MediWelcome
麦 迪 卫 康

麥迪衛康健康醫療管理科技股份有限公司

MEDIWELCOME HEALTHCARE MANAGEMENT & TECHNOLOGY INC.

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 2159

2020
ANNUAL REPORT

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors:

Mr. Shi Wei (Chairman)
Mr. Yang Weimin
Mr. Wang Liang (Chief Executive Officer)
Mr. He Jiyong
Mr. Wang Wei
Mr. Sui Huijun

Non-executive Directors:

Ms. Zhang Yitao
Mr. Liu Xia

Independent Non-executive Directors:

Mr. Song Ruilin
Mr. Fei John Xiang
Mr. David Zheng Wang
Mr. Yang Xiaoxi

AUDIT COMMITTEE

Mr. Yang Xiaoxi (Chairman)
Mr. Song Ruilin
Mr. Fei John Xiang

REMUNERATION COMMITTEE

Mr. Fei John Xiang (Chairman)
Mr. Song Ruilin
Mr. David Zheng Wang

NOMINATION COMMITTEE

Mr. Shi Wei (Chairman)
Mr. Fei John Xiang
Mr. David Zheng Wang

JOINT COMPANY SECRETARIES

Ms. Zhao Luyang
Ms. Leung Wai Ling, Wylie

AUTHORIZED REPRESENTATIVES

Mr. Shi Wei
Ms. Leung Wai Ling, Wylie

REGISTERED OFFICE

Floor 4, Willow House
Cricket Square
Grand Cayman KY1-9010
Cayman Islands

HEADQUARTERS

10/F-12/F, Parkview Place
2 East 4th Ring Road, Chaoyang District
Beijing, PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 2204, 22/F
Fu Fai Commercial Centre
27 Hillier Street
Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Campbells Corporate Services Limited
Floor 4, Willow House, Cricket Square
Grand Cayman KY1-9010
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

AUDITOR

Moore Stephens CPA Limited
Certified Public Accountants and Registered Public Interest Entity Auditor
801-806 Silvercord, Tower 1
30 Canton Road
Tsimshatsui
Kowloon
Hong Kong

LEGAL ADVISER

As to Hong Kong Law:
Sidley Austin
Level 39
Two International Finance Centre
8 Finance Street
Central, Hong Kong

COMPLIANCE ADVISER

Shanxi Securities International Capital Limited
Unit A 29/F, Tower 1
Admiralty Center
18 Harcourt Road
Admiralty
Hong Kong

PRINCIPAL BANK

Bank of Communications Yuhui East Road Branch
1/F, Yayun Garden
12 Xiaoying Road
Chaoyang District
Beijing
PRC

STOCK CODE

2159

WEBSITE

www.mediwelcome.com

Financial Highlights

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December			
	2020	2019	2018	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	**432,291**	427,159	298,968	258,880
Cost of sales	**335,978**	332,291	214,372	187,506
Gross profit	**96,313**	94,868	84,596	71,374
Profit before taxation	**22,281**	25,972	49,152	38,118
Income tax expense	**302**	3,915	9,475	7,902
Profit for the year attributable to				
– Owners of the Company	**21,042**	20,852	38,041	29,657
– Non-controlling interests	**937**	1,205	1,636	559

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Year ended 31 December			
	2020	2019	2018	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Total assets	**280,080**	229,481	203,173	140,256
Total liabilities	**109,084**	84,676	76,587	41,521
Total equity	**170,996**	144,805	126,586	98,735

Note:

(1) No financial information of the Group for the year ended 31 December 2016 has been published.

Business Highlights

Revenue

RMB **432.3** million

Year-on-year increase

1.2 %

Revenue from patient education and screening services

RMB **80.9** million

increased from 2019 by approximately

11.1 %

Revenue from marketing strategy and consulting services

RMB **88.6** million

increased from 2019 by approximately

31.1 %

Number of registered physicians of Doctor+ for Doctors

reached **18,781**

increased from 2019 by over

60 times

Chairman's Statement

Dear Shareholders,

On behalf of the board (the "**Board**") of directors (the "**Directors**"), I am pleased to present the first annual results of Mediwelcome Healthcare Management & Technology Inc. ("**Mediwelcome**" or the "**Company**", together with its subsidiaries, the "**Group**") since its successful listing (the "**Listing**") on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 19 January 2021 (the "**Listing Date**"). We would like to take this opportunity to express our sincere gratitude to all parties involved in assisting us to realise such an important milestone.

In 2020, the COVID-19 pandemic wreaked havoc across the world and brought unprecedented changes to all industries. During the year, the healthcare industry in China experienced turbulent developments, profound and drastic changes and reversion of values under the macro environment. Under the leadership of the Chinese Communist Party, China fought a battle on multiple fronts against the COVID-19 pandemic and delivered a performance that received global recognition. Meanwhile, the demand of Chinese people for medical care and health management in different aspects increased significantly. The promulgation of a range of policies on internet medical services triggered explosive growth of the internet medical industry. The healthcare industry became more focused on enhancing the efficiency and quality of medical and healthcare services, with medical resources channeled down to primary healthcare. The third batch of national centralized procurement of drugs led to a general price reduction in medical devices, which further enhanced the accessibility of medical care to the general public. All these changes in policy and environment propelled the healthcare industry to continuously evolve towards a value reversion and healthy development. In line with the national policy, the Group engages in its core businesses focusing on: supporting the enhancement of efficiency and quality of medical and healthcare services as well as the capacity building of prevention and control of chronic diseases, patient health management and primary medical care; giving support to non-governmental organizations ("**NGOs**") in organizing physician education projects to improve physicians' clinical capabilities; supporting "opportunistic screening" (機會性篩查) of chronic diseases such as cardio-cerebral vascular diseases ("**CCVD**") to move forward the defense line to fight against chronic diseases; supporting the launching of patients' health education and management projects to accommodate the increasing demand of patients for health management; helping physicians manage patients in a more effective manner and enhancing the efficiency of medical care with our internet healthcare products and services, to eventually create value for the community of physicians and patients.

Looking forward to 2021, the healthcare industry in China is set to grow at a rapid pace. In response to this trend, the Group will continue to make use of its strengths and resources, adopt a user-oriented approach and serve on its digital healthcare platform, in an effort to create Mediwelcome's own innovative healthcare ecosystem.

On behalf of the Board, I would like to thank our management team and staff members for their dedicated service and contribution. Also, I would like to extend our heartfelt appreciation to the shareholders of the Company (the "**Shareholders**") and business associates for their continued support and confidence.

Shi Wei
Chairman

26 March 2021

Management Discussion and Analysis

BUSINESS REVIEW

Mediwelcome maintained a positive growth momentum in 2020. The Group's total revenue reached RMB432.3 million, representing an increase of 1.2% as compared to 2019.

At the beginning of 2020, through its Mediwelcome Doctor+ (麥迪衛康醫加) healthcare platform, the Group came to notice that millions of stroke patients were unable to receive treatments or attend follow-up consultations physically at hospitals due to the outbreak of the COVID-19 pandemic. In view of this situation, the Group promptly launched a campaign called "Fight COVID-19 together – Health Guardian Action" (共抗疫情–健康守護者行動) jointly with Chinese Stroke Association (中國卒中學會). Under this campaign, the Group provided its diagnosis, rescue and treatment services to millions of CCVD patients to ensure these patients have regular and timely care and offered its assistance and guidance to high risk groups for stroke prevention. In the second half of 2020, Mediwelcome entered into a strategic partnership with CSPC Pharmaceutical Group Limited, pursuant to which, the Group launched the "Standardized Stroke Patients' Outpatient Management Project" (卒中患者標準化院外管理項目) to provide one-stop outpatient management solution to patients after discharge from hospitals which covers consultation services, follow-up visits, re-examinations, e-prescriptions and home delivery of drugs. At present, the geographical coverage of this project includes 10 provinces in China and is still expanding. Also, a standardized stroke patients' outpatient management system has been set up to meet the needs of stroke patients for continuous and professional "prescription + follow-up + examination" care services.

In order to satisfy the demand of physicians for academic pursuits and continuous education and the demand of patients for disease knowledge and healthcare education, Mediwelcome joined forces with NGOs to launch online and offline educational programs for physicians and patients. It is worth noting that the 6th Annual Academic Scientific Session of Chinese Stroke Association and Tiantan International Stroke Conference 2020 (CSA & TISC 2020) (中國卒中學會第六屆學術年會暨天壇國際腦血管病會議2020), which was held in an online + offline format, attracted approximately 150,000 physician enrollments. On 29 October 2020, being the World Stroke Day, the Group provided free-of-charge online healthcare consultation and diagnosis services via its medical platform to support Chinese Stroke Association in the launch of a national campaign called "2020 World Stroke Day National Health Popular Science Volunteer Action" (2020年世界卒中日全國健康科普志願行動).

Internet medical services are one of the key directions of development of the Group. Quality physician resources provide assurance of capability of rendering internet medical services. The Group acquires professional and quality physician resources via its WeChat public account, Mediwelcome Doctor+ (麥迪衛康醫加), which is used by patients, and a mobile application, Doctor+ for Doctors (醫加醫生端), which is used by physicians, for the provision of disease management services to patients. As at 31 December 2020, Doctor+ for Doctors (醫加醫生端) had 18,781 registered physicians, representing an increase of over 60 times as compared with 2019, and Mediwelcome Doctor+ (麥迪衛康醫加) had 25,874 patients, representing an increase of over 20 times as compared with 2019.

OUTLOOK

Mediwelcome will continuously integrates internal and external resources with its differentiated advantages, constantly provides customized digital solutions with proven efficiency and efficacy to its customers. Based on the integration and optimization of the existing business modules, as well as in-depth mining of its healthcare data over years of accumulation, Mediwelcome will establish its own digital healthcare platform to empower its existing business model, and create its own innovative product and service system for its customers.

Mediwelcome will keep exploring to develop internet hospital business and healthcare management services based on digital healthcare platforms to create an innovative digital healthcare business model. Based on the real-world data and its experience covering the entire journey of patients, Mediwelcome will further explore the unmet needs of stakeholders in the healthcare industry to define and establish a comprehensive healthcare service system covering disease prevention and screening, diagnosis and treatment, rehabilitation and healthcare management. It will contain multiple innovative healthcare management tools, products and customized services for patients before admission to the hospital, receiving in-ward treatment, and after discharged from the hospital, including but not limited to genetic testing, disease screening, auxiliary diagnosis and treatment, digital medical treatment, healthcare education prescription, disease rehabilitation, doctor assistant, insurance service, enterprise customer health management, etc. It is also critical for the Group to introduce talents that specialized in healthcare technology, as well as managing and marketing professionals. With joint efforts of the Group's internal and external stakeholders, Mediwelcome expects to establish an innovative healthcare ecosystem by leveraging its inherent advantages.

