ClouDr Group Limited
智雲健康科技集團*

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 9955

Interim Report
2023

* 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 Place of Business in Hong Kong

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Registered Office

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Compliance Adviser

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Company website

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Financial Summary

	Six months ended June 30		
	2023	2022	
	RMB'000	RMB'000	Change (%)
	(Unaudited)	(Unaudited)	
Revenue	**1,802,564**	1,379,723	30.6
Gross profit	**473,569**	386,014	22.7
Operating loss	**(154,309)**	(263,941)	(41.5)
Loss for the period	**(159,576)**	(1,234,679)	(87.1)
Adjusted net loss (non-IFRS measure)[1]	**(58,863)**	(147,977)	(60.2)

	Six months ended June 30		
	2023	2022	
	RMB'000	RMB'000	Change (%)
	(Unaudited)	(Unaudited)	
Revenue by segment	**1,802,564**	1,379,723	30.6
— In-hospital Solution	**1,404,032**	1,079,609	30.1
Subscription Solution	**271,999**	264,990	2.6
Value Added Solution	**1,132,033**	814,619	39.0
— Pharmacy Solution	**325,032**	205,778	58.0
Subscription Solution	**27,928**	25,710	8.6
Value Added Solution	**297,104**	180,068	65.0
— Individual Chronic Condition Management Solution and Others	**73,500**	94,336	(22.1)
Revenue by sub-segment	**1,802,564**	1,379,723	30.6
— Subscription Solution	**299,927**	290,700	3.2
— Value Added Solution	**1,429,137**	994,687	43.7
— Individual Chronic Condition Management Solution and Others	**73,500**	94,336	(22.1)

Note:

(1) 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 expenses, (iii) listing expenses, and (iv) expense related to subsidiaries' equity financing activities.

Business Review and Outlook

Overview

We are the largest digital chronic condition management solution provider in China, in terms of numbers of SaaS (Software as a Service) installations in hospitals and pharmacies, each as of December 31, 2022, and numbers of online prescriptions issued through our services in 2022. As an industry pioneer and leader, ClouDr has its roots in serving and digitizing major participants in the value chain, including hospitals, pharmacies, pharmaceutical companies, patients and doctors.

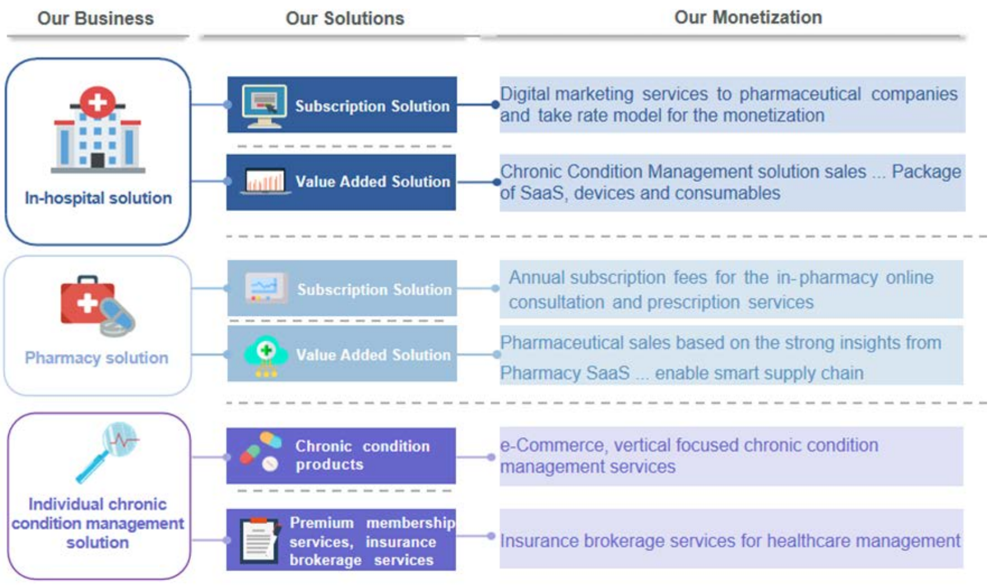
Our integrated in-and out-of-hospital solutions include (1) in-hospital solution, (2) pharmacy solution, and (3) individual chronic condition management solution.

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, sales of medical devices and consumables which can be connected to our hospital SaaS through AIoT devices, and rendering of digital marketing services leveraging our SaaS network in hospitals and our existing sales forces.

Our integrated pharmacy solution consists of pharmacy SaaS and pharmacy supplies. The pharmacy SaaS enables in-store, real-time online consultation and prescription services, identifies pharmacy supplies sales opportunities based on the insights generated from prescription services, and provides new retail and inventory management functions to empower pharmacies to improve operational efficiencies.

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

Business Review and Outlook



2023 is a crucial year for China's post-Covid economic recovery, and there is a more urgent need for healthcare reform. In March 2023, the General Office of the CPC Central Committee and the General Office of the State Council jointly released the Opinions on Further Improving the Medical and Health Care Service System, emphasizing efforts to give full play to the supporting role of information technology, accelerate the application of the Internet, blockchain, Internet of Things, artificial intelligence, cloud computing, and big data in the medical and health sector, and strengthen the establishment of big data sharing, exchange and security systems for medical and health care. The document also calls for the active utilization of the Internet, artificial intelligence and other technologies to continuously optimize the service process for the convenience of patients. Guided by the policy, digital innovation is gaining a foothold at a faster pace in the healthcare sector and making greater contributions to improve healthcare services. We believe that ClouDr is the pioneer to build digital infrastructure for the chronic condition management industry, and is the beneficiary of the development of digital economy.

During the Reporting Period, the Company made great efforts in strengthening its medical artificial intelligence ("**AI**") technology and accelerated AI applications based on two industry models, i.e., ClouD GPT and ClouD DTx, the former being used to support clinical decisions, and the latter to assist in drug and medical device development.

In respect of ClouD GPT, on June 10, 2023, the expert consensus on the "establishment and application of an Internet healthcare-related intelligence assisted prescription review system", led by the Chinese Society of Clinical Pharmacy of the Chinese Medical Association, the Clinical Pharmacy Society of the Shanghai Medical Association, and the Hospital Pharmacy Committee of the Shanghai Medical Association, and jointly developed by the Company and 35 Class III-A hospitals across China, was officially released. The expert consensus on out-of-hospital intelligent processing and outflow of digital prescriptions after diagnosis and treatment is the first of its kind in the world and fills a gap in the country, with a view to guiding the standardized development of the digital healthcare industry. Based on the experience of medical institutions in establishing prescription review systems, the expert consensus represents suggestions on the establishment and application of an Internet healthcare-related intelligence assisted prescription review system, aiming to further promote the standardization of Internet-based and digital medical diagnosis and treatment and prescription review, advocate the rational use of medicines, and ensure the diagnosis, treatment and medication safety for a vast number of users.

In respect of ClouD DTx, the Company published several articles with high research and application value. In January 2023, the Company published an article entitled "Analysis of prescription status of antihypertensive drugs in Chinese patients with hypertension based on real-world study" on the Annals of Medicine. This real-world study analyzed around 11.1 million patients who received a prescription for antihypertensive therapy between January 2021 to December 2021 and concluded that calcium channel blockers (CCBs) and angiotensin II receptor blockers (ARBs) were the two most frequently prescribed medications for patients with hypertension. The prescription pattern of antihypertensive medications in the study largely complied with recommended Chinese hypertension guidelines. In April 2023, the Company published an article entitled "Efficacy of Mobile-Based Cognitive Behavioral Therapy on Lowering Low-density Lipoprotein Cholesterol Levels in Patients With Atherosclerotic Cardiovascular Disease: Multicenter, Prospective Randomized Controlled Trial" on the Journal of Medical Internet Research. This article concluded that amongst patients with atherosclerotic cardiovascular disease (ASCVD), mobile-based cognitive behavioral therapy (CBT) is effective in reducing low-density lipoprotein cholesterol (LDL-C) levels (even for those who already had a standard LDL-C) and can improve self-efficacy and quality of life. This was the first clinical study ever published on the use of digital therapeutics (DTx) to intervene blood lipids in cardiovascular disease globally.

