash equivalents and bills receivables is limited because the counterparties are banks and financial institutions with good credit standing, for which the Group considers to have low credit risk. Deposits, advances due from third parties, purchase rebate with suppliers and amounts due from staffs in relation to share-based payment and others have been classified as other receivables. For the purposes of internal credit risk management, the Group has applied the general approach in IFRS 9 to measure the loss allowance at 12-month ECLs unless there is a significant increase in credit risk since initial recognition. The Group determines the expected credit losses for these assets by assessment of probability of default, loss given default and exposure at default. As at 31 December 2022 and 2021, in view of the nature of these balances and historical settlement record, the Group considers that the provision of ECL allowance for these assets was appropriate.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. The receivables from the five largest debtors at 31 December 2022 and 2021 represented 30% and 35% of the total trade receivables respectively, while 10% and 11% of the total trade receivables were due from the largest single debtor respectively.

Individual credit evaluations are performed on all customers who have high credit risk such as litigation issues. These evaluations focus on the customers' past history of making payments when due and current ability to pay and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases. The Group will normally grant credit term of 0–270 days to its customers.

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(a) Credit risk (continued)

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables:

	At 31 December 2022					
	Gross carrying amount RMB'000	Provision on individual basis RMB'000	Carrying amount after individual provision	ECL rates	ECLs RMB'000	Loss allowance RMB'000
Current (not past due)	627,547	–	627,547	0.7%	(4,356)	(4,356)
0 – 3 months past due	113,177	–	113,177	5.1%	(5,721)	(5,721)
4 – 6 months past due	18,777	–	18,777	18.1%	(3,395)	(3,395)
7 – 9 months past due	6,286	(11)	6,275	32.5%	(2,037)	(2,048)
10 – 12 months past due	17,347	(11,680)	5,667	41.9%	(2,374)	(14,054)
More than 1 year past due	13,889	(4,557)	9,332	100%	(9,332)	(13,889)
	797,023	(16,248)	780,775		(27,215)	(43,463)

	At 31 December 2021					
	Gross carrying amount RMB'000	Provision on individual basis RMB'000	Carrying amount after individual provision	ECL rates	ECLs RMB'000	Loss allowance RMB'000
Current (not past due)	361,399	(11)	361,388	0.7%	(2,683)	(2,694)
0 – 3 months past due	68,998	(622)	68,376	2.3%	(1,558)	(2,180)
4 – 6 months past due	30,162	–	30,162	5.9%	(1,775)	(1,775)
7 – 9 months past due	11,021	–	11,021	18.1%	(1,996)	(1,996)
10 – 12 months past due	9,366	–	9,366	41.1%	(3,851)	(3,851)
More than 1 year past due	3,304	(3,304)	–	100%	–	(3,304)
	484,250	(3,937)	480,313		(11,863)	(15,800)

Expected loss rates are based on actual loss experience over the past 12 months. These rates are adjusted to reflect differences between economic conditions during the year over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(b) Liquidity risk

The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities of the Group's non-derivative financial liabilities as at 31 December 2022 and 2021, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay:

	As at 31 December 2022					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Carrying amount at 31 December RMB'000
Bank and other loans	194,213	–	–	–	194,213	192,543
Trade payables	120,800	–	–	–	120,800	120,800
Other payables and accrued expenses	459,870	–	–	–	459,870	459,870
Lease liabilities *(note 25)*	12,299	10,145	11,020	–	33,464	30,839
	787,182	10,145	11,020	–	808,347	804,052

	As at 31 December 2021					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Carrying amount at 31 December RMB'000
Bank and other loans	115,337	–	–	–	115,337	114,383
Trade payables	67,763	–	–	–	67,763	67,763
Other payables and accrued expenses	456,555	–	–	–	456,555	456,555
Financial liabilities at FVTPL	8,907,708	–	–	–	8,907,708	8,907,708
Lease liabilities *(note 25)*	4,447	2,842	2,184	–	9,473	8,923
	9,551,810	2,842	2,184	–	9,556,836	9,555,332

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from cash at banks, financial products issued by financial institutions, bank and other loans and lease liabilities. Instruments bearing interest at variable rates and fixed rates expose the Group to cashflow interest rate risk and fair value interest rate risk respectively. The Group regularly reviews its strategy on interest rate risk management in the light of the prevailing market condition. The Group's interest rate risk profile as monitored by management is set out in below.

