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Sinohealth Holdings Limited

中康控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 2361)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2023

| | Year ended 31 December | | Year-on-year change % |
|-------------------------------|------------------------|---------|-----------------------------|
| | 2023 | 2022 | |
| | RMB'000 | RMB'000 | |
| Revenue | 396,194 | 356,668 | 11.1 |
| Smart Decision Cloud | 269,164 | 182,696 | 47.3 |
| Smart Retail Cloud | 71,564 | 126,542 | -43.4 |
| Smart Medical Cloud | 41,393 | 36,973 | 12.0 |
| Smart Health Management Cloud | 14,073 | 10,457 | 34.6 |
| Cost of sales | 172,722 | 197,560 | -12.6 |
| Gross profit | 223,472 | 159,108 | 40.5 |
| Net profit | 100,940 | 54,213 | 86.2 |

The board (“**Board**”) of directors (the “**Directors**”) of Sinohealth Holdings Limited (the “**Company**”) is pleased to announce the audited consolidated results (the “**Annual Results**”) of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2023 (the “**Reporting Period**”). The Annual Results have been reviewed by the audit committee of the Board (the “**Audit Committee**”).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In 2023, the Group's business indicators marked new highs, business revenue increased to RMB396.2 million, representing a year-on-year increase of 11.1%, gross profit increased to approximately RMB223.5 million, representing a year-on-year increase of approximately 40.5%, and gross profit margin increased from 44.6% in FY2022 to 56.4% this year, mainly because the Group optimised the entire business structure, and its products and services with high margin benefits maintained rapid growth. Meanwhile, the Group continued to implement its lean management approach, and improve the efficiency of operational management and market expansion. Our selling and distribution expense ratio reduced by 0.7 percentage points to 8.2% year-on-year, and our administrative expense ratio reduced by 4.2 percentage points to 8.7%, maintaining a leading position in the industry. During the Reporting Period, the Group's overall profitability further improved, and our profit for the year increased by 86.2% year-on-year to RMB100.9 million.

In the face of market changes, the Group has always adhered to its strategic goals and achieved remarkable results in technological progress, product iteration and optimisation and market development. In order to meet the growing demand for digitalisation in the healthcare industry, the Group has continuously enriched the types of products and services, provided customers with one-stop products and services of "SaaS + professional service + industry ecological platform", and efficiently empowered customers in terms of digital transformation, market expansion, client management and decision making, so as to enable them to establish efficient operational decision making and targeted market connection capabilities and improve their efficiency and achieve performance growth. As at the end of the Reporting Period, the business of the Group has covered the major players in health industry such as pharmaceutical and medical device manufacturers, pharmaceutical and medical device retailers, physical examination institutions, medical institutions, and innovative pharmaceutical enterprises. As of 31 December 2023, the Group had 1,288 corporate customers, increased by 44.6% from 891 corporate customers compared to the same period of FY2022, among them, the repurchase sales rate of leading pharmaceutical and medical device corporate customers reached 95.7%. As of 31 December 2023, there were over 500 signed contracts pending execution, with a total contract value of approximately RMB154.1 million, representing a year-on-year increase of approximately 79.2%.

Smart Decision Cloud

Based on the scenario of efficient decision making of pharmaceutical and medical device enterprises, our core capabilities lie in bridging the entire chain of medical device products from research and development, production, distribution, marketing and end-user retailing, to provide customers with an integrated smart decision cloud solution, enabling the pharmaceutical and medical device enterprises to establish efficient decision-making capability and improve the quality of decision making. Smart Decision Cloud products are mainly oriented to medical product suppliers, which is a more mature business chain of the Group.

Customers improve their digital transformation process by use of our Smart Decision Cloud series SaaS products. The Group has collected medicine categories, medicine effects, medicine sales, consumer habit and portrait, pharmacy store type and distribution, etc. Through multi-angle and voluminous data analysis, and by use of various scenarios enabling and modeling tools, the Group can realise the standardisation, regulation, intelligence and visualisation of the flow data of medical and device products, to support customers' decision-making process of customer's production, marketing, market layout and pharmaceutical research and development. In addition, we can help customers master the information on downstream channels and retailers, market information and industrial dynamics, as well as patients' demands and behaviours, assist customers in active adjustment of production and marketing strategies, and thus improve product market position and market shares.

The Group keeps developing new products to meet the demands for industrial digitalisation. The Lingsu System released in 2023 provides medical product suppliers with retail market data with the fastest response time up to T+3, which supports the demand for fast and accurate marketing decisions by enterprises in order to cope with the increasingly fierce competition at the retail end. The Group launched SinoHealth Yunling specific to the segment market of Chinese herbal medicines, offering herbal medicines production base database, historical production/demand/inventory data, Chinese proprietary medicines terminal sales data, price trend and other data, to help enterprises make intelligent material cost estimation, price trend analysis and data pivoting, and provide digital decision making assistance in the "cost reduction and efficiency increase" of enterprises.

To better help pharmaceutical and medical device enterprises realise digital transformation, we, by fully analysing the characteristics of pharmaceutical and medical device products from development, production, circulation to marketing, among other process, provide customers with retail medical retail market insight research, consumers insight research, product research report, business growth service, market expansion marketing services among a variety of professional services. Such products and services are integrated into a comprehensive solution to help customers rapidly master the key information of all processes, thus realizing the optimisation and management of supply chain, enhancing customer's decision making capability and efficiency, and achieving the operational objectives.

Our platform events, like CPEO, the Pharmaceutical Innovation Ecological Conference, the Healthcare Industry Capital Summit and the Traditional Chinese Medicine Ecological Conference, focus on health industry key elites, providing customers with forward-looking, systematic exchange of ideas and information, strategic integration and precise interaction of diverse resources, so as to further improve the interconnection efficiency between industries and promoted resources optimal allocation, thereby realizing the win-win service model between the Group and our customers and empowering our entire business.

As of 31 December 2023, 804 corporate customers purchased our Smart Decision Cloud service, representing a year-on-year increase of approximately 39.6% as compared with 576 corporate customers in 2022. In 2023, the repurchase sales rate of Smart Decision Cloud corporate customers reached 88.9%. During the Reporting Period, our revenue from Smart Decision Cloud business increased from RMB182.7 million in FY2022 to RMB269.2 million in FY2023, representing a year-on-year increase of 47.3%.

Smart Retail Cloud

As of 31 December 2023, the Group partnered with over 100,000 pharmacy stores for our SIC products, representing a year-on-year increase of 22%, keeping a rapid growth and maintaining the leading position in the market. Leveraging on this unique advantage, the Group established a “one-stop” data collection platform, data-driven marketing solution capability and digital precise marketing capability in the pharmacy application scenario.

Pharmacy stores using our SIC system may realise digital operation and management, membership management, category management, smart marketing, chronic disease management and pharmaceutical services. We are able to help pharmacies increase management efficiency, realise real-time update and synchronization of sales data, and further reduce operating costs. Meanwhile, digitalisation facilitates prompt communication with pharmacies and feedback and collection of medicine retail data, which empowers our entire business. Our partnering pharmacies have higher membership loyalty and consumer willingness than other pharmacies. In addition, we are committed to attracting more pharmaceutical and medical device enterprises and medical retail enterprises to join our business development plan. Our Smart Retail Cloud SaaS series products can help strengthen the in-depth interaction between pharmaceutical and medical device enterprises and pharmacy stores, as well as pharmacy stores and patients, thereby helping patients increase their trust on medical device products, and improve the effectiveness of treatment and patient’s health life level and life quality.

We use big data to process and analyse potential retail pharmacy stores and end patients’ demands, preferences and behaviours, provide pharmaceutical and medical device enterprises with effect-oriented data-driven marketing solutions, digital precision marketing plans and customised training among a variety of combination products and customised services, so that our customers can effectively reach their target audience, make quantitative evaluations of the input-output ratio of marketing plans, increase brand marketing capability, further control sales expenditure, meanwhile shift to sales cost refined management, and thus improve market share and marketing benefits. Yilingtong, a new product launched during the Reporting Period, can provide customers with integrated contents including custom data-driven marketing solution, posting effect improvement, real-time tracking of marketing results and feedback for decision-making.