In the first half of 2023, we stayed committed to our "hospital first" strategy, and our business has revealed a strong growth momentum despite a relatively weak consumption recovery. For the six months ended June 30, 2023, our total revenue amounted to RMB1,802.6 million, representing a year-on-year increase of 30.6%. Our gross profit amounted to RMB473.6 million, representing a year-on-year increase of 22.7%. Our non-IFRS adjusted net loss narrowed down to RMB58.9 million, representing a significant year-on-year decrease of 60.2%, due to economies of scale.

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 seek monetization opportunities through our in-hospital solution.

Launched in 2016, our hospital ClouDr. Yihui SaaS was the first of its kind in China to digitalize and standardize the in-hospital chronic condition management process. Medical devices such as glucose meters, blood ketone meters and vital sign monitors can be connected to ClouDr. Yihui SaaS through our proprietary AIoT devices. During the Reporting Period, we continued to penetrate more hospitals and to deepen our cooperation with existing hospitals.

As of June 2023, 2,658 hospitals had installed ClouDr. Yihui SaaS, including 780 Class III public hospitals and 1,115 Class II public hospitals. Additionally, 39 out of the 780 Class III public hospitals are China’s top 100 hospitals.

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

Leveraging our hospital network and hospital SaaS, we offer pharmaceutical companies subscription services, i.e., digital marketing services, primarily for medicines related to chronic condition management. Our subscription services can help pharmaceutical companies to achieve more effective marketing in a cost-saving way. In the first half of 2023, sales of certain stock keeping units (“**SKUs**”) were negatively impacted by Covid outbreak, hence, the growth rate of our subscription services slowed to single digits. However, with the advancement of the reform of the national medical system, more and more pharmaceutical and medical device companies are paying more attention to “cost reduction and efficiency improvement”, and thus digital marketing has greater room to grow continuously. As of June 30, 2023, we had contracted with 36 pharmaceutical companies to provide them digital marketing services, which represented an increase of 56.5% as compared to that as of June 30, 2022. The total partnered SKUs reached 45 as of June 30, 2023. However, our in-hospital subscription solution experienced temporary challenges during the Reporting Period especially in the first quarter due to hospitals’ focus on Covid-19 treatment and post-Covid 19 treatment rather than chronic condition management, and the new partnered SKUs experienced significant delay. We expect the digital marketing services business to ramp up at a later stage.

The comprehensive value added solutions include 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. Whilst we expanded our hospital SaaS network, we also continued to strengthen our relationship with hospitals, such as including more departments and increasing SKUs of medical supplies. We believe our monetization model is scalable and sustainable, given that we help hospitals to fulfill their needs of patient chronic condition management more efficiently and more precisely. For the six months ended June 30, 2023, the number of hospitals which directly or indirectly purchased hospital supplies from us reached 3,152, representing an increase of 386 hospitals, or 14.0% as compared to the six months ended June 30, 2022.

Hospital SaaS significantly improved our customer stickiness for monetization opportunities. Our in-hospital solution has allowed us to successfully build deep connections with hospitals and pharmaceutical companies, laying a solid foundation to extend our businesses to out-of-hospital settings.

	Six months ended June 30		
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)	Change (%)
Revenue			
In-hospital solution	**1,404,032**	1,079,609	30.1
Subscription Solution	**271,999**	264,990	2.6
Value Added Solution	**1,132,033**	814,619	39.0
Gross profit			
In-hospital solution	**424,406**	338,131	25.5
Subscription Solution	**246,923**	237,600	3.9
Value Added Solution	**177,483**	100,531	76.5
Gross margin			
In-hospital solution	**30.2%**	31.3%	(1.1)
Subscription Solution	**90.8%**	89.7%	1.1
Value Added Solution	**15.7%**	12.3%	3.4

	Six months ended June 30		
	2023	2022	Change (%)
Number of hospital that installed our hospital SaaS[1]	**2,658**	2,490	6.7
Subscription Solution — Number of partnered pharmaceutical companies[2]	**36**	23	56.5
Subscription Solution — Number of partnered SKUs[3]	**45**	29	55.2
Value Added Solution — Number of paying hospitals	**3,152**	2,766	14.0

Notes:

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

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

(3) The number of SKUs marketed through digital marketing services during the respective period.

Pharmacy Solution

Our integrated pharmacy solution fulfills chronic condition patients' need for out-of-hospital consultation and prescription services, through pharmacy SaaS and pharmacy supplies of medical devices, consumables, pharmaceuticals and miscellaneous.

Business Review and Outlook

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 private domain traffic management such as WeChat mini programs, public domain traffic management and inventory management services. As of June 30, 2023, 200,431 pharmacies had installed ClouDr. Pharmacy, representing an increase of 7,104 pharmacies from the year ended in December 31, 2022, covering 32% of pharmacies in China.

Leveraging the data insights generated from the pharmacy SaaS prescription services, we effectively connect pharmaceutical companies and pharmacies for pharmacy supply purchases. The number of transacting customers for our pharmacy supplies amounted to 766 for the six months ended June 30, 2023, representing an increase of 264 customers, or 52.6% as compared to that for the six months ended June 30, 2022. Our pharmacy value-added solution segment sustained strong growth momentum, with revenue amounting to RMB297.1 million, representing an increase of 65.0% as compared to that for the six months ended June 30, 2022.

	Six months ended June 30		
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)	Change (%)
Revenue			
Pharmacy solution	**325,032**	205,778	58.0
Subscription Solution	**27,928**	25,710	8.6
Value Added Solution	**297,104**	180,068	65.0
Gross profit			
Pharmacy solution	**34,022**	30,874	10.2
Subscription Solution	**27,326**	24,588	11.1
Value Added Solution	**6,696**	6,286	6.5
Gross margin			
Pharmacy solution	**10.5%**	15.0%	(4.5)
Subscription Solution	**97.8%**	95.6%	2.2
Value Added Solution	**2.3%**	3.5%	(1.2)

	Six months ended June 30		
	2023	2022	Change (%)
Number of pharmacy stores that installed our pharmacy SaaS[1]	**200,431**	185,731	7.9
Value Added Solution — Number of transacting customers	**766**	502	52.6
Value Added Solution — Average revenue per transacting customer (in RMB thousands)	**388**	359	8.1

Note:

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

Individual Chronic Condition Management Solution

Our individual chronic condition management solution connects doctors and patients to enable out-of-hospital monitoring, consultation and prescription for chronic condition patients. We had over 100,000 registered doctors and approximately 29.7 million registered users as of June 30, 2023. Through our omni-channel user acquisition, i.e. doctor referrals, patient walk in pharmacy stores using our online prescription services and patient referrals, over 95% new user acquisitions were organic.

Through this solution, we strive to provide patients with convenient, efficient and comprehensive online consultation and prescription filling experience as a "anytime, anywhere" healthcare management platform, which we believe can address the long-term medical needs of chronic disease patients. We currently have three internet hospitals as part of our platform to deliver these services in compliance with relevant regulations. These internet hospitals 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 provided through our services reached 80.7 million for the six months ended June 30, 2023.