FINANCIAL REVIEW

Revenue

During the year ended 31 December 2020 (the "**Reporting Period**"), the Group primarily generated revenue from its integrated healthcare marketing solutions, consisting of (i) medical conference services; (ii) patient education and screening services; and (iii) marketing strategy and consulting services. In addition, the Group also began to generate revenue from contract research organization ("**CRO**") services and internet hospital services in late 2019.

The Group's revenue increased by approximately 1.2% from RMB427.2 million for the year ended 31 December 2019 to RMB432.3 million for the year ended 31 December 2020. The following table sets forth a breakdown of the Group's revenue by service type for the years indicated:

	For the year ended 31 December			
	2020		2019	
	(RMB'000)		*(RMB'000)*	
Medical conference services	**256,947**	**59.5%**	282,262	66.1%
Patient education and screening services	**80,905**	**18.7%**	72,782	17.1%
Marketing strategy and consulting services	**88,598**	**20.5%**	67,622	15.8%
CRO services	**5,403**	**1.2%**	4,482	1.0%
Internet hospital services	**438**	**0.1%**	11	0.0%
Total	**432,291**	**100.0%**	427,159	100.0%

Medical conference services

Revenue from medical conference services decreased by approximately 9.0% from RMB282.3 million for the year ended 31 December 2019 to RMB256.9 million for the year ended 31 December 2020, primarily due to the decrease in the revenue generated from medical conventions. As the scale of the Group's medical convention, including the 2020 Tiantan International Stroke Conference (2020天壇國際腦血管病會議), has diminished amid the COVID-19 outbreak, there was a reduction in both the number of onsite attendees and the designated areas for sponsoring enterprises to set up booths and host seminars. As a result, there was a corresponding decrease in service fees from medical NGOs and sponsorship fees from sponsoring enterprises.

Patient education and screening services

Revenue from patient education and screening services increased by approximately 11.1% from RMB72.8 million for the year ended 31 December 2019 to RMB80.9 million for the year ended 31 December 2020 as the Group has successfully shifted most of its onsite patient education and screening services to its online platforms. In addition, the Group recognized revenue of RMB10.7 million in 2020 under a large-scale project with a contract value of RMB28.5 million, which started in the second half of 2019 and continued in the first half of 2020.

Marketing strategy and consulting services

Revenue from marketing strategy and consulting services increased by approximately 31.1% from RMB67.6 million for the year ended 31 December 2019 to RMB88.6 million for the year ended 31 December 2020 due to the expansion of the Group's customer base.

CRO services and internet hospital services

The Group began in late 2019 to offer CRO services which primarily consist of patients' recruitment and clinical data collection services, and internet hospital services which mainly provide online follow up consultations to the physicians' existing patients and e-prescription service.

As at 31 December 2020, the Group had entered into several CRO service contracts on a fee-for-service basis with a total contract value of RMB31.9 million. Revenue from CRO services increased by approximately 20.0% from RMB4.5 million for the year ended 31 December 2019 to RMB5.4 million for the year ended 31 December 2020 due to the increase in CRO service contracts entered into by the Group, which was generally in line with the development and expansion of the Group's CRO services.

The Group has developed a mobile platform, including a WeChat public account and a mobile application, to provide internet hospital services. Currently, physicians' existing patients can schedule online follow up consultations, obtain e-prescriptions and purchase medicine through the platform. Revenue from internet hospital services amounted to RMB0.4 million for the year ended 31 December 2020, representing the increasing number of active patient users purchasing prescribed medicine through the Group's internet hospital platform.

Cost of sales

The Group's cost of sales increased slightly by approximately 1.1% from RMB332.3 million for the year ended 31 December 2019 to RMB336.0 million for the year ended 31 December 2020, which was generally in line with the increase in the Group's revenue.

Gross profit and gross profit margin

As a result of the foregoing, the Group's overall gross profit increased slightly by approximately RMB1.4 million from RMB94.9 million for the year ended 31 December 2019 to RMB96.3 million for the year ended 31 December 2020, and the Group's overall gross profit margin remained stable at 22.3% and 22.2% for the year ended 31 December 2020 and 2019, respectively.

Other income, gains and losses

The Group's other income, gains and losses remained stable at RMB3.3 million for the years ended 31 December 2020 and 2019, respectively, representing the increase in value added tax refund as a result of a value added tax preferential tax policy enacted in April 2020 as an economy stimulus in response to the COVID-19 outbreak, and the rental concession from landlords in relation to the compensation for lockdown of cities in the People's Republic of China (the "**PRC**") due to the COVID-19 pandemic, partially offset by the decrease in government subsidy and gains from investment in financial products.

Selling expenses

The Group's selling expenses increased by approximately 62.5% from RMB6.4 million for the year ended 31 December 2019 to RMB10.4 million for the year ended 31 December 2020, primarily due to the increase in staff costs and travel and business development expenses in relation to the development of the Group's new internet hospital services.

Administrative expenses

The Group's administrative expenses increased by approximately 22.8% from RMB34.2 million for the year ended 31 December 2019 to RMB42.0 million for the year ended 31 December 2020, primarily due to the increase in office related expenses as the Group expanded its business, especially the internet hospital services.

Research and development expenses

The Group's research and development expenses increased by approximately 20.7% from RMB11.6 million for the year ended 31 December 2019 to RMB14.0 million for the year ended 31 December 2020, representing the increase in salary in the Group's research and development team primarily due to the launch of the Group's internet hospital services.

Listing expenses

The Group recorded listing expenses of RMB13.6 million and RMB9.1 million for the years ended 31 December 2019 and 2020, respectively.

Finance costs

The Group's finance costs increased by approximately 200% from RMB0.3 million for the year ended 31 December 2019 to RMB0.9 million for the year ended 31 December 2020, primarily attributable to the increase in interest expense on lease liabilities due to higher office rent, which was in line with the Group's office expansion.

Income tax expense

The Group recorded income tax expense of RMB0.3 million for the year ended 31 December 2020 as compared with income tax expense of RMB3.9 million for the year ended 31 December 2019, primarily due to the net loss recorded in the first half of 2020 and the tax effect of additional tax reduction for eligible research and development expenses of certain PRC operating entities of the Group.

Profit for the year

As a result of the foregoing, the Group's profit for the year decreased by approximately 0.5% from RMB22.1 million for the year ended 31 December 2019 to RMB22.0 million for the year ended 31 December 2020.

Other comprehensive income/loss

The Group recorded other comprehensive income of RMB4.2 million for the year ended 31 December 2020, representing an increase of approximately 210.5% as compared with other comprehensive loss of RMB3.8 million for the year ended 31 December 2019, primarily due to the unrealized fair value gains on the Group's investment in unlisted equity securities.

Trade receivables

Trade receivables represent outstanding amounts due from customers for services that the Group has provided in the ordinary course of business. The Group's trade receivables increased from RMB71.7 million as of 31 December 2019 to RMB78.4 million as of 31 December 2020, which was generally in line with the Group's revenue growth during the Reporting Period.

Trade payables

Trade payables mainly represent the balances due to suppliers for the procurement of goods and services used for the Group's service offerings, such as travel and lodging services, presentation materials, venue set-up and rental services and video production services. The Group's trade payables decreased from RMB27.4 million as of 31 December 2019 to RMB26.2 million as of 31 December 2020 as the Group has been shifting its business to online platforms, resulting in the decrease in amounts payable to third party suppliers.

Financial assets at fair value through profit or loss

The Group's financial assets at fair value through profit or loss mainly represent financial products that the Group purchased. These financial products were primarily low risk structured fixed deposits from reputable PRC commercial banks with a three-month maturity, the principal of which was invested in low risk debt instruments, while the interest was invested in derivatives market. The financial products the Group held as of 31 December 2020 had an expected rate of return of approximately 0.35% to 3% per annum depending on the returns of the derivatives.

As of 31 December 2020, the fair value of the Group's financial assets at fair value through profit or loss was RMB15.9 million, details of which are summarised below:

Issuer	Name of wealth management products	Fair value as at 31 December 2020 *RMB'000*	Size as compared to the Company's total assets as at 31 December 2020
Bank of Beijing	Bank of Beijing Jihua Yuanjian Institutional Yitaojin Wealth Management Scheme (北京銀行京華遠見機構易淘金理財管理計劃)	5,000	1.8%
Bank of Communications	BoCom Yuntong Wealth Current Structured Deposit S Series (交通銀行蘊通財富活期結構性存款 S 款)	5,000	1.8%
China Merchants Bank	Ririxin 80008 (日日鑫 80008 號)	2,900	1.0%
Everbright Wealth Management Co., Ltd.	CEB Cash A (光銀現金 A)	3,000	1.1%

The Group invested in these financial products during the year ended 31 December 2020 with an aim to enhance its income by generating higher yield than cash deposits, while maintaining a stable liquidity at low level risk. The Group generally limits its investments in financial products to low-risk, short-term products from reputable PRC commercial banks.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Treasury policy

The Group's funding and treasury policies are designed to strengthen the internal control and management of the Group's overall financial position and to mitigate the Group's financial risks, and to better regulate the Company's financial behavior and improve the efficiency of the use of funds. The policies manage the use of the Group's funds in foreign investments and fund raising activities.

Net current assets

As at 31 December 2020, the Group had net current assets of RMB117.2 million, as compared with net current assets of RMB96.4 million as at 31 December 2019.

Cash and bank balances

Net cash generated from operating activities amounted to RMB31.1 million for the year ended 31 December 2020 as compared with net cash generated from operating activities of RMB4.5 million for the year ended 31 December 2019. Net cash used in investing activities for the year ended 31 December 2020 amounted to RMB11.0 million as compared with net cash used in investing activities of RMB24.5 million for the year ended 31 December 2019. Net cash used in financing activities amounted to RMB4.8 million for the year ended 31 December 2020 as compared with net cash used in financing activities of RMB5.6 million for the year ended 31 December 2019.

The Group's bank balances and cash consist of (i) bank deposits denominated in Renminbi and carried the People's Bank of China (中國人民銀行) benchmark interest rate throughout the Reporting Period; and (ii) cash on hand.