Meanwhile, through industry ecological platform, we also hold PHCF, MASC and other industry events, which are committed to promoting health industry commodity trading and high quality development by panoramic data analysis, policy trends interpretation, health consumption new trends interpretation and product display etc.

During the Reporting Period, in order to improve the business profitability, we proactively terminated the products with low gross margin and no business synergy, resulting in a year-on-year decline in revenue, and we focused on expanding digital targeted marketing professional services with higher gross margin, driving a substantial increase in the gross margin of Smart Retail Cloud service. For the year ended 31 December 2023, 622 corporate customers purchased our Smart Retail Cloud service, representing a year-on-year increase of approximately 51.7% as compared with FY2022. The overall repurchase sales rate of corporate customers reached 84.6%.

Smart Health Management Cloud

For value-oriented health management, through medical institutions and health management institutions, we provide physical examination users and chronic disease patients with Woodpecker AI-MDT health management platform and supporting health management services.

The Woodpecker AI-MDT system gathers the consensus of more than 300 experts from tertiary-grade A class hospitals across 16 disciplines, which on the basis of professional medical guidance, constructs the medical knowledge graph covering 31 disease types, 1,770 diseases and 801 individual indicators. Through AI technology and 10 major disease risk assessment models, The Woodpecker AI-MDT system makes a comprehensive analysis of physical examination data, and provides users with personalised health management solutions including medical treatment, physical examination, diet and exercise. Unlike traditional physical examination reports, AI-MDT is committed to providing physical examination users with more systematic, more detailed and more comprehensive expert consultation physical examination reports. In 2023, we established a relatively comprehensive health management system in the post-examination stage focusing on the needs of patients, equipped with health management and single-type chronic disease digital therapy modules and SCRM member management functions, which can meet the health management requirements of patients for the whole process after examination through early warning and monitoring, chronic disease management, drug purchasing, re-examination and continuous evaluation, and meanwhile help physical examination centers build a digital health management service system to improve health management service capabilities and income increase capabilities.

In 2023, the operating revenue from our Smart Health Management Cloud business increased to approximately RMB14.1 million from RMB10.5 million in 2022, representing a year-on-year increase of approximately 34.6%. Benefitting from its mature technology and differentiated advantages, AI-MDT has been unanimously recognised by cooperative customers and physical examination users. We charge based on the number of times physical examination users use AI-MDT and generate the physical examination report through the system. The greater the demand and usage of AI-MDT services by physical examination users, and the more related health management services they purchase, the more service fees we charge. At present, its market scale has begun to take shape and has made contact with approximately 160 hospitals and 650 private physical examination centers. As of 31 December 2023, over 2.4 million users obtained physical examination interpretations, and the maximum daily processing volume of the AI-MDT system for the interpretation of physical examination reports exceeded 30,000 cases.

Smart Medical Cloud

This business segment is committed to connecting major participants of medical value chain, co-building the closed ecology, providing medical device enterprises, medical institutions and other participants in medical industry with patient management comprehensive solution and research efficiency improvement plan.

The Smart Medical Cloud business segment focuses on medical scenarios, with major businesses including research SaaS platform, health industry digital human and patients management service etc. The research SaaS platform covers the full process of scientific research, from topic choice, literature search to paper draft, which on the basis of deep learning and multi-modal large language models, increases the scientific research efficiency of doctors; the Group integrates six main functions, namely medical services, pharmaceutical services, psychological support, remote intelligent testing, financial assistance and home care, works with medical device enterprises and medical institutions to provide more digital therapies in the whole medical management process combining with operation solutions for patients in private domain, and creatively provides full process patient care service model that effectively increases the continuity, convenience and autonomy of patients in medical treatment process, and meanwhile helps medical device enterprises and medical institutions improve the patient management process. As of 31 December 2023, we had served nearly 250,000 patients by providing patient management services for pharmaceutical companies, effectively improving the continuity, convenience and autonomy of patients in the treatment process, and had been highly recognised by customers.

Our Smart Medical Cloud business achieved an operating revenue of approximately RMB41.4 million in the financial year, representing a year-on-year increase of approximately 12% as compared with FY2022, mainly due to the increase in revenue from patient management business. The average recognised amount per contract for the purchase of the Group's smart medical services increased by approximately 24.3% from approximately RMB724,000 for the year ended 31 December 2022 to approximately RMB900,000 for the year ended 31 December 2023.

Three Core Competences

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

- 1) **Data collection network.** We focus on data such as pharmaceutical retail, physical examination, clinical diagnosis and treatment scenarios, and have established an extensive data collection network. The scale and quality of the data we possess are at a leading level in the market. As at 31 December 2023, our data network covered more than 120,000 pharmacy stores spanning 349 cities in 30 provinces, and the annual sales of our partnering pharmacies exceeded RMB160 billion in 2023, accounting for 30% of the national total sales. Apart from extensive coverage, we are also leading the industry in the timeliness and granularity of retail data, of which 80% of our stores can assess data in real time and more than 80% of the order-related data can be obtained instantly.

The following table sets out the operating data of the Group’s data collection networks:

Operating data of data collection networks

| | As at 31 December 2023 | As at 31 December 2022 | Year-on-year change |
|---|---------------------------------------|------------------------------|------------------------|
| Number of partnering medical retail enterprises | 1,735 | 1,497 | 16% |
| Number of partnering pharmacy stores | 129,555 | 106,153 | 22% |
| Incl: Number of partnering pharmacy stores using SIC system | 100,629 | 80,903 | 24% |
| Number of pharmacy staff using SIC mobile APP | 239,000 | 191,000 | 25% |

Note: number of stores with data connectivity through SIC system during the year

- 2) Big data processing technology. Sinohealth-Engine is our core platform for data processing. Its data processing and analysis capabilities allow us to discover correlations and patterns from raw data in the healthcare industry, thereby cultivating insights and knowledge. Through data governance, analysis, interpretation and prediction, we provide industry participants with SaaS products and professional services. In terms of basic capabilities, we make technical constructions in two aspects: (i) we focus on big data processing and analysis, artificial intelligence and cloud computing. On this basis, we established Sinohealth’s standardised and structured master database, including 38 master databases of the health industry covering pharmaceutical retail, industry supervision, medicine, pharmacy and life sciences, building a complete master data labeling system, forming a knowledge graph of mutual mapping between data, so as to create a unified set of health data structured standards. Under the construction of such basic capabilities, our data processing capacity has great improvements, machine automatic cleaning rate exceeds 97%, accuracy rate exceeds 99%, and the fastest response speed reaches T+1; (ii) for the two different lines of medicine and medical care, we have established the “Tiangong No. 1” commercial data smart middleware + “Woodpecker” smart health management and medical middleware. With our professional knowledge, artificial intelligence models and data insight capabilities, we provide customers with standardised SaaS products, customised professional services and overall solutions for various operational scenarios.

The Group's efforts in data technology and data governance have been recognised by the relevant authorities. Zhongkang Technology successfully obtained a Certificate of Guangzhou Big Data/Artificial Intelligence Enterprise Database Registration (廣州市大數據/人工智能企業庫登記證書) issued by Guangzhou Artificial Intelligence Industry Development Promotion Association (廣州市人工智能產業發展促進會) in December 2023, and was admitted into the Top List of "Intelligence Cluster 2023" Artificial Intelligence Innovation and Development and the Top List of the Most Promising Artificial Intelligence Enterprises in Guangzhou, evaluated by Guangzhou Municipal Science and Technology Bureau, Guangzhou Municipal Bureau of Industry and Information and Guangzhou Science and Technology Progress Foundation, and was selected as the data service provider of Shenzhen Data Exchange, Guangzhou Data Exchange, Zhejiang Big Data Trading Center and Fujian Big Data Exchange. Sinohealth Information and Zhongkang Technology respectively received a series of the ISO certifications on information technology, information security and private information, indicating the Group's strong capability and high standard to provide customers with big data processing, privacy information management and system operation services.