	Six months ended June 30		
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)	Change (%)
Revenue			
Individual chronic condition management solution and others	**73,500**	94,336	(22.1)
Chronic condition products	**28,193**	35,482	(20.5)
Premium membership services, insurance brokerage services and others	**45,307**	58,854	(23.0)
Gross profit			
Individual chronic condition management solution and others	**15,141**	17,009	(11.0)
Chronic condition products	**2,872**	3,833	(25.1)
Premium membership services, insurance brokerage services and others	**12,269**	13,176	(6.9)
Gross margin			
Individual chronic condition management solution and others	**20.6%**	18.0%	2.6
Chronic condition products	**10.2%**	10.8%	(0.6)
Premium membership services, insurance brokerage services and others	**27.1%**	22.4%	4.7

	Six months ended June 30		
	2023	2022	Change (%)
Number of registered users (in millions)[1]	**29.7**	26.5	12.1
Number of registered doctors (in thousands)[2]	**100.9**	94.9	6.3
Number of online prescriptions (in millions)	**80.7**	80.1	0.7

Notes:

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

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

Recent developments after the Reporting Period

At the 2023 K&G Health Growth Summit on July 21, 2023, ClouDr was honored as one of the 2023 Top 20 Most Influential Listed Enterprises in the field of intelligent healthcare by virtue of its hard power in technical barriers to products, ecological value of products, sustainable business model, among others. A list of outstanding companies in digital economy in Yuhang District, Hangzhou was unveiled on July 28, 2023. ClouDr was honored as one of the Top 10 Well-known Enterprises in Digital Economy for its outstanding performance in using innovative technology and business model, driving the development of regional health industry, boosting the growth of digital economy, etc.

On August 4, 2023, ClouDr reached a strategic cooperation with Guangdong Zhengzai Pharmaceutical Holdings Limited* (廣東正在醫藥控股有限公司). Based on their respective strengths, the two parties will carry out multi-dimensional patient service cooperation on Xiao Er Shuang Qing Ke Li (granules for children) to further increase patients' accessibility to medicines. The two parties will explore innovative patient-centric and digitization-driven service models for the medical retail industry.

Business outlook

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

In respect of 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 SaaS network in hospitals by (1) investing in product capabilities and medical know-how to deepen our partnership with hospitals; (2) increasing sales professionals with medical background to expand hospital network and hospital SaaS installation base, and (3) focusing on the partnership with pharmaceutical companies to drive further monetization through in-hospital subscription solution for digital marketing.

In respect of the pharmacy solution, we will continue to expand our pharmacy network by increasing SaaS installation base, and enriching our pharmacy product portfolio and services to meet various needs of pharmacies such as offline and online operation, membership management, inventory management, and supply chain.

In respect of the individual chronic condition management solution and others, we will continue to solidify our medical service capabilities, and attract doctors and patients to the ecosystem organically and efficiently. We focus on providing high quality and trust-worthy medical services to our users.

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

Management Discussion and Analysis

Revenues

Our revenues increased by 30.6% from approximately RMB1,379.7 million for the six months ended June 30, 2022 to approximately RMB1,802.6 million for the six months ended June 30, 2023. 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 30.1% from approximately RMB1,079.6 million for the six months ended June 30, 2022 to approximately RMB1,404.0 million for the six months ended June 30, 2023, primarily due to the increase in the number of paying hospitals and increased partnership with pharmaceutical companies to provide subscription solution to render digital marketing services. Based on the existing broad hospital penetration, we prioritize strengthening monetization by increasing the number of paying hospitals and increasing the monetization in each paying hospital. However, our in-hospital subscription solution experienced temporary challenges during the Reporting Period, especially in the first quarter, due to hospitals' focus on Covid-19 treatment and post-Covid-19 treatment rather than chronic condition management, and the new partnered SKUs experienced significant delay and we expect the digital marketing services business will ramp up in the later stage.

Pharmacy solution. Revenue from the pharmacy solution increased by 58.0% from approximately RMB205.8 million for the six months ended June 30, 2022 to approximately RMB325.0 million for the six months ended June 30, 2023, primarily due to the increase in the number of paying pharmacy stores for value added services by leveraging our enhanced supply chain capabilities, and due to strengthened monetization in the subscription services through provision of enriched types of services.

Individual chronic condition management solution and others. Revenue from individual chronic condition management solution and others decreased by 22.1% from approximately RMB94.3 million for the six months ended June 30, 2022 to approximately RMB73.5 million for the six months ended June 30, 2023, primarily due to the company's proactive optimization of the revenue structure with a focus on the monetization of the in-hospital solution and pharmacy solution. In the individual chronic condition management solution segment, we will continue to improve operation efficiency, and to provide high quality and targeted healthcare services to our users.

Cost of Sales

Our cost of sales increased by 33.7% from approximately RMB993.7 million for the six months ended June 30, 2022 to approximately RMB1,329.0 million for the six months ended June 30, 2023. The increase was generally in line with the rapid growth of our business.

Gross profit and gross margin

As a result of the foregoing, our overall gross profit for the six months ended June 30, 2022 and 2023 were approximately RMB386.0 million and approximately RMB473.6 million, respectively, and our overall gross margin for the same periods was 28.0% and 26.3%, respectively. The increase of our overall gross profit was primarily attributable to our strong business growth in the in-hospital solution and the pharmacy solution. The decrease of our overall gross margin was a result of revenue mix between the higher gross margin business such as the subscription solution and comparatively lower gross margin business such as the value added solution.

In-hospital solution. Our gross margin for the in-hospital solution decreased from 31.3% for the six months ended June 30, 2022 to 30.2% for the six months ended June 30, 2023, primarily attributable to the revenue mix between the subscription solution and the value added solution.

Pharmacy solution. Our gross margin for the pharmacy solution decreased from 15.0% for the six months ended June 30, 2022 to 10.5% for the six months ended June 30, 2023, primarily due to the revenue mix between the pharmacy subscription solution and the pharmacy value added solution, the pricing strategy on certain products in the pharmacy value added solutions and special discount for certain inventories for working capital management purposes. Based on the existing pharmacy SaaS stores and enhanced insights of the supply chain demands of those 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 for the individual chronic condition management solution and others increased from 18.0% for the six months ended June 30, 2022 to 20.6% for the six months ended June 30, 2023, primarily driven by the higher revenue contribution by the high gross margin services in the Premium membership services, insurance brokerage services and others.

Selling and marketing expenses

Our selling and marketing expenses increased by 6.7% from approximately RMB426.2 million for the six months ended June 30, 2022 to approximately RMB454.9 million for the six months ended June 30, 2023, primarily attributable to increased selling and marketing efforts to promote business growth. More than 81% of our selling and marketing expenses are staff related costs (including share-based compensation).

We enjoyed significant operating leverage and customer stickiness with high recurring purchases. The selling and marketing expense to revenue ratio decreased from 29.1% for the six months ended June 30, 2022 to 24.1% for the six months ended June 30, 2023.

Administrative expenses

Our administrative expenses slightly increased from RMB147.1 million for the six months ended June 30, 2022 to RMB147.6 million for the six months ended June 30, 2023.

The administrative expenses to revenue ratio decreased from 4.4% for the six months ended June 30, 2022 to 3.9% for the six months ended June 30, 2023.

Research and development expenses

Our research and development expenses decreased from approximately RMB79.0 million for the six months ended June 30, 2022 to approximately RMB40.4 million for the six months ended June 30, 2023. The decrease was primarily due to the continuous increased efficiency, enhanced industry know-how and shortened research and development cycles. Our hospital SaaS ClouDr. Yihui and Pharmacy SaaS have both reached maturity and require less research and development efforts. Our key strategy for research and development will continue to focus on AI technologies and digital-therapy-related medical researches for the further delivery of high value online medical services.

The research and development expense to revenue ratio decreased from 5.2% for the six months ended June 30, 2022 to 2.0% for the six months ended June 30, 2023.

Loss from operations

As a result of the foregoing, our loss from operations decreased by 41.5% from approximately RMB263.9 million for the six months ended June 30, 2022 to approximately RMB154.3 million for the six months ended June 30, 2023. The decrease was primarily due to significant revenue increase and improved operating leverage.

Finance costs

Our finance costs increased by 81.1% from approximately RMB3.6 million for the six months ended June 30, 2022 to approximately RMB6.4 million for the six months ended June 30, 2023, primarily attributable to the increase of bank loans for business growth purposes.