The following table details the interest rate profile of the Group's financial assets and liabilities as at 31 December 2022 and 2021.

(i) Interest rate risk profile

	31 December 2022		31 December 2021	
	Weighted average interest rate %	**RMB'000**	Weighted average interest rate %	RMB'000
Fix rate borrowings:				
Lease liabilities	**4.45%**	**(30,839)**	4.75%	(8,923)
Bank and other loans	**4.10%**	**(192,543)**	4.24%	(114,383)
		(223,382)		(123,306)
Variable rate instruments:				
Cash at bank		**249,674**		1,090,575
Restricted bank deposits		**74,370**		134,922
Financial assets measured at FVTPL		**423,501**		28,000
		747,545		1,253,497
Net exposure		**524,163**		1,130,191

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(c) Interest rate risk (continued)

(ii) Sensitivity analysis

At 31 December 2022, it is estimated that a general increase/decrease of 100 basis points (2021: 100 basis points) in interest rates, with all other variables held constant, would have decreased/increased the Group's loss after tax and accumulated losses by approximately RMB5,607,000 (2021: decreased/increased RMB9,401,000).

The sensitivity analysis above indicates the instantaneous change in the Group's loss after tax (and accumulated losses) and other components of consolidated equity that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of the reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the reporting period, the impact on the Group's loss after tax (and accumulated losses) and other components of consolidated equity is estimated as an annualised impact on interest expense or income of such a change in interest rates.

(d) Fair value measurement

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured as at 31 December 2022 and 2021 on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(d) Fair value measurement (continued)

(i) ***Financial assets and liabilities measured at fair value*** (continued)

Fair value hierarchy (continued)

The Group has engaged AVISTA Group Limited, an external valuer to perform valuations for the financial instruments, including convertible redeemable preferred shares and convertible loans issued to investors. A valuation report with analysis of changes in fair value measurement is prepared by the team as at 31 December 2021, and is reviewed and approved by the management.

	Fair value at 31 December 2022	Fair value measurements as at 31 December 2022 categorised into		
		Level 1	Level 2	Level 3
	RMB'000	RMB'000	RMB'000	RMB'000
Recurring fair value measurements				
Financial assets:				
Wealth management products	**45,399**	**–**	**–**	**45,399**
Fund management products	**378,102**	**–**	**–**	**378,102**

	Fair value at 31 December 2021	Fair value measurements as at 31 December 2021 categorised into		
		Level 1	Level 2	Level 3
	RMB'000	RMB'000	RMB'000	RMB'000
Recurring fair value measurements				
Financial asset:				
Wealth management products	28,000	–	–	28,000
Financial liability:				
Convertible redeemable preferred shares *(note 26)*	8,907,708	–	–	8,907,708

For the years ended 31 December 2022 and 2021, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

(Expressed in Renminbi unless otherwise indicated)

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(d) Fair value measurement (continued)

(i) ***Financial assets and liabilities measured at fair value*** (continued)

Information about Level 3 fair value measurements

(aa) Financial assets at FVTPL

The Group has a team headed by the finance manager performing valuation for financial products issued by financial institutions which are categorized into Level 3 of the fair value hierarchy. The team reports directly to the head of finance department. A valuation analysis of changes in fair value measurement is prepared by the team periodically, and is reviewed and approved by the head of finance department.

Below is a summary of significant unobservable inputs to the valuation of these financial products issued by financial institutions together with a quantitative sensitivity analysis as at 31 December 2022 and 2021:

	Valuation techniques	Significant unobservable inputs
Financial products issued by financial institutions	Discounted cash flow method	expected return rate

The financial assets measured at FVTPL were investment in wealth management products and investment in fund management products that usually held from several days up to one year. The increase of estimated weighted average expected return rates will lead to the higher fair value of the financial products. If the estimated weighted expected average return rates had increased/decreased by 0.5% with all other variables held constant, the Group's loss before income tax for the years ended 31 December 2022, would have been approximately RMB894,397 and RMB445,082 lower/higher respectively. As at 31 December 2021, The management of the Group considers the Group's exposure of wealth management products to expected return rate is not significant due to short maturity period. Therefore, no sensitivity analysis was presented.