- 3) Ecological industrial platform. We have established a leading portfolio of healthcare industry conferences/exhibition events and media services to build a valuable ecological chain for industry participants. This platform was also the scenario for the Group to conduct product marketing and "traffic monetisation" to industrial customers, which effectively reduced marketing costs and improved marketing efficiency. For example, CPEO that we held successfully for 16 sessions has become a forward-looking industry conference with leading position in China's healthcare industry in terms of specifications, scale and influence, providing forward-looking and systematic exchanges of ideas and information for the industry and realising the strategic integration, cooperation and interaction of diversified resources. During the Reporting Period, the Group's CPEO was recognised as provincial project by Hainan Department of Commerce. The first Traditional Chinese Medicine Ecological Conference with the theme "Full industry chain linkage, high quality development" was successfully held in December 2023, marking the further extension of the Group's industrial platform resources to down and upstream of Chinese herbal medicine industry. In addition, our media platform matrix has accumulated nearly one million professionals including pharmaceutical retail experts, pharmaceutical and medical device manufacturers, pharmacists, physicians, medical experts, industry investors and others.

Outlook

With the rapid development of a new round of information technology represented by big data, cloud computing, artificial intelligence etc., the digital economy is undergoing a transformation from quantitative expansion to qualitative improvement. In recent years, China's digital economy has flourished, and its proportion and status in the national economy have increased significantly. In terms of scale, the scale of China's digital economy reached RMB50.2 trillion in 2022, accounting for 41.5% of GDP; in terms of growth rate, the nominal value of China's digital economy in 2022 increased by 10.3% year-on-year, significantly higher than the nominal GDP growth rate in the same period for many consecutive years.

In order to give full play to the multiplier effect of data elements and empower socioeconomic development, the "Data Elements ×" Three-Year Action Plan (2024-2026) prepared by the National Data Bureau and relevant departments proposes that by the end of 2026, the average annual growth rate of the data industry will exceed 20%, and the scale of data transactions will double. In the field of medical and health care, we need to further improve personal health data files, integrate physical examination, medical treatment, disease control and other data, expand new models and new formats of data application such as smart medical care and intelligent health management; we need to strengthen the integration of multi-source data such as diagnosis and treatment of traditional Chinese medicine and drug use, support the systematic analysis of the efficacy, drug interaction, indications, and safety of traditional Chinese medicine, and promote the high-quality development of traditional Chinese medicine. In the context of the "Data Elements ×" Three-Year Action Plan, the Group will fully leverage its core strengths such as data governance and application technology, abundant health big data and industrial resources, and accelerate the development of a "patient-centric" digital full life cycle health management system in the medical and health field.

In order to fully grasp the characteristics of the health industry and the development trends of the digital economy, the Group will focus on three major development directions: 1) expand the leading edge of corporate business ("To B"), open up the "in-hospital + out-of-hospital" medical and pharmaceutical data through iterative innovation of products and services, provide high-quality SaaS products and professional services to customers such as pharmaceutical retailers and medical product suppliers, help customers make quick decisions and seize the market, so as to continuously expand the revenue scale and profitability of the Group's corporate business; 2) expand customer-end ("To C") health service business, based on individual resident's personal requirements and health conditions, build the competitive advantage of differentiated service capabilities through big data, AI and cloud computing, provide the individual health service platform including health management and digital full course precision service, realise efficient health management and high quality diagnosis and treatment management, and increase individual health level and diagnosis/treatment quality; 3) create digital empowerment platform for biomedical R&D ("To R"), work with medical product suppliers, medical retail enterprises, and health management institutions to create an ecological platform for the innovation and development of pharmaceutical and medical devices, and drive the investment, introduction, development and promotion of medicine innovation through CRO digital innovation services, in-hospital preparations translation, innovation project translation, foreign products introduction and other means.

Smart Decision Cloud

In response to market competition, medical product suppliers urgently require more efficient and in-depth digital decision-making, all-channel monitoring, outlier monitoring, business analysis and insight, and finding competitive advantages to seize the market. To help customers accelerate their digitalisation, the Group will: (1) continue to introduce more B2C and O2O data sources to improve the type and scale of data, build a diversified and stable all-channel health industry data base, ensure data quality, and improve data timeliness;(2) develop potential models and prediction models, fully tap the value of data, build a pharmaceutical all-channel research system including databases, knowledge bases, business models, data models, and policy information bases, and support the development of more products and services;(3) with “medicines, buyers, and pharmacies” as the core, provide customers with in-depth insight and consultation through services such as medicine market insight, consumer research insight, and terminal precision strategy research, and expand the market of leading customers;(4) create a standard product system of data visualisation SaaS tools to meet the common data monitoring requirements of customers in the process of marketing management and decision-making, help customers gain timely and rapid insight into market data trend changes, and improve decision-making efficiency. Through this action, the Group will achieve rapid customer expansion in the long-tail market and achieve rapid growth in the revenue scale of SaaS products; and (5) provide flow data governance tools and services, provide digital scenario design and implementation planning services through decision analysis models and combination of internal and external data resources, help customers improve internal human efficiency, promote change management and accurately explore growth opportunities. This service will help the Group unify data application standards from within customers, develop industry standards, and further enhance the Group’s voice in the industry.

Smart Retail Cloud

Medical retail enterprises are facing many changes and challenges such as digital transformation, increasing labour costs, out-of-hospital market increment and strategic transformation, while SIC will be committed to building a system + service + content integrated solution, through in-depth industry understanding, and the application of digitalisation, AI and other sci-tech capabilities, assist medical retail enterprises to better manage store staff, improve expertise and execution, improve per capita sales output, better operate members, improve member activity and repurchase sales rate, and precipitate the behaviour data of store staff and members, build an accurate portrait to help medical retail enterprises achieve more accurate decision-making, enhance customer trust and achieve a win-win situation with customers through value delivery, and promote SIC to connect more medical retail enterprises.

Through SIC complete digital foundation and service capabilities in the chain field, the Group has further built a digital platform connecting medical retailers and medical product suppliers, and through tools and services such as Yilingtong, Lingtong, dynamic marketing and digital marketing, the Group has helped medical product suppliers improve the marketing efficiency of the retail field, integrate more medical and health services, bring more resources and business opportunities to chain drugstores, and provide more effective medical and health solutions for individual customers.

Smart Health Management Cloud

According to public available statistics, the number of physical examinations in China has exceeded 500 million per year, and according to comparable data, China's physical examination population may reach 870 million per year, and with the improvement of national health awareness, the number of physical examinations and the demand for health management will continue to grow, which will create a larger market space for Woodpecker AI-MDT physical examination business.

As one of the important starting points for the Group to expand personal business, the AI-MDT system will continue to innovate and expand functions, and provide physical examination institutions and hospitals with digital overall solutions including intelligent general examination, health management services, health follow-up SCRM and other functions, help physical examination centers improve the efficiency of general examination and member management, create a full life cycle health management service system for individual users, and finally provide individual users with a variety of services such as AI-MDT report services, health follow-up services for sub-healthy populations, single-disease health management services and personalised physical examination services, so as to meet the diversified post-examination health management needs of individual users. The Group will continue to expand our presence in physical examination institutions and hospitals, rapidly expand To C business, so that a wider range of people can access AI-MDT and respond to health management services, thereby improving the individual health.