Change in fair value of financial liabilities

We recorded change in fair value of financial liabilities of a loss of approximately RMB967.8 million and nil for the six months ended June 30, 2022 and 2023, respectively. These losses in 2022 were due to changes in the carrying amount of convertible redeemable preferred shares. Prior to the listing of our Shares on the Stock Exchange in July 2022, our convertible redeemable preferred shares were not traded in an active market and their value at each respective reporting date was determined using valuation techniques.

Income tax

We recorded income tax of approximately RMB0.7 million and approximately RMB1.2 million for the six months ended June 30, 2022 and 2023, 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 period

As a result of the foregoing, our loss decreased by 87.1% from approximately RMB1,234.7 million for the six months ended June 30, 2022 to approximately RMB159.6 million for the six months ended June 30, 2023. The decrease was primarily due to significant revenue increase, 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 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 from, 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 expenses, (iii) listing expenses, and (iv) expense related to subsidiaries' equity financing activities.

For the six months ended June 30, 2022 and 2023, our adjusted net loss (non-IFRS measure) was approximately RMB148.0 million and approximately RMB58.9 million, respectively.

The following table sets forth the reconciliations of our non-IFRS financial measure for the six months ended June 30, 2022 and 2023 to the nearest measure prepared in accordance with IFRS:

	Six months ended June 30	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Loss for the period	**(159,576)**	(1,234,679)
Add:		
Change in fair value changes of financial liabilities(1)	**—**	967,842
Share-based compensation related items(2)	**97,211**	69,683
Listing expenses(3)	**—**	49,177
Expense related to subsidiaries' equity financing activities(4)	**3,502**	—
Adjusted net loss (non-IFRS measure)	**(58,863)**	(147,977)
Adjusted net loss margin (non-IFRS measure) (%)(5)	**(3.3)**	(10.7)

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, which was recognized as a financial liability at fair value change through profit or loss. Such changes are non-cash in nature.

(2) Share-based compensation related items relate to the share awards we offered to our employees, directors and consultants under the Pre-IPO Equity Incentive Scheme and Post-IPO Share Award 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) Expense related to subsidiaries' equity financing activities is commonly added back to IFRS measures in calculating similar non-IFRS financial measures, primarily because it represents the professional service expense in connection with the subsidiaries' equity financing and only relates to the scale of financing from investors.

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

Liquidity and capital resource

During the six months ended June 30, 2023, we funded our cash requirements principally from capital contribution from shareholders and bank loans. We had cash and cash equivalents of approximately RMB249.7 million and approximately RMB194.4 million as of December 31, 2022 and June 30, 2023, respectively. In addition, we had RMB425.0 million financial assets measured at fair value and RMB50.0 million time deposits with initial term over three months as of June 30, 2023, and those financial assets are short term and for treasury management purposes.

As of June 30, 2023, we had bank and other loans of RMB269.1 million (as of December 31, 2022: RMB192.5 million). Borrowings are classified as current liabilities and non-current liabilities. RMB254.1 million are repayable within one year and RMB15.0 million are payable over one year or on demand as of June 30, 2023. The effective annual interest rates of borrowings ranged from 3.6% to 5.5% as of June 30, 2023.

Going forward, our intention to satisfy 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 June 30, 2023) during the six months ended June 30, 2023.

Material acquisitions and disposals

The Group did not have any material acquisitions or disposals of subsidiaries, consolidated affiliated entities, associates and joint ventures for the six months ended June 30, 2023.

Pledge of assets

As at June 30, 2023, approximately RMB22.1 million of plant and buildings were pledged as security for bank and other loans (which are payable over one year) granted to the Group. Save for the above, there were no other charges on the Group's assets as at June 30, 2023.

Future plans for material investments or capital asset

As at June 30, 2023, 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 excluded financial liabilities at FVTPL by total assets. As at June 30, 2023, the gearing ratio was 35.6%, as compared with 33.6% as at December 31, 2022. The increase was primarily due to the increase of bank loan.

Foreign exchange exposure

During the six months ended June 30, 2023, the Group mainly operated in China with most of the transactions settled in RMB. The functional currency of 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. For the six months ended June 30, 2023, we had currency translation loss of approximately RMB76,000, as compared with currency translation loss of approximately RMB149,000 for the six months ended June 30, 2022. We did not hedge against any fluctuation in foreign currency during the six months ended June 30, 2022 and 2023.

Contingent liabilities

As at June 30, 2023, we did not have any material contingent liabilities (as at June 30, 2022: nil).

Indebtedness

As at June 30, 2023, the Group had bank and other loans of RMB269.1 million and lease liabilities of RMB24.7 million, as compared to RMB192.5 million and RMB30.8 million, respectively, as at December 31, 2022.

Employees and remuneration

As at June 30, 2023, the Group had a total of 1,489 employees, of which 453 employees were in Hangzhou, 152 employees were in Shanghai and 884 employees were in other offices in China. The Group also had over 2,500 flexible staffing as of June 30, 2023 to support business penetration into lower tier cities, and to access over 9,000 hospitals and over 200,000 pharmacies.

The following table sets forth the number of employees by function as at June 30, 2023:

Function	**Number of full-time employees**
Selling and marketing	1,227
Research and development	127
General and administrative	67
Others[1]	68
Total	**1,489**

[1] The total people related cost and full time staff cost exclude the costs related to the 68 employees in the manufacturing function which are included in the manufacturing cost.

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 six months ended June 30, 2023 was approximately RMB517.8 million, as compared to approximately RMB480.9 million for the six months ended June 30, 2022. The full-time staff cost incurred for the six months ended June 30, 2023 was approximately RMB283.6 million as compared to approximately RMB282.2 million for the six months ended June 30, 2022. The flexible staffing cost incurred for the six months ended June 30, 2023 was approximately RMB234.2 million as compared to approximately RMB198.7 million for the six months ended June 30, 2022.

The Company has also adopted the Pre-IPO Equity Incentive Scheme and the 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 trainings, reviews the content of the trainings, follows up with employees to evaluate the impact of such trainings 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.

Corporate Governance and Other Information

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

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

Compliance with the Corporate Governance Code

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

The Company has adopted the principles and code provisions of the Corporate Governance Code as the basis of our corporate governance practice.

During the Reporting Period, the Company has adopted and complied with all applicable code provisions set out in the Corporate Governance Code except for the deviation as set out below.

Code provision C.2.1 of the Corporate Governance Code recommends, but does not require, that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Kuang Ming 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.

Compliance with the Model Code

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 during the Reporting Period.

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 of the Listing Rules accordingly (effective from January 1, 2023).

As there was no grant made during the Reporting Period pursuant to the Post-IPO Share Award Scheme, 0 new Share, representing 0% of the weighted average number of issued Shares, may be issued in respect of all 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 on August 24, 2015. A summary of the Pre-IPO Equity Incentive Scheme is set out in the Prospectus and in the 2022 annual report of the Company.

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.

No grant was made pursuant to the Pre-IPO Equity Incentive Scheme during the Reporting Period. The total number of Shares available for grant under the Pre-IPO Equity Incentive Scheme was 705,856 Shares as of January 1, 2023 and 749,606 Shares as of June 30, 2023.

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

Grantees in category	Role	Date of grant	Vesting period	Purchase price	Unvested and untransferred RSUs as of January 1, 2023	Granted during the Reporting Period	Vested and transferred during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period	Unvested RSUs as of June 30, 2023	Weighted average closing price of the Shares immediately before the date of vesting and transferred during the Reporting Period
Directors											
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	–
Four highest paid individual (excluding Mr. Kuang) during the Reporting Period in aggregate[1]		Between 2018 and 2022	4 years	HK$0.01 per Share	25,947,715	–	5,000,000	–	–	20,947,715	HK$8.64 per Share
Other grantees in aggregate	Other employees	Between 2015 and 2022	Between immediately available and 4 years	HK$0.01 per Share to HK$18.28 per Share	28,366,785	–	8,924,965[2]	–	43,750	19,398,070	HK$7.30 per Share
Total					61,564,335	–	13,924,965	–	43,750	47,595,620	–

Notes:

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

(2) Among the 8,924,965 RSUs vested and transferred during the Reporting Period, the purchase price in respect of 7,245,529, 5,000, 490,000, 10,500, 237,500, 245,500, 403,250, 188,500 and 99,186 RSUs was HK$0.01, HK$0.08, HK$0.39, HK$0.55, HK$0.78, HK$1.96, HK$2.75, HK$3.92 and HK$6.80, respectively.