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(d) Fair value measurement (continued)

(i) *Financial assets and liabilities measured at fair value* (continued)

Information about Level 3 fair value measurements (continued)

(aa) Financial assets at FVTPL (continued)

The movements for the years ended 31 December 2022 and 2021 in the balance of Level 3 fair value measurements are as follows:

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Financial products issued by financial institutions *(note 16)*:		
At January 1	**28,000**	—
Additions in investments	**419,911**	28,000
Disposal of financial assets	**(35,283)**	(8,397)
Net realised and unrealised gains or losses recognised in profit or loss during the year *(note 5)*	**10,873**	8,397
At 31 December	**423,501**	28,000

(bb) Financial liabilities at FVTPL

The Group's convertible redeemable preferred shares are categorized into Level 3 hierarchy.

Please refer to note 26 for the valuation method and key assumptions adopted in the determination of the fair value of convertible redeemable preferred shares. The quantitative sensitivity analysis are set out below. It is estimated that with all other variables held constant, an increase/decrease in the respective parameter would have impacts on the Group's total comprehensive income for the year ended 31 December 2021.

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(d) Fair value measurement (continued)

(i) *Financial assets and liabilities measured at fair value* (continued)

Information about Level 3 fair value measurements (continued)

(bb) Financial liabilities at FVTPL (continued)

Quantitative sensitivity analysis on the fair value changes of the convertible redeemable preferred shares estimated applying DCF model as at 31 December 2021 are set out below:

	Group's total comprehensive income At 31 December 2021 RMB'000
1% increase in WACC	979,454
1% decrease in WACC	(1,279,553)
5% increase in DLOM	395,458
5% decrease in DLOM	(419,927)

(ii) *Fair value of financial assets and liabilities carried at other than fair value*

The carrying amounts of the Group's financial instruments carried at cost were not materially different from their fair values as at 31 December 2022 and 2021.

30 ACQUISITION OF SUBSIDIARIES

(a) Business combination

(i) 2022 business combination

In 2022, the Company complete six acquisitions, including 100% equity interest of Polifarma (Nanjing) Co., Ltd. ("**Polifarma**"), 60% equity interest of Zhejiang Xiening Medicine Co., Ltd. ("**Zhejiang Xiening**"), 80% equity interest of Hefei Mingxiang Biotechnology Co., Ltd. ("**Hefei Mingxiang**"), 100% equity interest of Hangzhou Zhimin Medicine Co., Ltd. ("**Hangzhou Zhimin**"), 100% equity interest of Nanjing Xinlu Trading Co., Ltd. ("**Nanjing Xinlu**") and 100% equity interest of Xuzhou Hailin Medical Instruments Co., Ltd. ("**Xuzhou Hailin**"). The six acquisitions expanded the Group's retail pharmacy business, medicines distribution business and pharmaceutical business.

The following table summarises the total consideration transferred, and the total fair value of assets acquired, and liabilities assumed at the Polifarma acquisition date in December 2022:

	Identifiable assets acquired and liabilities assumed RMB'000
Intangible assets *(note 12)*	110,900
Property, plant and equipment *(note 11)*	45,830
Cash and cash equivalents	8,631
Trade receivables	17,957
Inventories	11,844
Prepayments and other receivables	32,910
Trade payables	(2,049)
Other payables and accrued expenses	(74,251)
Bank and other loans	(55,265)
Deferred tax liabilities	(32,678)
Net identifiable assets and liabilities	63,829
Add: Goodwill arising from the acquisition *(note 13)*	37,870
Total consideration	101,699
Satisfied by:	
Cash consideration	101,699

30 ACQUISITION OF SUBSIDIARIES (continued)

(a) Business combination (continued)

(i) ***2022 business combination*** (continued)