Smart Medical Cloud

We will continue to expand our business layout, enhance our data scale and explore more commercial models. We will integrate existing resources and, help innovative pharmaceutical and medical device companies to effectively connect patients, doctors and experts in the aspects of program design, intelligent systems and operational services. Based on the network of hospitals and experts accumulated in the big data platform and the patient management services, and focusing on the full life-cycle of pharmaceutical and medical devices from clinical development to post-launch marketing, we provide enterprises with personalised digital products, including products for IP scientific research collaboration, artificial intelligence and medical inter-disciplinary research and the R&D of AI technology-based patient management products, thereby rapidly achieving the best commercialisation solutions.

The technical advantages and resource advantages acquired by Smart Medical Cloud will also lay an important foundation for the Group to expand our C-side business. In the future, the Group will erect full course management service digital platform for individual patients, help them precisely match with multi-disciplinary expert team, design high quality comprehensive diagnosis and treatment plans, connect with the best suited medical resources and fully improve the curing effects.

In the long-term development of health industry and digital element industry, the Group will continue to explore and practise in the field of health industry services, improve product quality and professional service capabilities, to 1) provide digital applications and solutions for enterprises; 2) provide personalised high quality health services for individual users; 3) provide digital empowerment for the innovations in life science field, build industry benchmark and leading capabilities, and actively drive the medical industry to realise high quality development.

FINANCIAL REVIEW

Revenue

In FY2023, the Group's revenue increased by approximately 11.1%, from approximately RMB356.7 million for the year ended 31 December 2022 to approximately RMB396.2 million for the year ended 31 December 2023. Such increase was mainly due to the increase in revenue from Smart Decision Cloud segment.

Cost of Sales

The Group's cost of sales primarily consisted of (i) costs related to the daily operation and maintenance of our solutions and products and our employee benefits; (ii) costs associated with our marketing campaigns and provision of services to our clients; and (iii) event costs mainly relating to venue and equipment rentals, event planning and organisation services fees, accommodation and catering costs. The Group's cost of sales decreased by approximately 12.6%, from approximately RMB197.6 million for the year ended 31 December 2022 to approximately RMB172.7 million for the year ended 31 December 2023, mainly due to the improvement of efficiency of the Group's business operations and management, resulting in further control of the cost of sales.

Gross Profit and Gross Profit Margin

The gross profit of the Group increased by approximately 40.5%, from approximately RMB159.1 million for the year ended 31 December 2022 to approximately RMB223.5 million for the year ended 31 December 2023. The gross profit margin increased from approximately 44.6% for the year ended 31 December 2022 to approximately 56.4% for the year ended 31 December 2023.

Other Income and Gains

Other income and gains primarily consisted of (i) bank interest income; (ii) government grants; and (iii) foreign exchange gains. The Group recorded other income and gains of approximately RMB41.3 million for the year ended 31 December 2023, representing an increase of approximately 9.5% as compared with approximately RMB37.7 million for the year ended 31 December 2022. Such increase was mainly attributable to an increase in bank interest income.

Selling and Distribution Expenses

Selling and distribution expenses mainly consist of (i) benefit expenses for employees responsible for sales and marketing functions; (ii) travel and transportation expenses related to offline marketing campaigns, the development and maintenance of customer relationship and production of advertising materials; and (iii) general office expenses. Selling and distribution expenses increased approximately 2.4%, to approximately RMB32.4 million for the year ended 31 December 2023 from approximately RMB31.7 million for the year ended 31 December 2022, mainly attributable to an increase in employee benefits expenses.

Administrative Expenses

The Group's administrative expenses primarily consisted of (i) employee benefits expenses; (ii) other expenses. The Group's administrative expenses decreased by approximately 24.9%, from approximately RMB46.1 million for the year ended 31 December 2022 to approximately RMB34.6 million for the year ended 31 December 2023, primarily due to an increase in the listing expenses.

Research and Development Costs

The Group's research and development costs primarily consisted of (i) employee benefits expenses; (ii) depreciation of right-of-use assets and (iii) technology services fees and general office expenses. The Group's research and development costs increased by approximately 1.1%, from approximately RMB60.4 million for the year ended 31 December 2022 to approximately RMB61.1 million for the year ended 31 December 2023, primarily due to an increase in employee benefits expenses.

Profit before Tax

The Group's profit before tax increased by approximately 103.3%, from approximately RMB54.5 million for the year ended 31 December 2022 to approximately RMB110.7 million for the year ended 31 December 2023, mainly due to an increase in gross profit.

Income Tax Expense

The Group's income tax expense increased by approximately 3,655.2%, from approximately RMB0.3 million for the year ended 31 December 2022 to approximately RMB9.8 million for the year ended 31 December 2023, primarily due to an increase in our profit before tax.

Profit for the Year

As a result of the foregoing, the Group's profit for the year increased by approximately 86.2%, from approximately RMB54.2 million for the year ended 31 December 2022 to approximately RMB100.9 million for the year ended 31 December 2023.

Liquidity and Capital Resources

For the year ended 31 December 2023, the Group financed its operations mainly through cash generated from the Group's operating activities and the net proceeds from the Global Offering. The Group intends to continuously finance its expansion and business operations using a combination of cash generated from operating activities and the net proceeds from the Global Offering.

Cash and Cash Equivalents

The Group maintains a strong cash position. For the year ended 31 December 2023, the Group's total cash and cash equivalents amounted to approximately RMB123.9 million, representing an increase of approximately 69.7% from 31 December 2022, mainly due to the placement of certain idle funds in licensed financial institutions as time deposits by the Group.

Borrowings

During the year ended 31 December 2023, the Group did not have any short-term or long-term bank borrowings and had no outstanding bank and other borrowings and other indebtedness apart from lease liabilities for the relevant lease terms amounting to approximately RMB14.2 million in aggregate.

Gearing Ratio

The gearing ratio, which is calculated by dividing total liabilities by total equity, was approximately 13.9% as at 31 December 2023 (31 December 2022: approximately 14.9%).

Foreign Currency Risk

The Group has transactional currency exposures and are subject to foreign currency risk arising from fluctuations in exchange rates between RMB and US\$. As at 31 December 2023, the Group had transactional currency exposures. Such exposures arose from its cash and cash equivalents in US\$. The Group is currently not engaged in hedging activities that are designed or intended to manage foreign exchange rate risk. The Group will continue to monitor foreign exchange activities and make its best efforts to protect the cash value of the Group.

Charge on Assets

As at 31 December 2023, the Group did not pledge any of its assets.

Cash Flow and Capital Expenditure

In FY2023, the Group's capital expenditures were mainly incurred for the acquisition of equipment and software and renovation of leased properties, which remained at a limited level of approximately RMB3.4 million, representing an decrease of approximately 18.5% as compared with the year ended 31 December 2022. The Group intends to fund future capital expenditures from cash balance, cash generated from operating activities and proceeds from the Global Offering. The Group will continue to incur capital expenditures to meet the expected growth of the business, and may reallocate funds for capital expenditures and long-term investments based on the Group's ongoing business needs.

Contingent Liabilities and Guarantees

As at 31 December 2023, the Group did not have any significant contingent liabilities, guarantees or any material litigation against the Group.

Significant Acquisitions or Disposals and Future Plans for Significant Investments

As at 31 December 2023, the Group did not have any significant acquisitions or disposals of subsidiaries, associates and joint ventures.

As at 31 December 2023, none of each individual investment held by the Group constituted 5% or more of the total assets of the Group, and there is no future plan for any material investment or capital assets.

Employees and Staff Costs

As at 31 December 2023, the Group had a total of 759 (31 December 2022: 680) full time employees, all of whom were located in Mainland China. During the Reporting Period, the Group recognised staff costs of approximately RMB148.0 million, representing an increase of approximately 1.4% as compared with FY2022.

The following table sets forth the number of employees by function as at 31 December 2023:

| Function | Number | Percentage to the total number of employees |
|----------------------------|------------|---|
| Solutions and Products | 328 | 43% |
| Research and Development | 232 | 31% |
| Sales and Marketing | 118 | 16% |
| General and Administrative | 81 | 10% |
| Total | <u>759</u> | <u>100%</u> |

Employees are the valuable assets and the foundation for sustainable development of the Group. The Group highly appreciates the career development of its employees, and we have developed a comprehensive vocational training system and a sound remuneration and promotion system to continuously train, attract and retain talents.