2. Post-IPO Share Award Scheme

The Post-IPO Share Award Scheme was conditionally adopted by our Company on June 10, 2022. A summary of the Post-IPO Share Award Scheme is set out in the Prospectus and in the 2022 annual report 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 subject to an annual limit of 3% of the total number of issued Shares at the relevant time.

During the Reporting Period, no Award Shares was granted to eligible participants pursuant to the Post-IPO Share Award Scheme. It follows that, as of January 1, 2023 and June 30, 2023, 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 June 30, 2023 and the Latest Practicable Date, 58,703,821 new Shares (representing approximately 10% of the issued share capital of the Company as of the Latest Practicable Date) were available for issue under the Scheme Mandate.

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 January 1, 2023	Granted during the Reporting Period	Vested during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period	Unvested Award Shares as of June 30, 2023	Weighted average closing price of the Shares immediately before the date of vesting during the Reporting Period
Employee Participants	December 30, 2022	2 or 4 years	HK$0.01 per Share	13,092,500	–	–	–	–	13,092,500	–
Total				13,092,500	–	–	–	–	13,092,500	–

CHANGE IN DIRECTORS' INFORMATION PURSUANT TO RULE 13.51B(1) OF THE LISTING RULES

Mr. Lee Kar Chung Felix ceased to act as an independent non-executive director of China Resources Medical Holdings Company Limited (a company listed on the Stock Exchange, stock code: 1515) with effect from June 13, 2023.

Dr. Hong Weili serves as an independent non-executive director for Edianyun Limited (a company listed on the Stock Exchange on May 25, 2023, stock code: 2416) with effect from May 25, 2023.

Mr. Zhang Saiyin ceased to act as a director for MINISO Group Holding Limited (a company listed on the New York Stock Exchange, stock symbol: MNSO, and the Stock Exchange, stock code: 9896) with effect from 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 of the Latest Practicable Date.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As of June 30, 2023, 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) otherwise notified to our Company and the Stock Exchange pursuant to the Model Code are set out below:

Interest in the Company

Name of Director	Nature of interest	Relevant entity	Number of Shares	Approximate % of interest[1]
Mr. Kuang[2]	Interest in a controlled corporation/ Other/Beneficial owner	Company	130,481,685(L)	22.23%

Notes:

(1) The calculation is based on the total number of 587,038,219 Shares in issue as of June 30, 2023.

(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; and (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; (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; and (iv) 34,300 Shares held by Mr. Kuang directly.

(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 June 30, 2023, none of the Directors and chief executives of the Company has any interest or short position 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) as 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 June 30, 2023, the following persons (other than the Directors and the chief executives of the Company whose interests have been disclosed in this interim 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	140,647,164(L)	23.96%
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	51,232,384(L)	8.73%
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%

Notes:

(1) The calculation is based on the total number of 587,038,219 Shares in issue as of June 30, 2023.

(2) Trident Trust Company (HK) Limited, as trustees of 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 51,232,384 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 Ming 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 Ming in the above section headed "Directors' and Chief Executives' 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. 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 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 of the Company (the "**Remuneration Committee**"), which acts as the Scheme Administrator. The Remuneration Committee comprises Dr. Hong Weili, Mr. Zhang Saiyin and Mr. Kuang Ming, with Dr. Hong Weili as chairman. As such, Mr. Kuang is not able to control the Remuneration Committee. As at the Latest Practicable Date, Ms. Mengya Liu, an employee 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, 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, CMB Financial Holdings (Shenzhen) Limited and CMB International Financial Holdings (Shenzhen) Limited is deemed to be interested in the Shares in which Shanghai Qiji Technology Partnership (Limited Partnership) 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 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 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) The letter "L" denotes the person's long position (as defined under Part XV of the SFO) in the Shares.

Save as disclosed herein, as of June 30, 2023, no person, other than the Directors and chief executives whose interests are set out in this interim report, had any interests or short positions in the Shares or underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

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 June 30, 2023.

Purpose	% of use of proceeds	Net proceeds	Unutilized amount as at December 31, 2022	Utilized during the six months ended June 30, 2023	Unutilized amount as at June 30, 2023
		HK$ million	HK$ million	HK$ million	HK$ million
Business expansion	60%	255.4	232.1	10.7	221.4
To advance our medical know-how and technology capabilities to reinforce our leadership in the digital healthcare industry	25%	106.4	97.2	5.1	92.1
To broaden our ecosystem through strategic partnerships, investments and acquisitions in other businesses that complement our organic growth strategies	5%	21.3	21.3	3.0	18.3
Working capital and general corporate purposes	10%	42.6	38.3	5.4	32.9
Total	100%	425.7	388.9	24.1	364.8

INTERIM DIVIDEND

The Board does not recommend the distribution of an interim dividend for the six months ended June 30, 2023 (for the six months ended June 30, 2022: nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended June 30, 2023, neither the Company nor any of its subsidiaries or Consolidated Affiliated Entities purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

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 Latest Practicable Date.

AUDIT COMMITTEE

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

The Audit Committee has reviewed the unaudited consolidated financial statements of the Group for the six months ended June 30, 2023 and this interim report. The Audit Committee has also 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. The Audit Committee considered that the interim financial results for the six months ended June 30, 2023 are in compliance with the relevant accounting standards, rules and regulations and appropriate disclosures have been duly made.

CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE LISTING RULES

The Directors were not aware of any circumstances resulting in the responsibility of disclosure under Rules 13.20, 13.21 and 13.22 of the Listing Rules.

Consolidated Statement of Profit or Loss

for the six months ended June 30, 2023 — unaudited
(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	Six months ended June 30	
		2023	2022
		RMB'000	RMB'000
Revenue	*3*	**1,802,564**	1,379,723
Cost of sales		**(1,328,995)**	(993,709)
Gross profit		**473,569**	386,014
Other net income		**34,015**	13,453
Selling and marketing expenses		**(454,891)**	(426,209)
Administrative expenses		**(147,598)**	(147,104)
Research and development expenses		**(40,371)**	(78,983)
Impairment loss on trade receivables and other receivables under expected credit loss model		**(19,033)**	(11,112)
Loss from operations		**(154,309)**	(263,941)
Finance costs	*4(a)*	**(6,441)**	(3,557)
Change in fair value of financial liabilities	*4(c)*	**—**	(967,842)
Loss before taxation		**(160,750)**	(1,235,340)
Income tax	*5*	**1,174**	661
Loss for the period		**(159,576)**	(1,234,679)
Attributable to:			
— Equity shareholders of the Company		**(156,002)**	(1,230,797)
— Non-controlling interests		**(3,574)**	(3,882)
Loss for the period		**(159,576)**	(1,234,679)
Loss per share	*6*		
Basic and diluted (RMB)		**(0.29)**	(11.94)

The notes on pages 37 to 55 form part of this interim financial report.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the six months ended June 30, 2023 — unaudited
(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	Six months ended June 30	
		2023 RMB'000	2022 RMB'000
Loss for the period		**(159,576)**	(1,234,679)
Other comprehensive income for the period (after tax)			
Item that is or may be reclassified subsequently to profit or loss:			
Exchange difference on translation of:			
— Financial statements of overseas subsidiaries		**16,725**	(476,115)
Total comprehensive income for the period		**(142,851)**	(1,710,794)
Attributable to:			
— Equity shareholders of the Company		**(139,277)**	(1,706,912)
— Non-controlling interests		**(3,574)**	(3,882)
Total comprehensive income for the period		**(142,851)**	(1,710,794)

The notes on pages 37 to 55 form part of this interim financial report.