Analysis of the cash flows in respect of the Polifarma acquisitions is as follows:

	Year ended 31 December 2022 RMB'000
Cash paid by the Group	101,699
Less: Cash and cash equivalents acquired	8,631
Net cash outflow in respect of the acquisition	93,068

The following table summarises the total consideration transferred, and the total fair value of assets acquired and liabilities assumed for other business acquisition at related acquisition dates in 2022:

	Identifiable assets acquired and liabilities assumed RMB'000
Intangible assets *(note 12)*	30,123
Property, plant and equipment *(note 11)*	14,310
Cash and cash equivalents	2,876
Trade receivables	39,430
Inventories	17,660
Prepayments and other receivables	3,999
Trade payables	(26,705)
Other payables and accrued expenses	(19,833)
Contract liabilities	—
Bank and other loans	(4,656)
Deferred tax liabilities	(7,440)
Lease liabilities	(11,203)
Net identifiable assets and liabilities	38,561
Less: Non-controlling interests	10,221
Add: Goodwill arising from the acquisition *(note 13)*	24,738
Total consideration	53,078
Satisfied by:	
Cash consideration	53,078
Consideration payable	—
Fair value of share options issued by the Company	—

30 ACQUISITION OF SUBSIDIARIES (continued)

(a) Business combination (continued)

(i) 2022 business combination (continued)

Analysis of the cash flows in respect of the other business acquisitions for the year ended 31 December 2022 is as follows:

	Year ended 31 December 2021 RMB'000
Cash paid by the Group	53,078
Less: Cash and cash equivalents acquired	2,876
Net cash outflow in respect of the acquisition	50,202

Since the acquisition dates in 2022, the five subsidiaries except Polifarma contributed RMB167,132,130 to the Group's revenue and RMB1,638,094 to the consolidated profit for the year ended 31 December 2022. If the acquisitions had occurred on 1 January 2021, consolidated revenue and consolidated loss for the year ended 31 December 2022 would have been RMB3,045,353,428 and RMB1,694,385,572 respectively.

Since the acquisition dates in 2022, Polifarma contributed RMB0 to the Group's revenue and RMB365,767 to the consolidated loss for the year ended 31 December 2022. If the acquisitions had occurred on 1 January 2021, consolidated revenue and consolidated loss for the year ended 31 December 2022 would have been RMB3,005,878,024 and RMB1,707,481,520 respectively.

(ii) 2021 business combination

In 2021, the Company complete two acquisitions, including 51% equity interest of Shanghai Borunao Information Technology Co., Ltd. ("**Shanghai Borunao**") and 55% equity interest of Zhejiang Qilian Medicine Co., Ltd. The two acquisitions expanded the Group's retail pharmacy business and medicines distribution business. The consideration of acquiring Shanghai Borunao is immediately vested share options granted to the vendors entitled to purchase 150,000 shares of the Company.

30 ACQUISITION OF SUBSIDIARIES (continued)

(a) Business combination (continued)

(ii) ***2021 business combination*** (continued)

The following table summarises the total consideration transferred, and the total fair value of assets acquired and liabilities assumed at the business acquisition dates in 2021:

	Identifiable assets acquired and liabilities assumed RMB'000
Intangible assets *(note 12)*	34,914
Property, plant and equipment *(note 11)*	1,801
Cash and cash equivalents	5,724
Trade receivables	47,638
Inventories	37,707
Prepayments and other receivables	26,848
Trade payables	(50,071)
Other payables and accrued expenses	(30,177)
Contract liabilities	(1,000)
Bank and other loans	(17,215)
Deferred tax liabilities	(8,050)
Lease liabilities	—
Net identifiable assets and liabilities	48,119
Less: Non-controlling interests	21,775
Add: Goodwill arising from the acquisition *(note 13)*	7,002
Total consideration	33,346
Satisfied by:	
Cash consideration	22,000
Consideration payable	8,800
Fair value of share options issued by the Company	2,546

30 ACQUISITION OF SUBSIDIARIES (continued)

(a) Business combination (continued)

(ii) ***2021 business combination*** (continued)

Analysis of the cash flows in respect of the business acquisitions for the year ended 31 December 2021 is as follows:

	Year ended 31 December 2021 RMB'000
Cash paid by the Group	22,000
Less: Cash and cash equivalents acquired	5,724
Net cash outflow in respect of the acquisition	16,276

Since the acquisition dates in 2021, the two subsidiaries contributed RMB217,461,651 to the Group's revenue and RMB5,601,966 to the consolidated profit for the year ended 31 December 2022. If the acquisitions had occurred on 1 January 2021, consolidated revenue and consolidated loss for the year ended 31 December 2021 would have been RMB1,843,801,544 and RMB4,152,539,519 respectively.