Leveraging on our influence and expertise in the industry, we are able to continue to attract outstanding versatile talents. As at 31 December 2023, the Group has 185 employees with medical expertise, 93 employees with pharmaceutical expertise and 145 employees with computer science expertise.

In addition, the Company has adopted the Share Option Scheme and the Share Award Scheme to motivate talented employees and attract talented persons for the further development of the Group.

EVENTS AFTER THE REPORTING PERIOD

On 5 February 2024, Sinohealth Information, a subsidiary of the Group, entered into an Equity Transfer Agreement and a Partnership Property Share Transfer Agreement with Foshan Heheng Equity Investment Partnership (Limited Partnership) (佛山合恒股權投資合夥企業(有限合夥)) for the acquisition of 50.6% equity interests in Guangzhou Zhonghui Medical Technology Company Limited (“**Zhonghui Medical**”) at a consideration of RMB12,238,921. For details of the acquisition, please refer to the announcement of the Company dated 5 February 2024.

Save as disclosed above, there are no other significant events to be disclosed from 31 December 2023 up to the date of this announcement.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
Year ended 31 December 2023

| | | 2023 | 2022 |
|---|--------------|------------------------------|------------------------------|
| | <i>Notes</i> | RMB'000 | <i>RMB'000</i> |
| REVENUE | 5 | 396,194 | 356,668 |
| Cost of sales | | <u>(172,722)</u> | <u>(197,560)</u> |
| Gross profit | | 223,472 | 159,108 |
| Other income and gains | 5 | 41,285 | 37,707 |
| Selling and distribution expenses | | (32,411) | (31,661) |
| Administrative expenses | | (34,641) | (46,110) |
| Research and development costs | | (61,090) | (60,412) |
| Impairment losses on financial assets, net | | (24,079) | (2,678) |
| Other expenses | | (1,155) | (1,068) |
| Finance costs | 7 | <u>(640)</u> | <u>(412)</u> |
| PROFIT BEFORE TAX | 6 | 110,741 | 54,474 |
| Income tax expense | 8 | <u>(9,801)</u> | <u>(261)</u> |
| PROFIT FOR THE YEAR AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR | | <u>100,940</u> | <u>54,213</u> |
| Attributable to: | | | |
| Owners of the parent | | 102,032 | 55,758 |
| Non-controlling interests | | <u>(1,092)</u> | <u>(1,545)</u> |
| | | <u>100,940</u> | <u>54,213</u> |
| EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT | | | |
| Basic and diluted | 10 | <u>RMB23.94 cents</u> | <u>RMB13.58 cents</u> |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2023

| | <i>Notes</i> | 2023 RMB'000 | 2022 <i>RMB'000</i> |
|---|--------------|-------------------------------|------------------------|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | | 5,070 | 4,383 |
| Right-of-use assets | | 13,490 | 6,854 |
| Other intangible assets | | 1,085 | 1,590 |
| Time deposits | | 165,377 | 80,772 |
| Deferred tax assets | | 3,455 | 686 |
| Total non-current assets | | 188,477 | 94,285 |
| CURRENT ASSETS | | | |
| Inventories | | 1,561 | 2,317 |
| Trade and notes receivables | 11 | 90,043 | 91,993 |
| Prepayments, other receivables and other assets | | 49,656 | 20,988 |
| Financial assets at fair value through profit or loss | | – | 2,098 |
| Due from a related party | | 45 | – |
| Time deposits | | 344,028 | 175,474 |
| Cash and cash equivalents | | 123,931 | 409,318 |
| Total current assets | | 609,264 | 702,188 |
| CURRENT LIABILITIES | | | |
| Trade payables | 12 | 13,109 | 14,665 |
| Other payables and accruals | | 63,540 | 74,139 |
| Lease liabilities | | 4,211 | 3,223 |
| Due to related parties | | 432 | 355 |
| Tax payable | | 2,969 | 5,407 |
| Total current liabilities | | 84,261 | 97,789 |
| NET CURRENT ASSETS | | 525,003 | 604,399 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 713,480 | 698,684 |
| NON-CURRENT LIABILITIES | | | |
| Lease liabilities | | 10,026 | 3,904 |
| Deferred tax liabilities | | 3,000 | 1,544 |
| Total non-current liabilities | | 13,026 | 5,448 |
| Net assets | | 700,454 | 693,236 |

| | <i>Note</i> | 2023 RMB'000 | 2022 RMB'000 |
|--|-------------|-------------------------------|-----------------|
| Net assets | | <u>700,454</u> | <u>693,236</u> |
| EQUITY | | | |
| Equity attributable to owners of the parent | | | |
| Share capital | <i>13</i> | 30,384 | 30,384 |
| Treasury shares | <i>13</i> | (179,098) | (101,121) |
| Reserves | | <u>852,054</u> | <u>765,775</u> |
| | | 703,340 | 695,038 |
| Non-controlling interests | | <u>(2,886)</u> | <u>(1,802)</u> |
| Total equity | | <u>700,454</u> | <u>693,236</u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

1. CORPORATE INFORMATION

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

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

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

2. BASIS OF PREPARATION

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

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

| | |
|--|---|
| HKFRS 17 | <i>Insurance Contracts</i> |
| Amendments to HKAS 1 and HKFRS Practice Statement 2 | <i>Disclosure of Accounting Policies</i> |
| Amendments to HKAS 8 | <i>Definition of Accounting Estimates</i> |
| Amendments to HKAS 12 | <i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i> |
| Amendments to HKAS 12 | <i>International Tax Reform – Pillar Two Model Rules</i> |

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

- (a) Amendments to HKAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 *Making Materiality Judgements* provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has disclosed the material accounting policy information in note 2 to the financial statements. The amendments did not have any impact on the measurement, recognition or presentation of any items in the Group's financial statements.
- (b) Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. Since the Group's approach and policy align with the amendments, the amendments had no impact on the Group's financial statements.

- (c) Amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. Since the Group's policy aligns with the amendments, the amendments did not have any impact on the financial position or performance of the Group.
- (d) Amendments to HKAS 12 *International Tax Reform – Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

4. OPERATING SEGMENT INFORMATION

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

Geographical information

(a) Revenue from external customers

| | 2023 <i>RMB'000</i> | 2022 <i>RMB'000</i> |
|------------------|------------------------|------------------------|
| Chinese Mainland | 395,258 | 356,361 |
| England | 513 | – |
| Singapore | 169 | 307 |
| Hong Kong | 154 | – |
| Others | 100 | – |
| | <hr/> | <hr/> |
| Total revenue | 396,194 | 356,668 |
| | <hr/> <hr/> | <hr/> <hr/> |

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

(b) Non-current assets

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

Information about major customers

No revenue from the Group's sales to a single customer amounted to 10% or more of the Group's total revenue during the year (2022: Nil).