As at 31 December 2020, the Group had bank balances and cash of RMB89.0 million, representing an increase of approximately 20.9% from RMB73.6 million as at 31 December 2019. The Group's principal sources of liquidity and capital resources are cash from operating activities. The Group monitors cash flows and cash balance on a regular basis and strives to maintain an optimal liquidity that can meet its working capital needs while supporting a healthy level of business scale and expansion.

Indebtedness

The Group's indebtedness represents lease liabilities. As at 31 December 2020, the Group, as a lessee, had outstanding current and non-current lease liabilities of RMB25.4 million as compared with RMB4.2 million as at 31 December 2019. The lease liabilities represent payment for the right to use underlying assets, which is unsecured and unguaranteed.

As at 31 December 2020, the Group did not enter into any banking facility agreement and had no unutilized banking facilities. As a result, the Group's gearing ratio (calculated as total bank and other borrowings divided by total equity) as at 31 December 2020 was nil.

Capital expenditures

As at 31 December 2020, capital expenditures of the Group remained relatively stable at RMB13.8 million for the year ended 31 December 2020 as compared with RMB13.0 million for the year ended 31 December 2019. These capital expenditures were related to (i) purchases of property, plant and equipment; and (ii) expenses for research and development activities capitalized as intangible assets. The Group is expected to incur expenses to develop computer and mobile software and platforms for its internet hospital services which may be capitalized. These expenses will be financed by net proceeds from the global offering of the Company (the "**Global Offering**") and cash flow from operating activities.

Foreign exchange risk

Foreign exchange risk arises when future commercial transactions or recognized assets and liabilities are denominated in a currency that is not the Group's functional currency. The Group manages its foreign exchange risk by performing regular reviews of its net foreign exchange exposures. The Group did not hedge against any fluctuation in foreign currency during the Reporting Period.

The Group operates mainly in the PRC with most of the transactions settled in Renminbi. Management of the Group considers that the Group's business is not exposed to any significant foreign exchange risk as there are no significant financial assets or liabilities that are denominated in the currencies other than the respective functional currencies of the Group's entities.

Contingent liabilities

As at 31 December 2020, the Group did not have any material contingent liabilities.

Pledge of assets

As at 31 December 2020, the Group did not pledge any of its assets.

Human resources

As at 31 December 2020, the Group had 392 employees as compared with 407 employees as at 31 December 2019 as a result of the decrease in headcount due to (i) the outbreak of the COVID-19 pandemic in the first half of 2020; and (ii) the required number of employees has reduced as the Group shifts its business to online platforms. For the year ended 31 December 2020, the staff cost recognised as expenses of the Group amounted to RMB57.7 million, representing an increase of approximately 6.3% from RMB54.3 million for the year ended 31 December 2019. The increase was mainly attributable to the increase in proportion of employees with higher income and the one-off compensations paid by the Group on termination of employment.

The Group is committed to establishing fair remuneration system and will conduct performance evaluation for its employees on an annual basis. Compensation for employees typically consists of a base salary and a performance-based bonus. The Group conducts training for new staff before they start work and provides periodic training for its employees based on their respective responsibilities.

Furthermore, the Company has conditionally adopted a restricted share unit scheme on 18 September 2019 and a share option scheme on 21 December 2020, details of which are set out in "Appendix IV – Statutory and General Information – D. Other information – 2. RSU Scheme" and "Appendix IV – Statutory and General Information – D. Other Information – 3. Share Option Scheme" in the prospectus of the Company dated 31 December 2020 (the "**Prospectus**"). Further information is set out in the Report of Directors of this annual report.

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The Group had no significant investment, material acquisition or disposal of subsidiaries, associates and joint ventures during the Reporting Period.

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

The Company's shares were listed on the Main Board of the Stock Exchange on 19 January 2021. Therefore, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the Reporting Period.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Group intends to utilise the net proceeds raised from the Listing according to the plans set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus. Save as disclosed in the Prospectus, the Group had no other future plans for material investments or capital assets as at 31 December 2020.

Corporate Governance Report

The Board is pleased to present this corporate governance report of the Company for the year ended 31 December 2020.

CORPORATE GOVERNANCE PRACTICES

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, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

The Company has in place a corporate governance framework and has established a set of policies and procedures based on the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"). Such policies and procedures provide the infrastructure for enhancing the Board's ability to implement governance and exercise proper oversight on business conduct and affairs of the Company.

As the Company has not yet listed on the Main Board of the Stock Exchange during the year ended 31 December 2020, the requirements under the CG code or the continuing obligations of a listed issuer pursuant to the Listing Rules were not applicable to the Company for the year ended 31 December 2020.

In the opinion of the Directors, throughout the period from the Listing Date to the date of this report, the Company has complied with all the code provisions as set out in the CG Code.

The Company has also put in place certain recommended best practices as set out in the CG Code.

DIRECTORS' SECURITIES TRANSACTIONS

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

Specific enquiry has been made to all the Directors and the Directors have confirmed that they have complied with the Model Code throughout the period from the Listing Date to the date of this report.

The Company has also adopted written guidelines (the "**Employees Written Guidelines**") no less exacting than the Model Code for securities transactions by employees who are likely to be in possession of unpublished price-sensitive information of the Company. No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company.

BOARD OF DIRECTORS

The Company is headed by an effective Board which oversees the Group's businesses, strategic decisions and performance and takes decisions objectively in the best interests of the Company.

The Board should regularly review the contribution required from a Director to perform his/her responsibilities to the Company, and whether the Director is spending sufficient time on performing them.

Board Composition

The composition of the Board is as follows:

Executive Directors

Mr. Shi Wei *(Chairman)*
Mr. Yang Weimin
Mr. Wang Liang *(Chief Executive Officer)*
Mr. He Jiyong
Mr. Wang Wei
Mr. Sui Huijun

Non-executive Directors

Ms. Zhang Yitao
Mr. Liu Xia

Independent non-executive Directors

Mr. Song Ruilin *(appointed on 21 December 2020)*
Mr. Fei John Xiang *(appointed on 21 December 2020)*
Mr. David Zheng Wang *(appointed on 21 December 2020)*
Mr. Yang Xiaoxi *(appointed on 21 December 2020)*

The biographical information of the Directors is set out in the section headed "Directors & Senior Management Profiles" on pages 31 to 39 of this annual report.

None of the members of the Board is related to one another.

BOARD OF DIRECTORS (Continued)

Board Meetings and Directors' Attendance Records

Regular Board meetings should be held at least four times a year involving active participation, either in person or through electronic means of communication, of a majority of Directors.

For the year ended 31 December 2020, the Board held two meetings.

A summary of the attendance records of the Directors at the Board meetings held during the year ended 31 December 2020 is set out below:

Name of Directors	Attendance
Mr. Shi Wei	2/2
Mr. Yang Weimin	2/2
Mr. Wang Liang	2/2
Mr. He Jiyong	2/2
Mr. Wang Wei	2/2
Mr. Sui Huijun	2/2
Ms. Zhang Yitao	2/2
Mr. Liu Xia	2/2
Mr. Song Ruilin *(appointed on 21 December 2020)*	1/1
Mr. Fei John Xiang *(appointed on 21 December 2020)*	1/1
Mr. David Zheng Wang *(appointed on 21 December 2020)*	1/1
Mr. Yang Xiaoxi *(appointed on 21 December 2020)*	1/1

Chairman and Chief Executive Officer

The positions of chairman and chief executive officer of the Company are held by Mr. Shi Wei and Mr. Wang Liang respectively. The chairman provides leadership and is responsible for developing the overall business strategy of the Group. The chief executive officer is responsible for the strategic planning and overseeing the day-to-day operations of the business of the Group.

Independent Non-executive Directors

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

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent.

BOARD OF DIRECTORS (Continued)

Appointment and Re-election of Directors

Code provision A.4.1 of the CG Code stipulates that non-executive directors shall be appointed for a specific term, subject to re-election, whereas code provision A.4.2 states that all directors appointed to fill a casual vacancy shall be subject to election by shareholders at the first general meeting after appointment and that every director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years.

Under the Articles of Association of the Company, at each annual general meeting, one-third of the Directors for the time being, or if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation and re-election at least once every three years. The Company's Articles of Association also provides that any Director appointed by the Board or by ordinary resolution of the Company to fill a casual vacancy or as an addition to the existing Board shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election.

Each of the executive Directors, Mr. Shi Wei, Mr. Yang Weimin, Mr. Wang Liang, Mr. He Jiyong, Mr. Wang Wei and Mr. Sui Huijun, has entered into a service contract with the Company for a term of three years commencing from the Listing Date. Either party may terminate the service contract by not less than three months' notice in writing served on the other.

Each of the non-executive Directors, Ms. Zhang Yitao and Mr. Liu Xia, and each of the independent non-executive Directors, Mr. Song Ruilin, Mr. Fei John Xiang, Mr. David Zheng Wang and Mr. Yang Xiaoxi, has entered into a letter of appointment with the Company for a term of three years commencing from the Listing Date. Either party may terminate the letter of appointment by not less than three months' notice in writing served on the other.

Responsibilities, Accountabilities and Contributions of the Board and Management

The Board should assume responsibility for leadership and control of the Company; and is collectively responsible for directing and supervising the Company's affairs.

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

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

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

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

BOARD OF DIRECTORS (Continued)

Responsibilities, Accountabilities and Contributions of the Board and Management (Continued)

The Board is responsible for the overall management, strategic planning and making decisions on significant operational matters of the Group. Responsibilities relating to daily management and operations of the business of the Group are delegated to the management.

Continuous Professional Development of Directors

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

Every newly appointed Director has received a formal and comprehensive induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of directors' responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills. The Company will arrange various training programs to be provided by the legal advisers in Hong Kong and China and/or any appropriate accredited institution to update the Directors, senior management and relevant employees on the relevant laws and regulations. In addition, specific training program(s) in relation to updates on relevant applicable laws and regulations will also be held when necessary.

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

BOARD OF DIRECTORS (Continued)

Continuous Professional Development of Directors (Continued)

The training records of the Directors for the year ended 31 December 2020 are summarized as follows:

Directors	Type of Training[Notes]
Executive Directors	
Mr. Shi Wei	A/B
Mr. Yang Weimin	A/B
Mr. Wang Liang	A/B
Mr. He Jiyong	A/B
Mr. Wang Wei	A/B
Mr. Sui Huijun	A/B
Non-executive Directors	
Ms. Zhang Yitao	A/B
Mr. Liu Xia	A/B
Independent non-executive Directors	
Mr. Song Ruilin	A/B
Mr. Fei John Xiang	A/B
Mr. David Zheng Wang	A/B
Mr. Yang Xiaoxi	A/B

Notes:

Types of Training

A: Attending training sessions, including but not limited to, briefings, seminars, conferences and workshops

B: Reading relevant news alerts, newspapers, journals, magazines and relevant publications

BOARD COMMITTEES

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

The list of the chairman and members of each Board committee is set out under "Corporate Information" on page 2 of this annual report.