The acquisition-related costs were not significant and had been charged to general and administrative expenses in the consolidated statements of comprehensive income for the year ended 31 December 2022 and 2021.

The material assets in this transaction include customer relationship, license and exclusive right, pharmaceutical distribution rights, technology and know-how. The valuation technique used for measuring the fair value of technology and know-how acquired is relief-from-royalty, which is based on the discounted estimated royalty payments that are expected to be avoided as a result of the technology and know-how being owned. The valuation technique used for measuring the fair value of the other intangible assets are multi-period excess earnings method ("**MEEM**"), which is based on the present value of net cash flows expected to be generated by the underlying intangible assets, by excluding any cash flows related to contributory assets.

The fair value measurement of customer relationship, license and exclusive right fall into level 3 of the fair value hierarchy.

30 ACQUISITION OF SUBSIDIARIES (continued)

(b) Asset acquisition

On 28 May 2021, the Group entered into a sale and purchase agreement to acquire 100% equity interest in Zhejiang Jijia at a total consideration of RMB27,420,000. Zhejiang Jijia held an exclusive right for distributing a brand medicine in authorized districts. The transaction is accounted for as acquisition of assets, rather than a business combination, given that no sales teams with necessary skills, knowledge or experience to perform the distribution activities were transferred and therefore no substantive process was acquired in the transaction. The net cash outflow in respect of the asset acquisition for the year ended 31 December 2021 is RMB27,420,000.

31 MATERIAL RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the company's directors as disclosed in note 8 and certain of the highest paid employees as disclosed in note 9, is as follows:

	Year ended 31 December	
	2022 **RMB'000**	2021 RMB'000
Salaries and other emoluments	**18,131**	4,164
Discretionary bonuses	**18,422**	1,809
Retirement scheme contributions	**228**	189
Share based payment expenses	**130,781**	127,276
	167,562	133,438

Total remuneration is included in "staff costs" (see note 6(b)).

(b) Transaction with related parties

In addition to the transactions disclosed elsewhere in the Historical Financial Information, the Group has entered into the following material related party transactions during the Track Record Period:

	At 31 December	
	2022 **RMB'000**	2021 RMB'000
Guarantees provided by related parties on the Group's bank and other loans at the end of the reporting period	**–**	10,420
Advance from non-controlling shareholders of the Group	**4,291**	7,300
Repayment to non-controlling shareholders of the Group	**–**	6,300

31 MATERIAL RELATED PARTY TRANSACTIONS (continued)

(b) Transaction with related parties (continued)

The related parties that provided guarantees include Mr Kuang Ming and his spouse and the ultimate beneficial owners of the non-controlling shareholders of subsidiaries, as disclosed in note 24. The guarantees provided by Mr Kuang Ming and his spouse have been released as at 31 October 2021. The remaining guarantees provided by the ultimate beneficial owners of the Group's non-controlling shareholders will be released in March and August 2022 respectively in accordance with related agreements. The directors do not expect to release the guarantees ahead of the agreed schedule.

(c) Balances with related parties

The outstanding balances arising from the above transactions as at the end of each of the Track Record Period are as follows:

The Group

	At 31 December	
	2022	2021
	RMB'000	RMB'000
Non-trade in nature:		
Amounts due from Mr. Kuang Ming in relation to share-based payment	**–**	11,877
Amounts due from Ms. Xu Lili in relation to share-based payment	**–**	192
Amounts due to a non-controlling shareholder of the Group	**5,291**	1,000

The Company

	At 31 December	
	2022	2021
	RMB'000	RMB'000
Non-trade in nature:		
Amounts due from Mr. Kuang Ming in relation to share-based payment	**–**	11,877
Amounts due from Ms. Xu Lili in relation to share-based payment	**–**	192

The balances with related parties are unsecured and non-trade in nature. Amounts due from Mr Kuang Ming and Ms Xu Lili in relation to share-based payment have been waived in 2022 by the board of directors which were taken as a non-monetary employee benefits.