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

| | 2023 <i>RMB'000</i> | 2022 <i>RMB'000</i> |
|---------------------------------------|------------------------|------------------------|
| Revenue from contracts with customers | <u>396,194</u> | <u>356,668</u> |

Revenue from contracts with customers

(a) *Disaggregated revenue information*

| | 2023 <i>RMB'000</i> | 2022 <i>RMB'000</i> |
|---|------------------------|------------------------|
| Types of goods or services by product category | | |
| Data Insight Solutions | 195,741 | 225,262 |
| Data-driven Publications and Events | 143,616 | 90,932 |
| SaaS products | <u>56,837</u> | <u>40,474</u> |
| Total | <u>396,194</u> | <u>356,668</u> |

Types of goods or services by application scenario

| | | |
|-------------------------------|----------------|----------------|
| Smart Decision Cloud | 269,164 | 182,696 |
| Smart Retail Cloud | 71,564 | 126,542 |
| Smart Medical Cloud | 41,393 | 36,973 |
| Smart Health Management Cloud | <u>14,073</u> | <u>10,457</u> |
| Total | <u>396,194</u> | <u>356,668</u> |

Geographical markets

| | | |
|------------------|----------------|----------------|
| Chinese Mainland | 395,258 | 356,361 |
| Overseas | <u>936</u> | <u>307</u> |
| Total | <u>396,194</u> | <u>356,668</u> |

Timing of revenue recognition

| | | |
|---|----------------|----------------|
| Services transferred at a point in time | 169,924 | 131,976 |
| Services transferred over time | <u>226,270</u> | <u>224,692</u> |
| Total | <u>396,194</u> | <u>356,668</u> |

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

| | 2023 <i>RMB'000</i> | 2022 <i>RMB'000</i> |
|---|------------------------|------------------------|
| Revenue recognised that was included in contract liabilities at the beginning of the year: | | |
| Data Insight Solutions | 16,672 | 8,990 |
| Data-driven Publications and Events | 8,015 | 2,191 |
| SaaS products | <u>9,761</u> | <u>9,345</u> |
| Total | <u>34,448</u> | <u>20,526</u> |

(b) **Performance obligations**

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

Data Insight Solutions

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

Data-driven Publications and Events

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

SaaS products

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

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2023 are as follows:

| | 2023 | 2022 |
|---|----------------|-------------|
| | RMB'000 | RMB'000 |
| Amounts expected to be recognised as revenue: | | |
| Within one year | 123,004 | 79,811 |
| After one year | 31,142 | 6,218 |
| | <hr/> | <hr/> |
| Total | 154,146 | 86,029 |
| | <hr/> <hr/> | <hr/> <hr/> |

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

An analysis of other income and gains is as follows:

| | 2023 | 2022 |
|--|-----------------------|----------------|
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Other income | | |
| Bank interest income | 26,668 | 6,615 |
| Government grants* | 11,671 | 12,496 |
| Investment income from financial assets at fair value through profit or loss | 500 | 8,499 |
| Others | 147 | 8 |
| | <hr/> | <hr/> |
| Total other income | 38,986 | 27,618 |
| | <hr/> | <hr/> |
| Gains | | |
| Foreign exchange gains, net | 2,286 | 9,530 |
| Gain on lease modifications | 13 | – |
| Fair value gains on financial assets at fair value through profit or loss | – | 38 |
| Gain on de-registration of a subsidiary | – | 320 |
| Gain on disposal of a subsidiary | – | 201 |
| | <hr/> | <hr/> |
| Total gains | 2,299 | 10,089 |
| | <hr/> | <hr/> |
| Total other income and gains | 41,285 | 37,707 |
| | <hr/> <hr/> | <hr/> <hr/> |

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

6. PROFIT BEFORE TAX

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

| | <i>Notes</i> | 2023 RMB'000 | 2022 <i>RMB'000</i> |
|---|--------------|-------------------------------|------------------------|
| Cost of services provided | | 172,722 | 197,560 |
| Depreciation of property, plant and equipment | | 2,427 | 2,659 |
| Depreciation of right-of-use assets | | 5,342 | 5,179 |
| Amortisation of other intangible assets* | | 797 | 891 |
| Research and development costs | | 61,090 | 60,412 |
| Listing expenses | | – | 12,056 |
| Lease payments not included in the measurement of lease liabilities | | 126 | 66 |
| Bank interest income | 5 | (26,668) | (6,615) |
| Government grants | 5 | (11,671) | (12,496) |
| Investment income from financial assets at fair value through profit or loss | 5 | (500) | (8,499) |
| Gain on disposal of a subsidiary | 5 | – | (201) |
| Fair value gains on financial assets at fair value through profit or loss | 5 | – | (38) |
| Gain on lease modifications | 5 | (13) | – |
| Gain on de-registration of a subsidiary | 5 | – | (320) |
| Foreign exchange gain, net | 5 | (2,286) | (9,530) |
| Loss on de-registration of a subsidiary | | 8 | 690 |
| Loss on disposal of items of property, plant and equipment | | 3 | 3 |
| Auditor's remuneration | | 2,180 | 2,180 |
| Employee benefit expense (excluding directors' and chief executive's remuneration): | | | |
| Wages and salaries | | 140,499 | 138,325 |
| Pension scheme contributions** | | 3,623 | 4,313 |
| Staff welfare expense | | 1,078 | 1,457 |
| Total | | 145,200 | 144,095 |
| Impairment of financial assets, net: | | | |
| Impairment of trade receivables, net | 11 | 17,607 | 2,678 |
| Impairment of other receivables, net | | 6,472 | – |
| Total | | 24,079 | 2,678 |

* The amortisation of other intangible assets is included in “Administrative expenses”, “Research and development costs” and “Selling and distribution expenses” in the consolidated statements of profit or loss and other comprehensive income.

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

7. FINANCE COSTS

An analysis of finance costs is as follows:

| | 2023 <i>RMB'000</i> | 2022 <i>RMB'000</i> |
|-------------------------------|------------------------|------------------------|
| Interest on lease liabilities | <u>640</u> | <u>412</u> |

8. INCOME TAX

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

| | 2023 <i>RMB'000</i> | 2022 <i>RMB'000</i> |
|-------------------------------|------------------------|------------------------|
| Current – Chinese Mainland | | |
| Charge for the year | 11,114 | 1,880 |
| Overprovision in prior years | – | (3,393) |
| Deferred | <u>(1,313)</u> | <u>1,774</u> |
| Total tax charge for the year | <u>9,801</u> | <u>261</u> |

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

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (“BVI”), the Company and its subsidiary are not subject to any income tax in the Cayman Islands and the BVI.

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

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

Guangzhou Zhongkang Digital was accredited as a high and new technology enterprise (“HNTe”) in 2022 and the certification is valid for three years. For the year ended 31 December 2023, Guangzhou Zhongkang Digital was entitled to a preferential PRC Corporate Income tax rate of 15% (31 December 2022: 15%).

Certain of the subsidiaries, which operate in Chinese Mainland, are identified as Small and Micro Enterprises and were entitled to a preferential tax rate of 5% during the year ended 31 December 2023.

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

| | 2023 <i>RMB'000</i> | 2022 <i>RMB'000</i> |
|---|------------------------|------------------------|
| Profit before tax | <u>110,741</u> | <u>54,474</u> |
| Tax at the statutory tax rate of 25% in Chinese Mainland | 27,685 | 13,618 |
| Lower tax rates enacted by local authority | (15,100) | (7,818) |
| Adjustments in respect of current tax of previous years | – | (3,393) |
| Additional deductible allowance for research and development costs | (7,531) | (5,523) |
| Effect on deferred tax balance due to change in income tax rate | – | (94) |
| Expenses not deductible for tax | 283 | 44 |
| Tax losses utilised from previous years | (95) | (2) |
| Tax losses not recognised | 1,559 | 1,885 |
| Effect of withholding tax at 10% on the distributable profits of the Group's PRC subsidiaries | <u>3,000</u> | <u>1,544</u> |
| Tax charge at the Group's effective rate | <u>9,801</u> | <u>261</u> |
| Effective tax rate | <u>8.9%</u> | <u>0.5%</u> |

9. DIVIDEND

| | 2023 <i>RMB'000</i> | 2022 <i>RMB'000</i> |
|---|------------------------|------------------------|
| Proposed final – HK7.25 cents (2022: HK3.98 cents) per ordinary share | <u>30,000</u> | <u>15,443</u> |

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

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

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 426,125,312 (2022: 410,666,838) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2023 and 2022.