BOARD COMMITTEES (Continued)

Audit Committee

The Audit Committee consists of three independent non-executive Directors, namely Mr. Yang Xiaoxi, Mr. Fei John Xiang and Mr. Song Ruilin. Mr. Yang Xiaoxi is the chairman of the Audit Committee. At least one of the committee members possesses appropriate professional qualifications or accounting or related financial management expertise as required by the Listing Rules and none of the committee members is a former partner of or has any financial interest in the Company's existing external auditor within two years before his appointment as a member of the Audit Committee.

The terms of reference of the Audit Committee are of no less exacting terms than those set out in the CG Code. The main duties of the Audit Committee are to assist the Board in reviewing the financial information and reporting process, risk management and internal control systems, effectiveness of the internal audit function, scope of audit, relationship with the external auditors, and arrangements that employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, risk management, internal control or other matters in the Company. The Audit Committee is also responsible for performing the Company's corporate governance functions as set out in code provision D.3.1 of the CG Code.

The Audit Committee has reviewed the annual results of the Group for the year ended 31 December 2020. The Audit Committee and the Company's management have also reviewed the accounting principles and practices adopted by the Group and discussed matters in relation to risk management, internal control and financial reporting.

As the Company was listed on 19 January 2021, no Audit Committee meeting was held during the year ended 31 December 2020.

Remuneration Committee

The Remuneration Committee consists of three independent non-executive Directors, namely Mr. Fei John Xiang, Mr. Song Ruilin and Mr. David Zheng Wang. Mr. Fei John Xiang is the chairman of the Remuneration Committee.

The terms of reference of the Remuneration Committee are of no less exacting terms than those set out in the CG Code. The primary functions of the Remuneration Committee include reviewing and making recommendations to the Board on the remuneration of individual executive Directors, non-executive Directors and senior management, the remuneration policy and structure for all Directors and senior management, establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his associates is involved in deciding his own remuneration.

As the Company was listed on 19 January 2021, no Remuneration Committee meeting was held during the year ended 31 December 2020.

For the year ended 31 December 2020, the remuneration of the senior management by band is set out below:

Remuneration band	Number of persons
RMB1 to RMB500,000	3
RMB500,001 to RMB1,000,000	1

BOARD COMMITTEES (Continued)

Nomination Committee

The Nomination Committee consists of three members, namely Mr. Shi Wei, executive Director and Mr. Fei John Xiang and Mr. David Zheng Wang, independent non-executive Directors. Mr. Shi Wei is the chairman of the Nomination Committee.

The terms of reference of the Nomination Committee are of no less exacting terms than those set out in the CG Code. The principal duties of the Nomination Committee include reviewing the structure, size and composition of the Board, developing and formulating relevant procedures for the nomination and appointment of Directors, making recommendations to the Board on the appointment, re-appointment and succession planning of Directors, and assessing the independence of independent non-executive Directors.

In assessing the Board composition, the Nomination Committee would take into account various aspects as well as factors concerning board diversity as set out in the Company's Board Diversity Policy. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's relevant criteria as set out in the Company's Director Nomination Policy that are necessary to complement the corporate strategy and achieve board diversity, where appropriate, before making recommendations to the Board.

As the Company was listed on 19 January 2021, no Nomination Committee meeting was held during the year ended 31 December 2020.

Board Diversity Policy

The Company has adopted a Board Diversity Policy which sets out the approach to achieve diversity of the Board. The Company recognizes and embraces the importance and benefits to achieve diversity on the Board to corporate governance and the Board's effectiveness.

With a view to achieving a sustainable and balanced development, the Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. All Board appointments will be based on meritocracy, and candidates will be considered against appropriate criteria, having due regard for the benefits of diversity on the Board.

Selection of board candidates shall be based on a range of diversity perspectives with reference to the Company's business model and specific needs, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

BOARD COMMITTEES (Continued)

Board Diversity Policy (Continued)

The Nomination Committee will develop and review measurable objectives to implement the Board Diversity Policy and monitor the progress on achieving those measurable objectives. During the period from the Listing Date up to the date of this annual report, the Nomination Committee considered that the Board is sufficiently diverse.

The Nomination Committee will review the Board Diversity Policy and the measurable objectives (if any) at least annually, and as appropriate, to ensure the continued effectiveness of the Board.

As at the date of this report, the Board's composition can be summarised by the following main diversity perspectives:

	Number of Directors
Gender	
Female	1
Male	11
Ethnicity	
American	3
Chinese	9
Age	
31-40	2
41-50	6
51-60	4
Length of Service	
1-3 years	12

Director Nomination Policy

The Nomination Committee is delegated by the Board with responsibilities for assessing and selecting individuals nominated for directorships, and making overall recommendations to the Board on nomination of new Directors. The Board is ultimately responsible for appointment of Directors.

The Company has adopted a Director Nomination Policy. The primary objective of the policy is to provide a mechanism and formulate relevant standards for the appointment of high-calibre Directors who have the competence and capabilities to lead the Company towards achieving sustainable development. The policy also aims to appoint Directors (non-executive Directors and independent non-executive Directors) who are highly skilled, competent and experienced in business, financial, accounting or legal fields, and are able to positively carry out supervisory role over the management policy and affairs of the Company. The Company strives to ensure the balance of experience and skills among Directors.

BOARD COMMITTEES (Continued)

Director Nomination Policy (Continued)

The Director Nomination Policy stipulates that in the selection of individuals to be nominated for directorships for the Board, the Nomination Committee shall make decision base on the Company's needs and with the aim to enhance the capabilities of the Board. When making recommendations on individuals to be nominated for directorships, the Nomination Committee shall consider, among others, the following criteria:

- A range of criteria (including but not limited to skills, geographical and industry experience, background, ethnicity, gender and other qualities) required to operate successfully in the position for assessing the appointee, with due regard for the benefits of diversity of the Board;
- The effective contributions that the appointee is able to make to the Board as a whole and the extent to which he/she is able to involve in the work with existing Directors;
- The skills and experience that the appointee brings to the role and how they will enhance the skill sets and experience of the Board as a whole;
- The nature of existing positions held by the appointee including directorships or other relationships and the impact they may have on the appointee's ability to exercise independent judgment; and
- The time commitment required from a Director to actively discharge his/her duties to the Company.

The Director Nomination Policy sets out the personal requirements for Directors which include:

- Degree holder in relevant disciplines;
- Experience of management in different types of organisations;
- Good interpersonal, communication and presentation skills;
- Leadership;
- Commitment to maintaining high ethical standard, integrity and honesty;
- Commitment to promoting equal opportunities, community cohesion and health and safety in the workplace; and
- Participation in continuous professional development to refresh knowledge and skills.

Moreover, the Director Nomination Policy also states that every Director should ensure that he/she can give sufficient time and attention to the Company's affairs and should not accept the appointment if he/she cannot do so. Executive Directors shall pay more time in managing the day-to-day operation of the Company. Independent non-executive Directors shall fulfil the requirements of the Listing Rules to ensure their independence.

BOARD COMMITTEES (Continued)

Director Nomination Policy (Continued)

The Nomination Committee will recommend to the Board for the appointment of a Director in accordance with the following procedures and process:

(a) The Nomination Committee may consult any source it deems appropriate in identifying or selecting suitable candidates, such as referrals from existing Directors, advertising, recommendations from third-party agency firm and proposals from Shareholders with due consideration given to the above criteria;

(b) The Nomination Committee may adopt any process it deems appropriate in evaluating the suitability of the candidates, such as interviews, background checks, presentations and third-party reference checks;

(c) The proposed candidates will be asked to submit the necessary personal information and biography for the Nomination Committee's consideration. The Nomination Committee may request the candidates to provide additional information and documents if considered necessary;

(d) Upon considering a candidate suitable for the directorship, the Nomination Committee will hold a meeting and/or by way of written resolutions to, if thought fit, approve the recommendation to the Board for appointment;

(e) The Nomination Committee will provide the relevant information of the selected candidate to the Remuneration Committee for considering the remuneration package of such selected candidate;

(f) The Nomination Committee will thereafter make the recommendation to the Board in relation to the proposed appointment; and

(g) The Board may arrange for the selected candidate to be interviewed by the members of the Board who are not members of the Nomination Committee and the Board will thereafter deliberate and decide the appointment as the case may be.

The Nomination Committee will review the Director Nomination Policy as and when necessary to ensure its effectiveness.

Corporate Governance Functions

The Audit Committee is responsible for performing the functions set out in the code provision D.3.1 of the CG Code.

As the Company has not yet listed on the Main Board during the year ended 31 December 2020, the requirements set out in the code provision D.3.1 of the CG Code were not applicable.

Since the Listing Date, the Audit Committee has reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and the Company's employee handbook and code of conduct, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness at least annually. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems.

The Audit Committee assists the Board in leading the management and overseeing their design, implementation and monitoring of the risk management and internal control systems.

The Company has developed and adopted various risk management procedures and guidelines with defined authority for implementation by key business processes and office functions, including project management, sales and leasing, financial reporting, human resources and information technology.

The Company has in place an internal control system which is compatible with the Committee of Sponsoring Organizations of the Treadway Commission (COSO) Internal Control – Integrated Framework (2013). The framework enables the Group to achieve objectives regarding effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations. The components of the framework are shown as follows:

- Control Environment: A set of standards, processes and structures that provide the basis for carrying out internal control across the Group.

- Risk Assessment: A dynamic and iterative process for identifying and analysing risks to achieve the Group's objectives, forming a basis for determining how risks should be managed.

- Control Activities: Action established by policies and procedures to help ensure that management directives to mitigate risks for achieving the objectives are carried out.

- Information and Communication: Internal and external communication to provide the Group with the information needed to carry out day-to-day controls.

- Monitoring: Ongoing and separate evaluations to ascertain whether each components of internal control is present and functioning.

Based on the internal control reviews conducted in 2020, no significant control deficiency was identified.

All divisions/departments conducted internal control assessment regularly to identify risks that potentially impact the business of the Group and various aspects including key operational and financial processes, regulatory compliance and information security. Self-evaluation has been conducted annually to confirm that control policies are properly complied with by each division/department.