Consolidated Statement of Financial Position

at June 30, 2023 — unaudited
(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	At June 30, 2023 RMB'000	At December 31, 2022 RMB'000
Non-current assets			
Property, plant and equipment	*7*	133,429	137,377
Intangible assets		288,521	327,290
Goodwill	*8*	86,469	85,980
Other non-current assets	*9*	88,222	35,319
		596,641	585,966
Current assets			
Inventories	*10*	215,835	224,809
Trade and bills receivables	*11*	789,922	758,533
Prepayments, deposits and other receivables	*12*	532,102	467,575
Financial assets measured at fair value through profit or loss (FVTPL)	*13*	424,989	423,501
Cash and cash equivalents	*14*	194,406	249,674
Restricted bank deposits		—	74,370
Time deposits with initial term over three months		50,000	50,000
		2,207,254	2,248,462
Current liabilities			
Trade payables	*15*	246,856	120,800
Other payables and accrued expenses	*16*	330,854	459,870
Contract liabilities		81,567	99,576
Bank and other loans		254,110	192,543
Lease Liabilities		11,814	11,228
		925,201	884,017
Net current assets		1,282,053	1,364,445
Total assets less current liabilities		1,878,694	1,950,411

The notes on pages 37 to 55 form part of this interim financial report.

Consolidated Statement of Financial Position

at June 30, 2023 — unaudited
(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	At June 30, 2023 RMB'000	At December 31, 2022 RMB'000
Non-current liabilities			
Bank and other loans		**15,000**	—
Lease liabilities		**12,849**	19,611
Deferred tax liabilities		**46,168**	49,425
		74,017	69,036
NET ASSETS		**1,804,677**	1,881,375
CAPITAL AND RESERVES			
Share capital	*17(b)*	**391**	391
Reserves	*17(c)*	**1,780,014**	1,848,957
Total equity attributable to equity shareholders of the Company		**1,780,405**	1,849,348
Non-controlling interests		**24,272**	32,027
TOTAL EQUITY		**1,804,677**	1,881,375

The notes on pages 37 to 55 form part of this interim financial report.

Consolidated Statement of Changes in Equity

for the six months ended June 30, 2023 — unaudited
(Expressed in thousands of Renminbi, unless otherwise stated)

	Attributable to equity shareholders of the Company									
	Share capital RMB'000 *Note 17*	Treasury share reserve RMB'000 *Note 17*	Capital reserve RMB'000 *Note 17*	Share-based payments reserve RMB'000 *Note 17*	Other reserve RMB'000	Exchange reserve RMB'000 *Note 17*	Accumulated losses RMB'000	Subtotal RMB'000	Non-controlling interests RMB'000	Total deficit RMB'000
Balance at January 1, 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 the six months ended June 30, 2022:										
Loss for the period	–	–	–	–	–	–	(1,230,797)	(1,230,797)	(3,882)	(1,234,679)
Other comprehensive income	–	–	–	–	–	(476,115)	–	(476,115)	–	(476,115)
Total comprehensive income	–	–	–	–	–	(476,115)	(1,230,797)	(1,706,912)	(3,882)	(1,710,794)
Non-controlling interests arising from acquisition of subsidiaries	–	–	–	–	–	–	–	–	10,234	10,234
Capital injection into a subsidiary by non-controlling shareholders	–	–	–	–	–	–	–	–	3,604	3,604
Equity-settled share-based payment	–	–	–	69,683	–	–	–	69,683	–	69,683
Balance at June 30, 2022	110	(47)	202,982	360,290	2,546	(207,286)	(9,133,776)	(8,775,181)	(7,223)	(8,782,404)

The notes on pages 37 to 55 form part of this interim financial report.

Consolidated Statement of Changes in Equity

for the six months ended June 30, 2023 — unaudited
(Expressed in thousands of Renminbi, unless otherwise stated)

	Attributable to equity shareholders of the Company									
	Share capital RMB'000 *Note 17*	Treasury share reserve RMB'000 *Note 17*	Capital reserve RMB'000 *Note 17*	Share-based payments reserve RMB'000 *Note 17*	Other reserve RMB'000	Exchange reserve RMB'000 *Note 17*	Accumulated losses RMB'000	Subtotal RMB'000	Non-controlling interests RMB'000	Total deficit RMB'000
Balance at January 1, 2023	391	(40,328)	11,282,763	393,614	2,546	(197,722)	(9,591,916)	1,849,348	32,027	1,881,375
Changes in equity for the six months ended June 30, 2023:										
Loss for the period	–	–	–	–	–	–	(156,002)	(156,002)	(3,574)	(159,576)
Other comprehensive income	–	–	–	–	–	16,725	–	16,725	–	16,725
Total comprehensive income	–	–	–	–	–	16,725	(156,002)	(139,277)	(3,574)	(142,851)
Non-controlling interests arising from acquisition of subsidiaries	–	–	–	–	–	–	–	–	84	84
Acquisitions of non-controlling interests	–	–	(19,735)	–	–	–	–	(19,735)	(5,265)	(25,000)
Capital injection into a subsidiary by non-controlling shareholders	–	–	–	–	–	–	–	–	1,000	1,000
Equity-settled share-based payment	–	–	–	97,211	–	–	–	97,211	–	97,211
Restricted share units vested and transferred	–	(7,257)	58,964	(58,849)	–	–	–	(7,142)	–	(7,142)
Balance at June 30, 2023	391	(47,585)	11,321,992	431,976	2,546	(180,997)	(9,747,918)	1,780,405	24,272	1,804,677

The notes on pages 37 to 55 form part of this interim financial report.

Condensed Consolidated Cash Flow Statement

for the six months ended June 30, 2023 — unaudited
(Expressed in thousands of Renminbi, unless otherwise stated)

		Six months ended June 30	
	Note	**2023**	2022
		RMB'000	RMB'000
Operating activities			
Cash used in operations		**(52,123)**	(434,340)
Income tax paid		**(2,226)**	(1,734)
Net cash used in operating activities		**(54,349)**	(436,074)
Investing activities			
Interest income received from other financial assets		**—**	211
Proceeds from disposal of property, plant and equipment		**667**	340
Net proceeds from sales/(payment for purchase) of financial assets measured at FVTPL		**22,204**	(26,548)
Repayment of advances to third parties		**100**	7,651
Disposal of a subsidiary		**—**	1,300
Acquisition of non-controlling interest		**(3,500)**	—
Acquisition of subsidiaries, net of cash acquired		**(263)**	(38,737)
Payment for purchase of property, plant and equipment, intangible assets and other non-current assets		**(58,309)**	(27,640)
Payment for prior year acquisition of subsidiaries		**(4,620)**	(8,800)
Advances to a non-controlling shareholder of the Group		**(5,078)**	(5,000)
Advances to third parties		**(12)**	(500)
Net cash used in investing activities		**(48,811)**	(97,723)

Condensed Consolidated Cash Flow Statement

for the six months ended June 30, 2023 — unaudited
(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	Six months ended June 30	
		2023 **RMB'000**	2022 RMB'000
Financing activities			
Proceeds from bank and other loans		**174,697**	49,831
Capital injection from non-controlling interests in a subsidiary		**1,000**	3,604
Repayment of bank and other loans		**(102,376)**	(110,619)
Interest expense paid		**(4,569)**	(2,189)
Repayment of advance from a non-controlling shareholder of the Group		**(4,241)**	—
Repayment of advance from third parties and staffs		**(10,806)**	—
Advances from a non-controlling shareholder of the Group		**200**	—
Payment of capital element of lease liabilities		**(6,829)**	(5,570)
Payment of interest element of lease liabilities		**(664)**	(306)
Issuance cost of convertible redeemable preferred shares and the proposed issuance of new shares		**—**	(2,031)
Net cash generated from/(used in) financing activities		**46,412**	(67,280)
Net decrease in cash and cash equivalents		**(56,748)**	(601,077)
Cash and cash equivalents at January 1		**249,674**	1,090,575
Effect of foreign exchange rate changes		**1,480**	32,839
Cash and cash equivalents at June 30		**194,406**	522,337

Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

1 BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard ("**IAS**") 34, *Interim financial reporting*, issued by the International Accounting Standards Board ("**IASB**"). It was authorised for issue on August 18, 2023.