The calculation of basic earnings per share is based on:

| | 2023 <i>RMB'000</i> | 2022 <i>RMB'000</i> |
|--|-------------------------|------------------------|
| Earnings | | |
| Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation | <u>102,032</u> | <u>55,758</u> |
| | Number of shares | |
| | 2023 | 2022 |
| Shares | | |
| Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation | <u>426,125,312</u> | <u>410,666,838</u> |

11. TRADE AND NOTES RECEIVABLES

| | 2023 <i>RMB'000</i> | 2022 <i>RMB'000</i> |
|---------------------|------------------------|------------------------|
| Trade receivables | 111,351 | 92,028 |
| Notes receivable | 2,222 | 6,287 |
| Impairment | <u>(23,530)</u> | <u>(6,322)</u> |
| Net carrying amount | <u>90,043</u> | <u>91,993</u> |

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

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

| | 2023 <i>RMB'000</i> | 2022 <i>RMB'000</i> |
|-----------------|------------------------|------------------------|
| Within 6 months | 67,147 | 66,345 |
| 6 to 12 months | 11,653 | 11,084 |
| 1 to 2 years | 8,268 | 8,162 |
| 2 to 3 years | <u>753</u> | <u>115</u> |
| Total | <u>87,821</u> | <u>85,706</u> |

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

| | 2023 <i>RMB'000</i> | 2022 <i>RMB'000</i> |
|--|------------------------|------------------------|
| At beginning of year | 6,322 | 4,541 |
| Impairment losses, net (<i>note 6</i>) | 17,607 | 2,678 |
| Amount written off as uncollectible | <u>(399)</u> | <u>(897)</u> |
| At end of year | <u>23,530</u> | <u>6,322</u> |

The increase in the loss allowance of RMB17,208,000 (2022: RMB1,781,000) was due to an increase of trade receivable which were aged over 1 year and past due.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on the days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due and are not subject to enforcement activity.

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

As at 31 December 2023

| | Gross carrying amount RMB'000 | Expected credit loss rate | Expected credit loss RMB'000 |
|-----------------------|--|--|---|
| Current | 31,517 | 2.1% | 648 |
| Past due: | | | |
| Within 1 year | 58,820 | 9.8% | 5,777 |
| Between 1 and 2 years | 17,638 | 78.9% | 13,909 |
| Between 2 and 3 years | 2,702 | 93.3% | 2,522 |
| Over 3 years | 674 | 100.0% | 674 |
| Total | <u>111,351</u> | 21.1% | <u>23,530</u> |

As at 31 December 2022

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

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

12. TRADE PAYABLES

| | 2023 RMB'000 | 2022 RMB'000 |
|----------------|-------------------------|-------------------------|
| Trade payables | <u>13,109</u> | <u>14,665</u> |

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

| | 2023 RMB'000 | 2022 RMB'000 |
|-----------------|-------------------------|-------------------------|
| Within 3 months | 11,128 | 11,834 |
| 4 to 6 months | 366 | 623 |
| 7 to 12 months | 1,326 | 1,968 |
| Over 1 years | 289 | 240 |
| Total | <u>13,109</u> | <u>14,665</u> |

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

13. SHARE CAPITAL AND TREASURY SHARES

| | 2023 | 2022 |
|--|---------------|---------------|
| Authorised: | | |
| 2,000,000,000 (2022: 2,000,000,000) ordinary shares of US\$0.01 each | | |
| US\$'000 | <u>20,000</u> | <u>20,000</u> |
| Issued and fully paid: | | |
| 451,770,000 (2022: 451,770,000) ordinary shares of US\$0.01 each | | |
| US\$'000 | <u>4,518</u> | <u>4,518</u> |
| RMB'000 | <u>30,384</u> | <u>30,384</u> |

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

| | <i>Notes</i> | Number of shares in issue | Share capital <i>RMB'000</i> | Treasury shares <i>RMB'000</i> |
|--|--------------|------------------------------|------------------------------------|--------------------------------------|
| At 1 January 2022 | <i>(a)</i> | 5,000,000 | 322 | – |
| Initial public offering | <i>(b)</i> | 75,000,000 | 5,047 | – |
| Capitalisation issue | <i>(c)</i> | 370,000,000 | 24,896 | – |
| Exercise of the over-allotment option | <i>(d)</i> | 1,770,000 | 119 | – |
| Shares repurchased | <i>(e)</i> | <u>–</u> | <u>–</u> | <u>(101,121)</u> |
| At 31 December 2022 and 1 January 2023 | | 451,770,000 | 30,384 | (101,121) |
| Shares repurchased | <i>(f)</i> | <u>–</u> | <u>–</u> | <u>(77,977)</u> |
| At 31 December 2023 | | <u>451,770,000</u> | <u>30,384</u> | <u>(179,098)</u> |

Notes:

- (a) The Company was incorporated on 4 March 2019 with authorised share capital of US\$50,000 divided into 50,000 shares with par value of US\$1.00 each. Upon its incorporation, one share was allotted and issued to the initial subscriber, which was transferred to Wellmark Link Limited on the same day.
- (b) On 12 July 2022, 75,000,000 ordinary shares of par value US\$0.01 each were issued at a price of HK\$5.36 per share in connection with the Company's initial public offering ("Listing Date"). The proceeds of US\$750,000 (equivalent to RMB5,047,000) representing the par value, were credited to the Company's share capital. The remaining proceeds of approximately US\$47,466,000 (equivalent to approximately RMB319,399,000) before listing expenses were credited to the share premium account.
- (c) Pursuant to the written resolutions of the shareholders of the Company passed on 27 April 2022 and 22 June 2022, a total of 370,000,000 shares of US\$0.01 each were allotted and issued at par value to the shareholders whose names were on the register of members of the Company as at the date of the passing of the resolutions, on a pro rata basis, and such shares were allotted and issued by way of capitalisation of US\$3,700,000 (approximately RMB24,896,000) from the Company's share premium account on the Listing Date.
- (d) On 4 August 2022, 1,770,000 over-allotment ordinary shares of par value US\$0.01 each were issued at a price of HK\$5.36 per share. The proceeds of US\$17,700 (equivalent to approximately RMB119,000) representing the par value, were credited to the Company's share capital. The remaining proceeds of approximately US\$1,191,000 (equivalent to approximately RMB8,055,000) before listing expenses were credited to the share premium account.
- (e) In 2022, the Company purchased 20,585,500 of its shares on the Stock Exchange at a total consideration of approximately HK\$112,865,000 (equivalent to approximately RMB101,121,000) for a share award scheme.
- (f) In 2023, the Company purchased 16,210,500 of its shares on the Stock Exchange at a total consideration of approximately HK\$86,459,000 (equivalent to approximately RMB77,977,000) for a share award scheme.

OTHER INFORMATION

Final dividend

The Board recommended the payment of a final dividend of HK7.25 cents per Share for the year ended 31 December 2023 (the “**Proposed Final Dividend**”). Subject to approval of Shareholder at the forthcoming annual general meeting of the Company, the dividend will be paid on or around Wednesday, 25 September 2024 to Shareholders whose names appear on the register of members of the Company at the close of business on Thursday, 27 June 2024.

Closure of Register of Members

The 2024 annual general meeting is expected to be held on Wednesday, 19 June 2024, and the register of members of the Company will be closed from Friday, 14 June 2024 to Wednesday, 19 June 2024, both days inclusive, during which period no transfer of shares will be registered. For determining the entitlement of the Shareholders of the Company to attend and vote at the 2024 annual general meeting, all Share transfer document(s) accompanied by the relevant share certificate(s) must be lodged with the Company’s Hong Kong branch share registrar and transfer office, Boardroom Share Registrars Limited at 2103 B, 21/F, 148 Electric Road, North Point, Hong Kong no later than 4:30 p.m. on Thursday, 13 June 2024.