The management, in coordination with division/department heads, assessed the likelihood of risk occurrence, provide treatment plans, and monitor the risk management progress, and reported to the Audit Committee and the Board on all findings and the effectiveness of the systems.

RISK MANAGEMENT AND INTERNAL CONTROLS (Continued)

The management has confirmed to the Board and the Audit Committee on the effectiveness of the risk management and internal control systems for the year ended 31 December 2020.

The Company has engaged external internal control consultant, Moore Advisory Services Limited, to perform the internal audit function and to conduct review of the internal control measures related to the major business processes of the Company, identify the deficiencies for improvement, advise on the rectification measures and review the implementation of such measures. The internal control consultant provided a number of findings and recommendations in its report. The Company has adopted corresponding internal control measures to make improvements on certain ordinary internal control issues identified. The internal control consultant had completed the follow-up procedures on our internal control system and confirmed that there were no material deficiencies in the internal control system of the Company.

The Board, as supported by the Audit Committee as well as the management report and the internal audit findings, reviewed the risk management and internal control systems, including the financial, operational and compliance controls, for the year ended 31 December 2020, and considered that such systems are effective and adequate. The annual review also covered the financial reporting, internal audit function, staff qualifications, experiences and relevant resources.

Whistleblowing procedures are in place to facilitate employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company. The Company has set up a platform to receive complaints and whistleblowing in relation to bribery and other illegal activities of employees.

In order to prevent corrupt, bribery and fraudulent activities of employees, the Company has also established an employee handbook and a code of conduct, which are distributed to all employees, containing the internal rules and guidelines regarding work ethics, fraud prevention, negligence and corruption. All employees are required to sign for acknowledgement.

The Company has developed its disclosure policy which provides a general guide to the directors, senior management and relevant employees of the Company in handling confidential information, monitoring information disclosure and responding to enquiries. Control procedures have been implemented to ensure that unauthorized access and use of inside information are strictly prohibited.

DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for preparing the consolidated financial statements of the Company for the year ended 31 December 2020.

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

The statement of the independent auditor of the Company about their reporting responsibilities on the consolidated financial statements is set out in the Independent Auditor's Report on pages 64 to 69 of this annual report.

There is no disagreement between the Board and the Audit Committee on the selection, appointment, resignation or dismissal of external auditors.

AUDITOR'S REMUNERATION

An analysis of the remuneration paid to the external auditor of the Company, Moore Stephens CPA Limited, in respect of audit services and non-audit services for the year ended 31 December 2020 is set out below:

Service Category	Fees Paid/Payable
Audit services	RMB1,094,000
Non-audit services including internal control review, Environmental, Social and Governance Report, continuing connected transactions review and IPO audit services	RMB2,996,000
	RMB4,090,000

JOINT COMPANY SECRETARIES

Ms. Zhao Luyang, vice president of the Human Resources Department of the Company, and Ms. Leung Wai Ling, Wylie, external service provider, have been appointed as the Company's joint company secretaries with effect from 18 September 2019.

Please refer to the section headed "Directors & Senior Management Profiles" on pages 31 to 39 of this annual report for their biographical information.

The primary contact person of Ms. Leung at the Company is Mr. He Jiyong, executive Director and Chief Financial Officer, who would work and communicate with Ms. Leung on the Company's corporate governance and secretarial and administrative matters.

All Directors have access to the advice and services of the joint company secretaries on corporate governance and board practices and matters.

Considering the Company is listed on 19 January 2021, Ms. Zhao and Ms. Leung will comply with the requirement under Rule 3.29 of the Listing Rules for the year ending 31 December 2021.

SHAREHOLDERS' RIGHTS

The Company engages with Shareholders through various communication channels.

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

SHAREHOLDERS' RIGHTS (Continued)

Convening an Extraordinary General Meeting

Pursuant to Article 12.3 of the Articles of Association of the Company and the Procedures for Shareholders to Convene General Meetings adopted by the Company, any two or more Shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company (the "**Eligible Shareholder(s)**") shall at all times have the right, by written requisition to the Board or the company secretary of the Company (the "**Company Secretary**"), to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. An extraordinary general meeting may also be convened on the written requisition of any one Shareholder which is a recognized clearing house (as defined in the Articles of Association of the Company) (or its nominee(s)) (also referred as the "**Eligible Shareholder(s)**").

Eligible Shareholder(s) who wish to convene an extraordinary general meeting must deposit a written requisition (the "**Requisition**") to the principal place of business of the Company in Hong Kong for the attention of the Company Secretary.

The Requisition must state clearly the name of the Eligible Shareholder(s) concerned, his/her/their shareholding in the Company, the reason(s) to convene an extraordinary general meeting, the agenda proposed to be included and the details of the business(es) proposed to be transacted at the extraordinary general meeting. The Requisition must be signed by the Eligible Shareholder(s) concerned.

The Company will check the Requisition and the identity and the shareholding of the Eligible Shareholder(s) will be verified with the Company's Hong Kong branch share registrar and transfer office. If the Requisition is found to be proper and in order, the Company Secretary will ask the Board to convene an extraordinary general meeting within two months after the deposit of the Requisition and/or include the proposal or the resolution proposed by the Eligible Shareholder(s) at the extraordinary general meeting.

If within 21 days of the deposit of the Requisition the Board has not advised the Eligible Shareholders of any outcome to the contrary and fails to proceed to convene such extraordinary general meeting, the Eligible Shareholder(s) himself/herself/themselves or any of them representing more than one-half of the total voting rights of all of them may do so in accordance with the Memorandum and Articles of Association of the Company provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the Requisition, and all reasonable expenses incurred by the Eligible Shareholder(s) concerned as a result of the failure of the Board shall be reimbursed to the Eligible Shareholder(s) concerned by the Company.

Putting Forward Proposals at General Meetings

Any Shareholder who wishes to put forward proposals at a general meeting of the Company shall submit such proposals to the Board in writing for the Board's consideration either via mail to the Company's principal place of business in Hong Kong or via email not less than 15 business days prior to the date of the general meeting. The mail address and email address are set out in the subsection headed "Contact Details" below.

SHAREHOLDERS' RIGHTS (Continued)

Putting Forward Enquiries to the Board

For enquiries about shareholdings, Shareholders shall direct their enquiries to the Company's Hong Kong branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited and the contact details are set out as follows:

Address:	Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
Telephone:	(852) 2862 8555
Fax:	(852) 2865 0990 or (852) 2529 6087

For enquiries about corporate governance or other matters to be brought to the attention of the Board, Shareholders shall send their written enquiries to the Company either via mail to the Company's principal place of business in Hong Kong or via email for the attention of the Company Secretary. The mail address and email address are set out in the subsection headed "Contact Details" below.

Contact Details

Shareholders can send their proposals and enquiries as mentioned above to the Company as follows:

Address:	Room 2204, 22/F, Fu Fai Commercial Centre, 27 Hillier Street, Hong Kong (For the attention of the Company Secretary)
Email:	leungcomsec@mediwelcome.com

For the avoidance of doubt, Shareholder(s) must send the written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law. Shareholders may call the Company (telephone: (86) 10-56831999) for any assistance.

The Company will normally not deal with verbal or anonymous enquiries.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with Shareholders and in particular, through annual general meetings and other general meetings. At the annual general meeting, Directors (or their delegates as appropriate) will be available to meet Shareholders and answer their enquiries.

To promote effective communication, the Company maintains a website at http://www.mediwelcome.com where up-to-date information and updates on the Company's financial information, corporate governance practices and other information are posted.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS (Continued)

Constitutional Documents

Pursuant to a special resolution passed on 21 December 2020, the Company adopted an amended and restated Memorandum and Articles of Association which took effect from the Listing Date. An up-to-date version of the Company's Memorandum and Articles of Association is available on the Company's website and the Stock Exchange's website. Save as disclosed above, there was no change in the constitutional documents of the Company during the year ended 31 December 2020.

Policies Relating to Shareholders

The Company has in place a shareholders' communications policy to ensure that Shareholders' views and concerns are appropriately addressed. The policy is regularly reviewed to ensure its effectiveness.

The Company has adopted a dividend policy on payment of dividends. The Board may declare dividends after taking into account the Group's results of operations, financial condition, cash requirements and availability and other factors as it may deem relevant at such time. Any declaration and payment as well as the amount of dividends will be subject to the constitutional documents of the Company and the Companies Act of the Cayman Islands. Currently, no fixed payout ratio has been set. In addition, the Directors may from time to time pay such interim dividends on shares of the Company outstanding and authorize payment of the same out of the funds of the Company lawfully available.

Directors & Senior Management Profiles

DIRECTORS

Executive Directors

Mr. Shi Wei (施煒), aged 45, was appointed as a Director on 21 February 2019 and re-designated as an executive Director on 18 September 2019. Mr. Shi is also the chairman of the Board and responsible for the overall management, strategic planning and decision-making of the Group.

Mr. Shi, together with Mr. Chen Chuan, Mr. Li Yuyang, Mr. Yang Weimin and Mr. Wang Liang, founded the Group in September 2000. Mr. Shi served as the general manager of Mediwelcome Beijing Healthcare Technology Co., Ltd.* (北京麥迪衛康醫療科技有限公司) ("**Mediwelcome Beijing**"), one of the Group's PRC operating entities whose financial results have been consolidated and accounted as the subsidiaries of the Company through share interests or by virtue of contractual arrangements (the "**PRC Operating Entities**"), where he was responsible for the company's business and strategy development from May 2001 to April 2016. Mr. Shi has been serving as a director and the chairman of the board of Mediwelcome Beijing since the company's establishment, where he is responsible for board management, company strategy development and business planning. Mr. Shi currently also serves as a director of Beijing Medi Healthcare Management Consulting Co., Ltd.* (北京麥迪康健管理諮詢有限公司) ("**WFOE**"), an indirectly wholly-owned subsidiary of the Company, the sole executive director and the general manager of Beijing Chuangyan Medical Research Center Co., Ltd.* (北京創研醫學研究中心有限公司) ("**Beijing Chuangyan**"), one of the PRC Operating Entities wholly-owned by WFOE, and sole executive director and the general manager of Beijing Weiliandong Internet Technology Co., Ltd.* (北京微聯動網絡科技有限公司) ("**Weiliandong**"), one of the PRC Operating Entities wholly-owned by Mediwelcome Beijing, where he is responsible for overall operations and management of the companies and business planning.