32 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	2022 RMB'000	2021 RMB'000
Non-current assets			
Investments in subsidiaries	*15*	**704,615**	518,438
Receivable due from subsidiaries		**3,550,998**	3,065,801
		4,255,613	3,584,239
Current assets			
Receivable due from related parties	*31(c)*	**–**	12,069
Financial assets measured at fair value through profit or loss	*16*	**256,194**	–
Cash and cash equivalents	*20*	**2,629**	53,556
		258,823	65,625
Current liabilities		**–**	–
Other payables and accrued expenses	*22*	**14,578**	38,810
Financial liabilities at FVTPL	*26*	**–**	8,907,708
		14,578	8,946,518
NET ASSETS/(LIABILITIES)		**4,499,858**	(5,296,654)
Capital and reserves			
Share capital	*28(c)*	**391**	110
Reserves	*28(d)*	**4,499,467**	(5,296,764)
TOTAL EQUITY/(DEFICIT)		**4,499,858**	(5,296,654)

Approved and authorised for issue by the board of directors on 22 March 2023

Kuang Ming
Director

Zhang Saiyin
Director

(Expressed in Renminbi unless otherwise indicated)

33 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2022

Up to the date of issue of these financial statements, the IASB has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2022 and which have not been adopted in the these financial statements. These developments include the following which may be relevant to the group.

	Effective for accounting periods beginning on or after
IFRS 17, Insurance contracts	1 January 2023
Amendments to IAS 1, Presentation of financial statements: Classification of liabilities as current or non-current	1 January 2023
Amendments to IAS 1, Presentation of financial statements and IFRS Practice Statement 2, Making materiality judgements: Disclosure of accounting policies	1 January 2023
Amendments to IAS 8, Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates	1 January 2023
Amendments to IAS 12, Income taxes: Deferred tax related to assets and liabilities arising from a single transaction	1 January 2023

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

Financial Summary

Condensed consolidated statements of comprehensive income

	Years ended 31 December			
	2022	2021	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**2,988,056**	1,756,731	839,123	524,438
Gross profit	**792,100**	570,024	232,756	61,570
Operating loss	**-591,563**	-695,911	-836,682	-180,991
Loss before income tax	**-1,693,643**	-4,155,507	-2,897,855	-565,376
Loss for the year	**-1,692,221**	-4,153,193	-2,896,889	-565,389

Condensed consolidated balance sheets

	As at 31 December			
	2022	2021	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets	**585,966**	226,421	154,795	35,987
Current assets	**2,248,462**	2,281,732	1,532,547	1,126,115
Total assets	**2,834,428**	2,508,153	1,687,342	1,162,102
Non-current liabilities	**69,036**	19,159	12,812	1,704
Current liabilities	**884,017**	9,644,125	5,067,748	2,032,220
Total liabilities	**953,053**	9,663,284	5,080,560	2,033,924
Total equity/(deficit)	**1,881,375**	-7,155,131	-3,393,218	-871,822