Subject to the approval of shareholders at the annual general meeting, the register of members of the Company will be closed from Wednesday, 26 June 2024 to Thursday, 27 June 2024, both days inclusive, during which period no transfer of shares will be registered for the purpose of ascertaining shareholders entitled to the Proposed Final Dividend. In order to be eligible for the Proposed Final Dividend, each shareholder shall return all relevant transfer document(s) and share certificate(s) to the Company’s Hong Kong branch share registrar and transfer office, Boardroom Share Registrars Limited at 2103 B, 21/F, 148 Electric Road, North Point, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 25 June 2024.

Corporate Governance

The Company has adopted the principles and provisions of the CG Code and complied with the applicable code provisions as set out in the CG Code during the Reporting Period, except for Rule C.2.1 which stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The Board believes that vesting the roles of both chairman and chief executive officer in the same person has the benefit of ensuring consistent leadership within the Group for more effective and efficient overall strategic planning for the Group. Under the supervision of the Board, it ensures that the Board has an appropriate structure of checks and balances and provides adequate checks and balances to safeguard the interests of the Company and its shareholders.

The Company will review its corporate governance practices from time to time and strive to enhance its alignment with business operations and developments to ensure compliance with statutory and latest business developments.

Compliance with the Model Code for Securities Transactions by Directors

The Company has adopted the Model Code set out in Appendix C3 to the Listing Rules as its own code of conduct for securities transactions by the Directors. Relevant employees of the Company who may be in possession of inside information of the Company by reason of their position or employment are also subject to the Model Code.

Having made specific inquiry of all Directors and relevant employees, each of them confirmed that he/she had complied with all the required standards under the Model Code during the year ended 31 December 2023.

Purchase, Sale or Redemption of Listed Securities of the Company

As of 31 December 2023, save as disclosed elsewhere in this announcement, neither the Company nor its subsidiaries have repurchased, redeemed or sold any of its listed securities.

Scope of Work for Annual Results Announcement by Auditor

The financial information set out in this announcement does not constitute the Group's audited accounts for the year ended 31 December 2023, but represents an extract from the consolidated financial statements for the year ended 31 December 2023 which have been audited by the auditor of the Company, Ernst & Young, in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants.

Audit Committee

The Company established the Audit Committee with written terms of reference in compliance with the Corporate Governance Code as set out in Appendix C1 to the Listing Rules. As of the date of this announcement, the Audit Committee comprises three independent non-executive directors of the Company, namely, Ms. Wang Danzhou, Ms. Du Yilin and Mr. Wei Bin. Mr. Wei Bin is the chairman of the Audit Committee.

The Audit Committee has communicated with the management and the external auditor and has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2023.

Publication of Annual Results and Annual Report

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

DEFINITIONS

| | |
|----------------------------|---|
| “AI” | artificial intelligence |
| “AI-MDT” | artificial intelligence multi-disciplinary treatment, it refers to the customized health management solution we provide for medical examination users, which uses AI technology to conduct multi-disciplinary comprehensive analysis and evaluation of medical examination reports of medical examination users |
| “Audit Committee” | the audit committee of the Board |
| “Board” | the board of Directors |
| “B2C” | Business-to-Customer, sell products and services directly to consumers |
| “CG Code” | the Corporate Governance Code as set out in Appendix C1 to the Listing Rules |
| “China” or “PRC” | the People’s Republic of China, but for the purpose of this announcement only and except where the context requires otherwise, references in this annual report to “China” or “PRC” do not include Hong Kong, the Macau Special Administrative Region and Taiwan |
| “CPEO” | Health Industry (International) Ecological Conference, China’s health industry forward-looking ecological conference |
| “Company” | Sinohealth Holdings Limited, an exempted company with limited liability incorporated in the Cayman Islands on 4 March 2019 and registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 7 July 2021 |
| “Contractual Arrangements” | the series of contractual arrangements entered into by Zhongkang Technology, Sinohealth Information and its subsidiaries, the VIE Shareholders and the Other VIE Shareholders, as applicable, on 8 June 2021 and 6 May 2022, the details of which are described in the section headed “Contractual Arrangements” in the Company prospectus |
| “CRO” | Contract Research Organization, An academic or commercial scientific institution that provides specialized services in the research and development process of basic medicine and clinical medicine for pharmaceutical enterprises, medical institutions, small and medium-sized medical device R&D enterprises and other institutions through contract |
| “Digital human” | A virtual human figure resembling a real person simulated by computer technology |

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| “Director(s)” | the director(s) of the Company |
| “FY2022” | financial year ended 31 December 2022 |
| “FY2023” | financial year ended 31 December 2023 |
| “Global Offering” | the Hong Kong public offering and international offering of the Shares |
| “Group” or “We” | the Company and its subsidiaries |
| “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC |
| “ISO” | International Organization for Standardization |
| “Lingtong” | one of the products in our Smart Decision Cloud business segment, which is a digital marketing empowerment system that helps customers efficiently formulate deployment strategies, improve deployment efficiency, track marketing effects in real time and collect feed-back on decision-making |
| “Listing Date” | 12 July 2022, on which the Shares were listed on the Stock Exchange and from which dealings in the Shares were permitted to commence on the Stock Exchange |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “MASC” | Health Traffic Conference, our conference platform focused on traffic research and value interaction |
| “Model Code” | Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules |
| “O2O” | Online To Offline, a form of transaction in which goods or services are booked or placed online and delivered offline |
| “PHCF” | Pharma & Healthcare Conference and Fair, our event held for healthcare industry players |
| “Reporting Period” | Twelve months ended 31 December 2023 |
| “RMB” | Renminbi, the lawful currency of China |
| “SaaS” | software as a service, a cloud-based software licensing and delivery model in which software and associated data are centrally hosted |

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|---|--|
| “SCRM” | Social Customer Relationship Management, engaging with customers through social media and use technology to disseminate, capture and analyze customer data to discover customer needs and maintain long-term customer relationships. Emphasizes customer engagement and two-way interaction more than traditional Customer Relationship Management |
| “Share Option Scheme” | the share option scheme adopted by the Company on 27 April 2022 |
| “Share Award Scheme” | the share award scheme adopted by the Company on 5 December 2022 |
| “Share(s)” | ordinary share(s) of nominal value of US\$0.01 each in the share capital of the Company |
| “Shareholder(s)” | holder(s) of the Share(s) |
| “SIC” | One of SaaS products of the Group’s Smart Retail Cloud business segment, that provide pharmacies with comprehensive services such as operation management, membership management, category management, smart marketing, chronic disease management and pharmaceutical services. |
| “Sinohealth Information” | Guangzhou Sinohealth Information Co., Ltd (廣州中康資訊股份有限公司), a joint stock company with limited liability established in the PRC on 20 December 2007 and deemed to be a wholly-owned subsidiary of the Group pursuant to the Contractual Arrangements |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “tertiary hospitals” | tertiary-grade A class hospitals, which belong to the highest level in the classification of hospitals pursuant to the classification of medical institutions in accordance with China’s existing Hospital Classification Management Measures and other regulations |
| “TMEC” | the whole industry chain ecological conference we held for the Chinese medicine market segment |
| “Top List of the Most Promising Artificial Intelligence Enterprises in Guangzhou” | the top list of the most promising artificial intelligence enterprises in Guangzhou under the guidance of Guangzhou Science and Technology Bureau and selected by Guangzhou Technology Financial Group |
| “US\$” | United States dollars, the lawful currency of the United States of America |

| | |
|------------------------|---|
| “Yilingtong” | one of the SaaS products in our Smart Retail Cloud business segment, which provides customers with integrated contents including custom data-driven marketing solution, posting effect improvement, prompt track marketing effect and feedback decision making |
| “Zhongkang Technology” | Guangzhou Zhongkang Digital Technology Co., Ltd. (廣州中康數字科技有限公司), a company established in the PRC with limited liability on 8 April 2019, which is directly owned as to 100% by Sinohealth Technology Limited, an indirect wholly-owned subsidiary of the Group |
| “%” | Percent |

By order of the Board
Sinohealth Holdings Limited
Wu Yushu
Chairman

Hong Kong, 28 March 2024

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