Mr. Shi received his vocational college degree in electronic industry management from Beijing Information Science & Technology University (北京信息科技大學) in the PRC in July 1995.

Mr. Yang Weimin (楊為民), aged 54, was appointed as an executive Director on 18 September 2019. Mr. Yang is also the vice chairman of the Board and responsible for strategic planning and assisting in the overall management of the Group.

Mr. Yang, together with Mr. Shi Wei, Mr. Chen Chuan, Mr. Li Yuyang and Mr. Wang Liang, founded the Group in September 2000. He served as the vice general manager of Mediwelcome Beijing, where he was responsible for the management of business department from September 2000 to March 2016. Mr. Yang has been serving as one of the directors of Mediwelcome Beijing since its establishment, where he is responsible for strategic management, business development and client relationship management. Mr. Yang currently also serves as a director of WFOE and the sole executive director of Yinchuan Mediwelcome Internet Hospital Co., Ltd.* (銀川麥迪衛康互聯網醫院有限公司) ("**Ningxia Subsidiary**"), one of the PRC Operating Entities owned as to 80% by Mediwelcome Beijing, where he is responsible for business planning.

Mr. Yang received his bachelor's degree in textile design in dyeing and weaving from Nanjing University of the Arts (南京藝術學院) in the PRC in July 1992.

* *for identification purpose only*

DIRECTORS (Continued)

Executive Directors (Continued)

Mr. Wang Liang (王亮), aged 45, was appointed as an executive Director on 18 September 2019. Mr. Wang is also the chief executive officer of the Company and responsible for strategic planning and supervising daily operations of the Group.

Mr. Wang, together with Mr. Shi Wei, Mr. Yang Weimin, Mr. Chen Chuan and Mr. Li Yuyang, founded the Group in September 2000. Mr. Wang served as the supervisor at Mediwelcome Beijing from its establishment to April 2006, and then has been serving as one of the directors and the general manager, where he is responsible for overall operations and management of the company. Mr. Wang currently also serves as the director of WFOE and the chairman of the board of Beijing Haice Culture Co., Ltd.* (北京海策文化傳播有限公司) ("**Beijing Haice**"), one of the PRC Operating Entities owned as to 51% by WFOE, where he is responsible for business planning and strategic decisions.

Mr. Wang received his vocational college degree in electronic industry management from Beijing Information Science & Technology University (北京信息科技大學) in the PRC in July 1996.

Mr. He Jiyong (賀繼永), aged 39, was appointed as an executive Director on 18 September 2019. Mr. He is also the chief financial officer of the Company and responsible for formulating corporate strategies, the overall management of financing, mergers and acquisitions and capital market affairs and secretarial affairs of the Group.

Prior to joining the Group, Mr. He served as the director of the board and the chief executive officer of Yingtege (Beijing) Media Advertising Co., Ltd. (英特格(北京)傳媒廣告有限公司), a company founded by him, where he was responsible for the overall management from September 2007 to May 2009. From June 2009 to May 2010, Mr. He served as the vice president at China Agritech Inc., a company listed on the NASDAQ (stock code: CAGC-GM), where he was responsible for investor relations, financial and mergers and acquisitions affairs. From July 2010 to July 2013, Mr. He served as the vice president and chief financial officer at Jiangsu Fengye Technology Environmental Protection Group Co., Ltd. (江蘇峰業科技環保集團股份有限公司), where he was responsible for public offering and financial affairs. From July 2013 to December 2016, Mr. He served as the vice president at Xinjiang Huachun Investment Group Co., Ltd. (新疆華春投資集團有限公司), a company mainly engaged in the provision of microfinancing services, where he was responsible for the overall business management, strategy development and financial, mergers and acquisitions and capital market affairs. From June 2015 to December 2016, Mr. He served as the executive director and chief executive officer at Huachun China Financial Holdings Limited (華春中國金融控股有限公司), a company mainly engaged in investment business, where he was responsible for the strategy development and daily operations and management of the company. From November 2016 to January 2019, Mr. He served as the chief financial officer and secretary of the board at Happy Work Human Resources Co., Ltd. (快樂沃克人力資源股份有限公司), a company listed on the National Equities Exchange and Quotations in the PRC (stock code: 831662), where he was responsible for the strategy development, financial, mergers and acquisitions and capital market affairs.

Mr. He received his bachelor's degree in law from Wuhan University (武漢大學) in the PRC in June 2005 and later obtained his postgraduate diploma in corporate finance and investment management from the University of Hong Kong in September 2012. In December 2013, Mr. He was selected as a business management expert in the High-level Talents Introduction Project of Xinjiang Uygur Autonomous Region (新疆維吾爾自治區高層次人才引進計劃工程).

* *for identification purpose only*

DIRECTORS (Continued)

Executive Directors (Continued)

Mr. Wang Wei (王偉), aged 43, was appointed as an executive Director on 18 September 2019. Mr. Wang is also the vice president of the Company and responsible for strategic planning, business development and operations and client relationship management of the Group.

Since the joining of the Group in March 2002, Mr. Wang has been serving as the vice general manager of Mediwelcome Beijing and is responsible for business development, company's operation management and client relationship management. Mr. Wang has been serving as one of the directors of Mediwelcome Beijing since April 2016.

Mr. Wang received his bachelor's degree in literature from International Modern Design Art College of Inner Mongolia Normal University (內蒙古師範大學國際現代設計藝術學院) in July 1999.

Mr. Sui Huijun (眭輝俊), aged 36, was appointed as an executive Director on 18 September 2019. Mr. Sui is also the vice president of the Company and responsible for the strategic planning and business operations of the Shanghai branch of the Group.

Mr. Sui joined the Group as the account manager at Mediwelcome Beijing, where he was responsible for brand management from August 2006 to September 2012. He has been serving as the vice general manager at the Shanghai branch of Mediwelcome Beijing since September 2012, where he is mainly responsible for overall operations and management of the Shanghai branch. Mr. Sui currently also serves as the sole executive director and the general manager of Shanghai Xuanmai Public Relationship Consulting Co., Ltd.* (上海煊麥公關策劃有限公司), one of the PRC Operating Entities wholly-owned by Mediwelcome Beijing, where he is responsible for overall operations and management of the company and business planning.

Mr. Sui obtained his bachelor's degree in advertising from Xuzhou Normal University (徐州師範大學), later known as Jiangsu Normal University (江蘇師範大學) in the PRC in June 2006.

* *for identification purpose only*

DIRECTORS (Continued)

Non-executive Directors

Ms. Zhang Yitao, aged 54, was appointed as a non-executive Director on 18 September 2019. She is responsible for participating in the formulation of major decisions of the Group.

From July 1986 to May 1990, Ms. Zhang served as a nurse in the endocrinology department of China-Japan Friendship Hospital (中日友好醫院). From June 1990 to September 1990, Ms. Zhang served as a technician in Beijing Institute of Clinical Medicine (衛生部臨床檢驗中心). Ms. Zhang subsequently worked at the Department of Molecular Pharmacology at Albert Einstein College of Medicine as a researcher. Since October 1993, Ms. Zhang served as the senior research assistant of Joslin Diabetes Center of Harvard Medical School, where she was responsible for the general maintenance of the laboratory and conducted certain aspects of experiments.

Ms. Zhang was one of the holders of equity interest of Mediwelcome Beijing from May 2009 to April 2019 and served as one of the directors at Mediwelcome Beijing from April 2016 to April 2019, where she was responsible for public relations.

Ms. Zhang graduated from Beijing Secondary Professional School (北京中等專業學校) in the PRC in July 1986, where she completed the curriculum of nursing.

Mr. Liu Xia (劉夏), aged 40, was appointed as a non-executive Director on 18 September 2019. He is responsible for participating in formulation of major decisions of the Group

From July 2003 to August 2006, Mr. Liu worked as the assistant of office director in National Satellite Ocean Application Center (國家衛星海洋應用中心), where he was responsible for the administrative management and financial management. From June 2012 to June 2013, Mr. Liu worked as the general manager in financial consulting department of Lianxun Securities Co., Ltd. (聯訊證券有限責任公司), where he was responsible for providing advisory services to listed companies on mergers and acquisitions and financial matters. From July 2013 to July 2017, Mr. Liu worked as the general manager in small and medium-sized enterprises investment banking and listing business department of Guodu Securities Co., Ltd.* (國都證券股份有限公司), where he was responsible for investment banking related business. Mr. Liu has served as a vice general manager in Guodu Venture Investment Co., Ltd.* (國都創業投資有限責任公司) since July 2017 and a director of Shanghai Zhaoyan Education Science and Technology Co., Ltd. (上海兆研教育科技有限公司) since December 2017, respectively, where he was responsible for private equity investment management and fund management.

Mr. Liu has been serving as one of the directors of Mediwelcome Beijing since January 2018 and is responsible for participating in the company's overall operations and planning.

Mr. Liu received his bachelor's degree in public affairs from Renmin University of China (中國人民大學) in the PRC in July 2003 and later received his master's degree in business administration from Peking University (北京大學) in the PRC in January 2009.

* *for identification purpose only*

DIRECTORS (Continued)

Independent Non-executive Directors

Mr. Song Ruilin (宋瑞霖), aged 57, was appointed as an independent non-executive Director on 21 December 2020. He is responsible for supervising the Board and providing independent judgment to the Board.

Mr. Song has extensive experience in the research of the PRC healthcare and drugs laws and policies, and was involved in the drafting and review of a number of current PRC laws and regulations on healthcare and drugs. Mr. Song has previously served as the deputy director of the Legislative Affairs Office of the State Council of the PRC (中華人民共和國國務院法制辦公室). Mr. Song is currently the executive chairman of the China Pharmaceutical Industry Research and Development Association (中國醫藥創新促進會), the vice president of the China Rare Disease Alliance (中國罕見病聯盟) and the president of China Pharmaceutical Association (中國藥學會). Mr. Song is also selected as a member of the Biotechnology Advisory Panel of the Stock Exchange.