Definitions

"91health Hangzhou"	91health Hangzhou Limited* (杭州智雲匯醫科技有限公司), a wholly foreign owned enterprise established in the PRC on December 30, 2020 and a wholly-owned subsidiary of our Company
"Audit Committee"	the audit committee of the Board
"Board"	the board of Directors
"Close associate"	has the meaning ascribed to it under the Listing Rules
"China" or "PRC"	the People's Republic of China and for the purposes of this annual report only, except where the context requires otherwise, excluding Hong Kong, the Macao Special Administrative Region of the People's Republic of China and Taiwan
"Chengdu Zhiyun Internet Hospital"	Chengdu Zhiyun Internet Hospital Co., Ltd.* (成都智雲互聯網醫院有限公司), a company incorporated in the PRC on June 18, 2021 and a subsidiary of our Company
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company", "our Company", or "the Company"	ClouDr Group Limited (formerly known as "91health Group Limited"), an exempted company with limited liability incorporated in the Cayman Islands on August 24, 2015, with its Shares listed on the Main Board of the Stock Exchange on July 6, 2022 (stock code: 9955)
"Consolidated Affiliated Entity(ies)"	collectively, Hangzhou Kangming and its subsidiaries, Chengdu Zhiyun Internet Hospital and Tianjin Zhiyun, the financial accounts of which have been consolidated and accounted for as if they were subsidiaries of our Company by virtue of the Contractual Arrangements
"Contractual Arrangement(s)"	the series of contractual arrangements entered into between, among others, 91health Hangzhou, Hangzhou Kangming and its subsidiaries, and the Registered Shareholders, as detailed in the section headed "Contractual arrangements" in the Prospectus
"Corporate Governance Code"	the Corporate Governance Code set out in Appendix 14 to the Listing Rules, as amended, supplemented or otherwise modified from time to time
"Director(s)"	the director(s) of our Company
"FVTPL"	fair value through profit or loss
"Global Offering"	the Hong Kong Public Offering and the International Offering as defined and described in the Prospectus

"Group", "we" or "us"	the Company, its subsidiaries, and the Consolidated Affiliated Entities (the financial results of which have been consolidated and accounted for as subsidiaries of our Company by virtue of the Contractual Arrangements) from time to time, and where the context requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time
"Hangzhou Kangming"	Hangzhou Kangming Information Technology Co., Ltd.* (杭州康明信息技術有限公司), a company established in the PRC with limited liability on December 11, 2020 and a Consolidated Affiliated Entity
"HK" or "Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"IFRS"	International Financial Reporting Standards, as issued from time to time by the International Accounting Standards Board
"Latest Practicable Date"	April 24, 2023, being the latest practicable date for ascertaining certain information in this annual report before its publication
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange
"Listing Date"	July 6, 2022, the date on which the Shares were listed on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the GEM of the Stock Exchange
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
"Mr. Kuang"	Mr. Kuang Ming (匡明), our founder, executive Director, chairman and chief executive officer
"Over-allotment Option"	has the meaning ascribed to it in the Prospectus
"Post-IPO Share Award Scheme"	the post-IPO share award scheme approved and adopted by our Company on June 10, 2022
"Pre-IPO Equity Incentive Scheme"	the pre-IPO equity incentive scheme approved and adopted by our Company on August 24, 2015
"Prospectus"	the prospectus of the Company dated June 23, 2022

Definitions

"Registered Shareholders"	the registered shareholders of Hangzhou Kangming from time to time; the current registered shareholders are identified in the section headed "Contractual Arrangements" of the Prospectus
"Reporting Period"	the year ended December 31, 2022
"RMB"	Renminbi, the lawful currency of China
"SaaS"	software as a service
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Shareholder(s)"	holder(s) of the Share(s)
"Share(s)"	Ordinary share(s) in the share capital of our Company, currently with a par value of US$0.00001 each
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary" or "subsidiaries"	has the meaning ascribed thereto in section 15 of the Companies Ordinance
"Scheme Administrator"	administrator of the Pre-IPO Equity Incentive Scheme
"Tianjin Zhiyun"	Tianjin Zhiyun Comprehensive Clinic Co., Ltd.* (天津智雲綜合門診有限公司), a company established in the PRC with limited liability on March 26, 2021, and a Consolidated Affiliated Entity
"United States" "U.S." or "US"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"US$"	United States dollars, the lawful currency of the United States
"Yinbang Insurance Brokerage"	Yinbang Insurance Brokerage Co., Ltd.* (銀邦保險經紀有限公司), a company established in the PRC with limited liability on September 5, 2011 and a Consolidated Affiliated Entity
"%"	per cent

The English names of the PRC entities, PRC laws or regulations, and the PRC governmental authorities referred to in this annual report are translations from their Chinese names and are for identification purposes only.