The interim financial report has been prepared in accordance with the same accounting policies in the 2022 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2023 annual financial statements. Details of any changes in accounting policies are set out in note 2(a).

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2022 financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards ("**IFRSs**").

The financial information relating to the financial year ended December 31, 2022 that is included in the interim financial report as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements.

2 CHANGES IN ACCOUNTING POLICIES

(a) New and amended IFRSs

The Group has applied the following new and amended IFRSs issued by the IASB to this interim financial report for the current accounting period:

- IFRS 17, Insurance contracts
- Amendments to IAS 8, Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates
- Amendments to IAS 12, Income taxes: Deferred tax related to assets and liabilities arising from a single transaction
- Amendments to IAS 12, Income taxes: International tax reform — Pillar Two model rules

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in these financial statements. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

(Expressed in thousands of Renminbi, unless otherwise stated)

3 REVENUE AND SEGMENT REPORTING

(a) Revenue from contracts with customers

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.

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

	Six months ended June 30	
	2023	2022
	RMB'000	RMB'000
Type of goods or services:		
In-hospital solution		
Value added solution	**1,132,033**	814,619
Subscription solution	**271,999**	264,990
Pharmacy solution		
Value added solution	**297,104**	180,068
Subscription solution	**27,928**	25,710
Individual chronic condition management solution and others		
Chronic condition products	**28,193**	35,482
Premium membership services, insurance brokerage services and others	**45,307**	58,854
	1,802,564	1,379,723
Timing of revenue recognition:		
Point in time	**1,774,387**	1,349,958
Over time	**28,177**	29,765
	1,802,564	1,379,723

(Expressed in thousands of Renminbi, unless otherwise stated)

3 REVENUE AND SEGMENT REPORTING (continued)

(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 reporting periods presented.

4 LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

(a) Finance costs

	Six months ended June 30	
	2023	2022
	RMB'000	RMB'000
Interest expenses	**5,266**	3,089
Interest on lease liabilities	**664**	306
Other financial cost	**511**	162
	6,441	3,557

(b) Staff costs

	Six months ended June 30	
	2023	2022
	RMB'000	RMB'000
Salaries, wages and other benefits	**177,410**	199,806
Contributions to defined contribution retirement plan *(i)*	**8,971**	12,687
Equity-settled share-based payment expenses	**97,211**	69,683
	283,592	282,176

Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

4 LOSS BEFORE TAXATION (continued)

(b) Staff costs (continued)

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

	Six months ended June 30	
	2023	2022
	RMB'000	RMB'000
Amortisation of intangible assets	**41,673**	39,050
Depreciation expenses	**18,555**	9,948
Listing expenses	**–**	49,177
Change in fair value of financial liabilities	**–**	967,842
Cost of inventories	**1,261,046**	915,359

5 INCOME TAX

	Six months ended June 30	
	2023	2022
	RMB'000	RMB'000
Current tax expense		
Provision for PRC income tax for the period	**2,084**	1,743
Deferred tax expense		
Reversal of temporary differences	**(3,258)**	(2,404)
	(1,174)	(661)

5 INCOME TAX (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 six months ended June 30, 2023 and 2022.

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 reporting periods.

6 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 RMB156 million (six months ended June 30, 2022: RMB1,231 million) and the weighted average of 532,223,000 ordinary shares (six months ended June 30, 2022: 103,059,000 ordinary shares) in issue during the interim period.

(b) Diluted earnings per share

The convertible redeemable preferred shares and the restricted share units 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.

Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

7 PROPERTY, PLANT AND EQUIPMENT

(a) Right-of-use assets

During the six months ended June 30, 2023, the Group entered into a number of lease agreements for use of offices, warehouses and retail stores, and therefore recognized the additions to right-of-use assets of RMB2 million (six months ended June 30, 2022: RMB18 million).

(b) Acquisitions and disposal of owned assets

During the six months ended June 30, 2023, the Group acquired items of electronic equipment and machinery, office equipment, motor vehicles and leasehold improvement with a cost of RMB16 million (six months ended June 30, 2022: RMB12 million). Motor vehicles, machinery and electronic equipment with a net book value of RMB729,927 were disposed of during the six months ended June 30, 2023 (six months ended June 30, 2022: RMB756,503), resulting in a loss on disposal of RMB87,593 (six months ended June 30, 2022: RMB416,032). As of June 30, 2023, approximately RMB22.1 million of plant and buildings were pledged as security for bank and other loans which are payable over one year.

8 GOODWILL

	At June 30, 2023 RMB'000	At December 31, 2022 RMB'000
Cost		
Balance at January 1	88,233	25,625
Acquisitions through business combination	489	62,608
Balance at June 30/December 31	88,722	88,233
Impairment losses		
Balance at January 1	(2,253)	—
Impairment losses	—	(2,253)
Balance at June 30/December 31	(2,253)	(2,253)
Carrying amounts		
Balance at January 1	85,980	25,625
Balance at June 30/December 31	86,469	85,980

(Expressed in thousands of Renminbi, unless otherwise stated)

9 OTHER NON-CURRENT ASSETS

The other non-current assets mainly represent the amounts already paid to acquire the property, plant and equipment, other business operation and intangible assets as at June 30, 2023 and December 31, 2022.

10 INVENTORIES

	At June 30, 2023 RMB'000	At December 31, 2022 RMB'000
Finished goods	215,835	224,809

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

	Six months ended June 30	
	2023 RMB'000	2022 RMB'000
Carrying amount of inventories sold	1,261,046	915,359

11 TRADE AND BILLS RECEIVABLES

	At June 30, 2023 RMB'000	At December 31, 2022 RMB'000
Trade receivables	823,986	797,023
Less: Loss allowance	(43,303)	(43,463)
	780,683	753,560
Bills receivables	9,239	4,973
	789,922	758,533

(Expressed in thousands of Renminbi, unless otherwise stated)

11 TRADE AND BILLS RECEIVABLES (continued)

(a) Aging analysis

As of the end of each reporting period, the aging 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 June 30, 2023 RMB'000	At December 31, 2022 RMB'000
Within 3 months	**746,917**	733,943
4 to 6 months	**24,843**	17,058
7 to 12 months	**18,232**	7,532
	789,992	758,533

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

(b) Impairment of trade receivables

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

	Six months ended June 30	
	2023 RMB'000	2022 RMB'000
Balance at January 1	**43,463**	15,800
Impairment losses recognised	**14,909**	7,535
Write-off	**(15,069)**	—
At the end of the period	**43,303**	23,335

(Expressed in thousands of Renminbi, unless otherwise stated)

12 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	At June 30, 2023 RMB'000	At December 31, 2022 RMB'000
Prepayments for inventories and services	**288,750**	230,690
Deposits	**154,804**	142,168
Advances due from a non-controlling shareholder of the Group	**5,078**	—
Advances due from third parties *(note (i))*	**25,680**	25,968
Purchase rebate with suppliers	**30,838**	29,004
Value-added tax recoverable	**23,316**	35,380
Amounts due from staffs in relation to share-based payment and others	**12,032**	9,699
Others	**7,595**	6,533
	548,093	479,442
Less: loss allowance *(note (ii))*	**(15,991)**	(11,867)
	532,102	467,575

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 a non-controlling shareholder of the Group, 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 June 30, 2023, 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 RMB16.0 million (December 31, 2022: RMB11.9 million).

(Expressed in thousands of Renminbi, unless otherwise stated)

13 FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

	At June 30, 2023 RMB'000	At December 31, 2022 RMB'000
Financial products issued by financial institutions		
— Wealth management products	46,180	45,399
— Fund management products	378,809	378,102
	424,989	423,501

As at June 30, 2023, 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 1.20% to 5.67% (2022: 1.21% to 6.23%) and will mature within one year. The analysis on the fair value measurement of the above financial assets is disclosed in note 18.