Mr. Song currently serves as a non-executive director at Luye Pharma Group Ltd. (綠葉製藥集團有限公司) (stock code: 02186) and an independent non-executive director at Shanghai Henlius Biotech, Inc. (上海復宏漢霖生物技術股份有限公司) (stock code: 2696), both companies are listed on the Stock Exchange. Mr. Song has been the independent non-executive director of Simcere Pharmaceutical Group Limited (先聲藥業集團有限公司) (stock code: 2096) since 19 November 2019 and the independent non-executive director of Jacobio Pharmaceuticals Group Co., Ltd.(加科思藥業集團有限公司) (stock code: 1167) since 21 December 2020, both companies are listed on the Stock Exchange. Mr. Song currently also serves as an independent director of two companies listed on the Shenzhen Stock Exchange, namely Shanxi Zhendong Pharmaceutical Co., Ltd. (山西振東製藥股份有限公司) (stock code: 300158) and Tibet Aim Pharm. Inc. (西藏易明西雅醫藥科技股份有限公司) (stock code: 002826), and an independent director of a company listed on the Shanghai Stock Exchange, Shenzhen Chipscreen Biosciences Co., Ltd. (深圳微芯生物科技股份有限公司) (stock code: 688321). Mr. Song resigned as an independent director of Jiangxi Boya Bio-pharmaceutical Co., Ltd. (江西博雅生物製藥股份有限公司) (stock code: 300294), a company listed on the Shenzhen Stock Exchange, on 3 February 2021.

Mr. Song received his bachelor's degree in law from China University of Political Science and Law (中國政法大學) in the PRC in July 1985 and later received his master's degree in business administration from China Europe International Business School (中歐國際工商學院) in the PRC in November 2004. Mr. Song graduated from China Pharmaceutical University (中國藥科大學) in the PRC in December 2018 and received his doctor's degree in social and administrative pharmacy.

DIRECTORS (Continued)

Independent Non-executive Directors (Continued)

Mr. Fei John Xiang (費翔), aged 49, was appointed as an independent non-executive Director on 21 December 2020. He is responsible for supervising the Board and providing independent judgment to the Board.

From April 2003 to December 2016, Mr. Fei successively held various positions in various international investment banks, including Merrill Lynch (Asia Pacific) Limited, Deutsche Bank AG, Hong Kong Branch and ICBC International Holdings Limited (工銀國際控股有限公司), and subsequently served as the chief executive officer at Kim Eng Securities (HK) Limited (金英證券(香港)有限公司) and the chief executive officer at Wintech Group Limited. Mr. Fei currently serves as the chief executive officer at IG Securities Hong Kong Limited, and as an independent non-executive director, the chairman of the nomination committee and a member of each of the audit committee and remuneration committee at OCI International Holdings Limited (東建國際控股有限公司), a company listed on the Stock Exchange (stock code: 329).

Mr. Fei received his bachelor's degree in science from The State University of New York at Binghamton in the United States in May 1994 and his master's degree in business administration from Columbia University in February 2001.

Mr. David Zheng Wang (王正), aged 58, was appointed as an independent non-executive Director on 21 December 2020. He is responsible for supervising the Board and providing independent judgment to the Board.

Since 1995, Mr. Wang has been serving as the director of OSF Healthcare System in Illinois of the United States. From January 2005 to September 2019, Mr. Wang served as the vice chair of the Department of Neurology of the University of Illinois College of Medicine at Peoria ("**UICOMP**"). From 2011 to 2017, Mr. Wang successively served as the president at Chinese American Neurological Association (美國華人神經科學會) and as the chairman or co-founder of several American medical associations. Mr. Wang currently serves as a clinical professor of the Department of Neurology of UICOMP and also serves as an associate editor of Chinese Journal of Stroke (中國卒中雜誌).

Mr. Wang received his doctoral degree in orthopedic from Michigan State University in the United States in June 1989. Mr. Wang is the Fellow of the American Academy of Neurology.

DIRECTORS (Continued)

Independent Non-executive Directors (Continued)

Mr. Yang Xiaoxi (楊曉曦), aged 45, was appointed as an independent non-executive Director on 21 December 2020. He is responsible for supervising the Board and providing independent judgment to the Board.

From September 1997 to May 2005, Mr. Yang served as an auditor at Zhonghua Accounting Firm (中華會計師事務所) and then at Hill Taylor LLC, an accounting office in the United States, where he was responsible for the audit of listed companies and the annual audit of enterprises. He subsequently served as a co-ordinator of the compliance department and then as the consultant of Acergy S.A., a company listed on the NASDAQ (stock code: ACGY), where he was mainly responsible for internal audit and compliance until March 2007. In April 2007, Mr. Yang joined Perfect World Co., Ltd. (完美世界股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002624) and NASDAQ (stock code: PWRD), and he successively served as the financial director and vice president, where he is responsible for finance, procurement, administration and other related work since then.

Mr. Yang received his bachelor's degree in accounting from Renmin University of China (中國人民大學) in the PRC in July 1997 and his master's degree in financial accounting in University of Illinois in the United States in July 2003. Mr. Yang is a PRC Certified Public Accountant and Certified Public Accountant in the United States.

SENIOR MANAGEMENT

Mr. Jiang Haidong (姜海東), aged 45, is the chief technology officer of the Company and responsible for overall operations and management of technologies and internet hospital of the Group.

Prior to joining the Group, from June 2009 to June 2012, Mr. Jiang served as the vice president of the research and development department at Beijing Jingdong Century Trading Co., Ltd. (北京京東世紀貿易有限公司), an e-commerce company, where he was responsible for management of logistics and internet technology. From July 2012 to February 2014, Mr. Jiang served as the chief technology officer at Lefeng (Shanghai) Information Technology Co., Ltd. (樂蜂(上海)信息技術有限公司), a company mainly engaged in online sales of cosmetics and other women's products, where he was responsible for technology and logistics management. From February 2014 to October 2015, he served as the vice president at Guangzhou Vipshop Information Technology Co., Ltd. (廣州唯品會信息科技有限公司), an e-commerce company, where he was responsible for technology development. From October 2015 to October 2017, he served as the chief executive officer at Guangzhou Qilekang Pharmaceutical Chain Co., Ltd. (廣州七樂康藥業連鎖有限公司), an online drug retailer, where he was responsible for the overall operations and management of the company. From February 2018 to March 2019, he served as the chairman of the board and chief executive officer at Beijing Shangyi Zhixin Health Management Co., Ltd. (北京尚醫智信健康管理有限公司), a company mainly engaged in providing hospital management consulting services to medical institutions, where he was responsible for strategic decisions and overall operations and management of the company. From April 2019 to September 2019, he served as the chief executive officer at Dingdang Express Medical (Beijing) Technology Co., Ltd. (叮當快醫(北京)科技有限公司), a company mainly engaged in providing online medical services, where he was responsible for overall operations and management of the company.

Mr. Jiang received his bachelor's degree in radio communication in June 1997 and his master's degree in signal and information processing in May 2000 from Northern Jiaotong University (北方交通大學) in the PRC. Mr. Jiang also received his executive master degree in business administration from China Europe International Business School (中歐國際工商學院) in the PRC.

SENIOR MANAGEMENT (Continued)

Ms. Zhao Luyang (趙魯陽), aged 43, is the vice president of human resources and one of the joint company secretaries of the Company. Ms. Zhao is responsible for overseeing the administration, secretarial matters, and human resources of the Group.

Prior to joining the Group, from March 1998 to January 1999, Ms. Zhao was an English teacher in Shenyang Art School (瀋陽市藝術學校). From November 2009 to March 2016, Ms. Zhao served as the vice general manager and director of human resources in Mediwelcome Beijing. She has also served as the vice general manager, secretary of the board and human resources director in Mediwelcome Beijing since April 2016.

Ms. Zhao received her bachelor's degree in English from Shenyang Normal University (瀋陽師範學院) in the PRC in July 1998.

Ms. Liu Guijin (劉桂金), aged 40, is the vice president of finance of the Company and responsible for managing the overall accounting and finance matters of the Group.

Ms. Liu has been serving as the financial director of Mediwelcome Beijing since December 2003, where she is responsible for overall financial management of the company.

Ms. Liu obtained her vocational college degree in public relations from Hunan Chenzhou Business School (湖南省郴州商業學校, later merged into Chenzhou Vocational Technical College (郴州職業技術學院)) in the PRC in July 1997. Ms. Liu received her bachelor's degree in accounting from University of International Business and Economics (對外經濟貿易大學) in the PRC in December 2010.

Mr. Yin Xingri (尹星日), aged 35, is the vice president of the Company and responsible for business operations and strategic planning of the Group.

From January 2009 to May 2011, Mr. Yin worked at Jiangsu Nhwa Pharmaceutical Co., Ltd. (江蘇恩華藥業股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 2262), and served as an assistant product manager of the marketing department. Since then, he has been serving as the accounts director of Mediwelcome Beijing and is responsible for business development and client relationship management.

Mr. Yin received his bachelor's degree in pharmacy from Shandong University (山東大學) in the PRC in July 2005.

JOINT COMPANY SECRETARIES

Ms. Zhao Luyang (趙魯陽), aged 43, was appointed as one of the joint company secretaries of the Company on 18 September 2019. Please refer to the subsection headed "Senior Management" above for the biographical details of Ms. Zhao Luyang (趙魯陽).

Ms. Leung Wai Ling, Wylie (梁慧玲), aged 53, was appointed as one of the joint company secretaries of the Company on 18 September 2019.

From August 1994 to September 1997, Ms. Leung served as the auditor at Ernst & Young (安永會計事務所). Ms. Leung subsequently served as an independent non-executive director of Capital Finance Holdings Ltd. (首都金融控股有限公司) (formerly named MP Logistics International Holdings Limited (物流國際控股有限公司)) (stock code: 8239) from 2002 to 2006. From June 2010 to January 2012, she served as the financial controller at Casablanca Group Limited (卡撒天嬌集團有限公司), a company listed on the Stock Exchange (stock code: 2223), where she was responsible for finance matters. From February 2012 to March 2015, she served as the associate director at Grandtop International Capital Limited, a company mainly engaged in accounting and secretarial businesses, where she was responsible for providing accounting and secretarial services. From January 2014 to October 2016, she served as the company secretary at Hong Wei (Asia) Holdings Company Limited (鴻偉(亞洲)控股有限公司), a company listed on the Stock Exchange (stock code: 8191). She currently serves as the financial controller at United Energy Products Limited (合眾能源產品有限公司), a company mainly engaged in investment business, and the independent non-executive director at King's Flair International (Holdings) Limited (科勁國際(控股)有限公司), a company listed on the Stock Exchange (stock code: 6822).

Ms. Leung received her bachelor's degree in business administration from the City University of New York in the United States in January 1992. Ms. Leung is currently a member of the Hong Kong Institute of Certified Public Accountants and a member of the Hong Kong Institute of Directors.