14 CASH AND CASH EQUIVALENTS

	At June 30, 2023 RMB'000	At December 31, 2022 RMB'000
Cash at bank and on hand	244,406	374,044
Less: Time deposits with initial term over three months	50,000	50,000
Less: restricted cash used for payable insurance premium *(note 16)*	—	74,370
Cash and cash equivalents	194,406	249,674

(Expressed in thousands of Renminbi, unless otherwise stated)

15 TRADE PAYABLES

	At June 30, 2023 RMB'000	At December 31, 2022 RMB'000
Bills payables	15,000	—
Payables for inventories and services	231,856	120,800
	246,856	120,800

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 June 30, 2023 RMB'000	At December 31, 2022 RMB'000
Within 1 year	241,448	114,309
More than 1 year	5,408	6,491
	246,856	120,800

Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

16 OTHER PAYABLES AND ACCRUED EXPENSES

	At June 30, 2023 RMB'000	At December 31, 2022 RMB'000
Salary and welfare payables	**54,792**	81,202
Payables for flexible staffs	**163,921**	183,858
VAT payable and other tax payables	**14,238**	6,844
Payables for acquiring of subsidiaries, exclusive rights and non-controlling interest	**29,848**	18,888
Refund liabilities	**17,036**	21,024
Payables for listing expenses	**—**	2,042
Advance from a non-controlling shareholder of the Group	**1,250**	5,291
Advance from third parties and staffs	**11,528**	22,334
Payables for issuance cost of convertible redeemable preferred shares	**12,997**	12,536
Payables for insurance premium *(note (i) and 14)*	**—**	74,370
Deposits and others	**25,244**	31,481
	330,854	459,870

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

Note:

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

(Expressed in thousands of Renminbi, unless otherwise stated)

17 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

No dividends have been paid or declared by the Company for the six months ended June 30, 2023 and 2022.

(b) Share capital

(i) Authorized share capital

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

As of June 30, 2023 and December 31, 2022, 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.

(ii) Issued share capital

	At June 30, 2023		At December 31, 2022	
	Number of shares	Share capital RMB'000	Number of shares	Share capital RMB'000
Ordinary shares, issued and fully paid:				
At January 1	587,038,219	391	170,085,661	110
Issuance of shares by initial public offering *(note (i))*	–	–	19,000,000	13
Conversion of convertible redeemable preferred shares	–	–	397,952,558	268
At June 30/December 31	587,038,219	391	587,038,219	391

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

17 CAPITAL, RESERVES AND DIVIDENDS (continued)

(c) 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. 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 June 30, 2023, the 51,065,284 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 granted to the directors and employees of the Group.

(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.

(d) Equity-settled share-based payment

The Group granted share-based awards to qualified directors and employees pursuant to the 2015 Global Share Plan, which was adopted in August 2015, or the Post-IPO share award scheme, which was adopted on June 10, 2022. The qualified participants of the share-based awards are required to satisfy certain vesting service for the entitlement. The restricted share units ("**RSUs**") granted are generally vested over a four-year period, with one-fourth of such RSUs vesting on each anniversary of the date of the grant, or two years 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.

During the six months ended June 30, 2023, no restricted share units were granted to employees of the company under the company's employee share-based awards (2022: 16,216,000). 13,925,000 restricted share units were vested and transferred to the grantees during the six months ended June 30, 2023 (2022: 11,059,000 restricted share units).

(Expressed in thousands of Renminbi, unless otherwise stated)

18 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

(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 at the end of the reporting period on a recurring basis, categorized 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

	Fair value At June 30, 2023	Fair value measurements as at June 30, 2023 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	**46,180**	**–**	**–**	**46,180**
Fund management products	**378,809**	**–**	**–**	**378,809**

	Fair value At December 31, 2022	Fair value measurements as at December 31, 2022 categorized 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

During the six months ended June 30, 2023, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2022: nil). 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 thousands of Renminbi, unless otherwise stated)

18 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (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 assets at June 30, 2023 and December 31, 2022.

	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 six months ended June 30, 2023, would have been approximately RMB1,227,759 and RMB1,227,759 lower/higher respectively (2022: RMB894,397 and RMB894,397 respectively).

(Expressed in thousands of Renminbi, unless otherwise stated)

18 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (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 movement during the period in the balance of Level 3 fair value measurements is as follows:

	At June 30, 2023 RMB'000	At June 30, 2022 RMB'000
Financial products issued by financial institutions:		
At January 1	**423,501**	28,000
Additions in investments	**—**	77,018
Disposal of financial assets	**(22,204)**	(50,470)
Net realised and unrealised gains recognised in profit or loss during the period	**9,881**	2,470
Effect of foreign exchange rate changes	**13,811**	—
At June 30	**424,989**	57,018

(bb) Financial liabilities at FVTPL

The Group's convertible redeemable preferred shares are categorized into Level 3 hierarchy.

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 convertible redeemable preferred shares as of June 30, 2022.

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 thousands of Renminbi, unless otherwise stated)

18 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (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)

The movements of the Preferred Shares issued to investors during the period in the balance of these level 3 fair value measurement are as follows:

	At June 30, 2023 RMB'000	At June 30, 2022 RMB'000
At January 1	–	8,907,708
Changes in fair value through profit or loss	–	967,842
Exchange realignment	–	503,032
At June 30	–	10,378,582

(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 June 30, 2023 and December 31, 2022.

(Expressed in thousands of Renminbi, unless otherwise stated)

19 MATERIAL RELATED PARTY TRANSACTIONS

(a) Transaction with related parties

During the periods, the Group has entered into the following material related party transactions:

	Six months ended June 30	
	2023	2022
	RMB'000	RMB'000
Guarantees provided by related parties on the Group's bank and other loans at the end of the reporting period	**18,000**	23,420
Acquisition of non-controlling interest	**25,000**	—
Advance from a non-controlling shareholder of the Group	**5,278**	—
Advance to a non-controlling shareholder of the Group	**4,241**	5,000

(b) Balances with related parties

The outstanding balances of the Group arising from the above transactions are as follows:

	At June 30, 2023	At December 31, 2022
	RMB'000	RMB'000
Non-trade in nature:		
Payables for acquiring non-controlling interest	**21,500**	—
Advances due from a non-controlling shareholder of the Group	**5,078**	—
Amounts due to a non-controlling shareholder of the Group	**1,250**	5,291

The balances with related parties are unsecured and non-trade in nature.

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
"China" or "PRC"	the People's Republic of China and for the purposes of this interim 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, the shares of which are 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 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
"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"	September 19, 2023, being the latest practicable date for ascertaining certain information in this interim report before its publication
"Listing"	the listing of the Shares on the Main Board of 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
"Post-IPO Share Award Scheme"	the post-IPO share award scheme approved and adopted by our Company on June 10, 2022
"Pre-IPO Equity Investment Scheme"	the pre-IPO equity investment 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 the Hangzhou Kangming from time to time; the current registered shareholders are identified in the section headed "Contractual Arrangements" of the Prospectus
"RMB"	Renminbi, the lawful currency of China
"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$0.00001 each
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary" or "subsidiaries"	has the meaning ascribed thereto in section 15 of the Companies Ordinance
"substantial shareholder(s)"	has the meaning ascribed to it in the Listing Rules
"Tianjin Zhiyun"	Tianjin Zhiyun Comprehensive Clinic Co., Ltd.* (天津智雲綜合門診有限公司), a company established in the PRC with limited liability on March 26, 2021, and a Consolidated Affiliated Entity
"United States" or "U.S."	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"USD" or "US$"	United States dollars, the lawful currency of the United States
"%"	per cent

* *For identification purpose only*

The English names of the PRC entities, PRC laws or regulations, and the PRC governmental authorities referred to in this interim report are translations from their Chinese names and are for identification purposes only.