Report of Directors

The Directors are pleased to present this Report of Directors together with the audited consolidated financial statements of the Group for the year ended 31 December 2020.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The Group primarily provides (i) medical conference services, (ii) patient education and screening services, and (iii) marketing strategy and consulting services. In addition to providing integrated healthcare marketing solutions, the Group also began to offer CRO services and internet hospital services in late 2019. The principal activities and other details of the subsidiaries of the Company are set out in note 34 to the consolidated financial statements.

BUSINESS REVIEW

The Group's business review and its future business development are set out in the Chairman's Statement on page 6 of this annual report. An analysis of the Group's business using financial key performance indicators, and a description of the principal risks and uncertainties facing the Group are set out in the Management Discussion and Analysis from page 7 to 13 and the section headed "Risk associated with the Contractual Arrangements and the actions taken by the Company to mitigate the risks" from page 48 to 51 of this annual report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group's business does not involve significant occupational health and safety and environmental matters. During the year ended 31 December 2020, the Group did not have any material occupational health and safety and environmental incidents. Further details of the Group's environmental policies and performance will be disclosed in the environmental, social and governance report of the Company for the year ended 31 December 2020 to be published in due course in accordance with the Listing Rules.

COMPLIANCE WITH LAWS AND REGULATIONS

The Company was established in the Cayman Islands with its principal business conducted in the PRC, and its shares (the "**Shares**") are listed on the Stock Exchange. Therefore, the Company's establishment and operation are subject to relevant laws in the Cayman Islands, the PRC and Hong Kong. For the year ended 31 December 2020 and up to the date of this annual report, the Group has complied with relevant laws and regulations in the Cayman Islands, the PRC and Hong Kong.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group is committed to establishing fair remuneration system and will conduct performance evaluation for its employees on an annual basis. Compensation for employees typically consists of a base salary and a performance-based bonus. The Group currently does not have a labor union for its employees, and believes that it has good relationships with its employees.

As a service provider operating in a highly fragmented industry, building a high quality customer base is crucial to the Group's business growth. The extensive experience of the Group's co-founders and management team has been instrumental to the Group's ability to develop high quality customers, including globally leading pharmaceutical companies, medical associations and foundations. Leveraging the experience and business network developed by the Group's co-founders and management team, through recommendations by existing customers and tender bidding, the Group has been able to develop and maintain strong business relationships with high quality customers.

The Group's procurement department is responsible for conducting comprehensive evaluation of potential suppliers. The Group generally selects suppliers based on their price and quality of services or goods. After establishing a business relationship with suppliers, the Group will review their performance on an annual basis. In addition, the Group's procurement department will record the performance of suppliers by conducting surveys with relevant project managers. The Group maintains a list of preferred suppliers that have established long-term business relationship.

SUBSIDIARIES

Please refer to note 34 to the consolidated financial statements.

RESULTS

The results of the Group for the year ended 31 December 2020 are set out in the consolidated financial statements.

A summary of the results for the year and of the assets and liabilities of the Group for the past four financial years are set out on page 4 of this annual report.

RESERVES

As at 31 December 2020, distributable reserves of the Group amounted to RMB49.8 million. Details of movements in reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 73 of this annual report.

FINAL DIVIDEND

The Board resolved not to recommend the payment of any final dividend in respect of the year ended 31 December 2020 (2019: Nil).

As at 31 December 2020, there was no arrangement under which a Shareholder had waived or agreed to waive any dividends.

ANNUAL GENERAL MEETING

It is proposed that an annual general meeting of the Company (the "**AGM**") will be held on Friday, 25 June 2021. A notice convening the AGM will be published and despatched to the Shareholders in the manner required by the Articles of Association of the Company and the Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS

For the purposes of ascertaining the Shareholders' eligibility to attend and vote at the AGM, the Company's register of members will be closed during the following period:

Latest time to lodge transfer documents for registration	4:30 p.m. on Monday, 21 June 2021
Closure of register of members	Tuesday, 22 June 2021 to Friday, 25 June 2021 (both days inclusive)

For the purposes mentioned above, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than the aforementioned latest time.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment during the year ended 31 December 2020 are set out in note 12 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in the share capital of the Company during the year are set out in note 26 to the consolidated financial statements. For the year ended 31 December 2020, there was no issuance of bonds by the Company.

On 19 January 2021, the Company allotted and issued 50,000,000 ordinary Shares at HK$3.00 per Share in connection with the Listing.

EVENTS AFTER THE REPORTING PERIOD

Net Proceeds from the Global Offering

In connection with the Listing, the Company allotted and issued 50,000,000 ordinary Shares with a par value of HK$0.00001 each at a price of HK$3.00 per ordinary Share on 19 January 2021. The net proceeds from the Global Offering received by the Company, after deduction of the underwriting fees, commissions and estimated expenses payable by the Company in connection with the Global Offering amounted to HK$82.6 million.

The Company intends to apply such net proceeds for the following purposes: (i) approximately 58%, or approximately HK$47.9 million, will be used to broaden the Group's customer base, disease area coverage and patient base; (ii) approximately 25%, or approximately HK$20.7 million, will be used to complement the Group's service capabilities through the development of internet hospital services; (iii) approximately 12%, or approximately HK$9.9 million, will be used for working capital and general corporate purposes; and (iv) approximately 5%, or approximately HK$4.1 million, will be used to further expand the Group's CRO services.

Please refer to the section headed "Future Plans and Use of Proceeds" in the Prospectus for further details on the Company's intended use of the net proceeds from the Global Offering.

Lapse of Over-allotment Option

As disclosed in the Prospectus, the Company granted the International Underwriters (as defined in the Prospectus) an over-allotment option (the "**Over-allotment Option**") to allot and issue up to 7,500,000 additional Shares in connection with the Global Offering. The Over-allotment Option was not exercised and had lapsed on 7 February 2021. Accordingly, no Shares were or will be issued under the Over-allotment Option.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

As the Company was listed after the year ended 31 December 2020, there was no proceeds raised as at 31 December 2020.

As at the date of this annual report, the Group is in the process of implementing its business strategies as set out in the Prospectus. The Directors were not aware of any material change to the planned use of proceeds as at the date of this report. The net proceeds raised from the Global Offering will be applied in the manner consistent with the purposes, allocations and intended time frame mentioned in the Prospectus.

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

The Company's shares were listed on the Main Board of the Stock Exchange on 19 January 2021. Therefore, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the Reporting Period.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles of Association of the Company and there is no restriction against such rights which would oblige the Company to offer new Shares on a pro-rata basis to existing Shareholders.

TAX RELIEF

As at 31 December 2020, according to the laws of the Cayman Islands, holders of listed securities of the Company are not entitled to tax relief for their status as the holder of such securities.

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles of Association, every Director shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he/she may sustain or incur in or about the execution of the duties of his office or otherwise.

As at the date of this annual report, all Directors were covered under the liability insurance purchased by the Company in respect of legal actions against the Directors.

CONTINUING CONNECTED TRANSACTIONS

During the year ended 31 December 2020, the Company conducted the following transactions which constitute non-exempt continuing connected transactions (as defined in the Listing Rules) of the Company, details of these transactions are set out below.

Contractual Arrangements

Pursuant to applicable PRC laws and regulations, foreign investors are prohibited from holding equity interest in an entity conducting video production services and are restricted from conducting internet hospital services and value-added telecommunications services, therefore, the Group cannot directly acquire equity interests in the Consolidated Affiliated Entities (as defined in the Prospectus). Due to these restrictions, the Group conducts part of its operations in the PRC through the Contractual Arrangements (as defined in the Prospectus) with Mediwelcome Beijing and its shareholders, namely the Registered Shareholders (as defined in the Prospectus). The Contractual Arrangements allow the financials and results of operations of the Consolidated Affiliated Entities to be consolidated into the Group's consolidated financial statements as if they were wholly-owned subsidiaries of the Group.

Please refer to the section headed "Regulatory Overview" in the Prospectus for further details of the limitations under applicable PRC laws and regulations on foreign ownership in PRC companies conducting the said services.

CONTINUING CONNECTED TRANSACTIONS (Continued)

Qualification Requirements

According to the Regulations for the Administration of Foreign-Invested Telecommunication Enterprises (《外商投資電信企業管理規定》), which was promulgated by the State Council of the PRC on 11 December 2001 and amended on 10 September 2008 and 6 February 2016, foreign investors are not allowed to hold more than 50% of the equity interests of a company providing value-added telecommunications services, including ICP services. In addition, a foreign investor who invests in a value-added telecommunications business in the PRC must possess prior experience in operating value-added telecommunications businesses and a proven track record of business operations overseas (the "**Qualification Requirements**").

Efforts and Actions Taken to Comply with the Qualification Requirements

The Group has been progressively building up its track record of overseas value-added telecommunications services business operation for the purposes of being qualified, as early as possible, to acquire the maximum permissible equity interests in Mediwelcome Beijing and Weiliandong when the relevant PRC laws allow foreign investors to invest and to directly hold equity interest in value-added telecommunications services enterprises in China. The Group is in the process of expanding its overseas value-added telecommunications services business through overseas subsidiaries and has taken the following measures to meet the Qualification Requirements:

- the Group has applied for, and is in the process of, registering trademarks outside the PRC for the expansion of business operations overseas as and when appropriate;

- the Group has incorporated a subsidiary in Hong Kong, namely Mediwelcome (HK) Investment Management Company Limited, which can be readily serviced as an overseas platform when it expands its business outside the PRC; and

- the Group has considered expansion plans for overseas market and have further conducted overseas market and overseas investment feasibility research.

The Group will maintain close contact with the relevant PRC regulatory authorities and seek specific guidance as to the Qualification Requirements, as well as to understand any new regulatory developments, in order to assess whether it has fulfilled the Qualification Requirements.

CONTINUING CONNECTED TRANSACTIONS (Continued)

Contractual Arrangements (Continued)

Set out below are particulars of the Consolidated Affiliated Entities as of 31 December 2020:

Name of the Consolidated Affiliated Entities	Registered owners	Business activities
Mediwelcome Beijing	31.27% by Mr. Shi Wei; 19.55% by Mr. Yang Weimin; 19.55% by Ms. Yan Jing; 8.86% by Mr. Wang Liang; 6.24% by Tianjin Defeng Qixiang Business Management Consulting Limited Liability Partnership* (天津德豐啟祥企業管理諮詢有限合夥企業); 5.77% by Ningbo Yurongsheng Equity Investment Co., Ltd.* (寧波昱融晟股權投資有限公司); 5.44% by Tianjin Dongyuan Heyi Business Management Consulting Limited Liability Partnership* (天津東元禾宜企業管理諮詢有限合夥企業); 1.48% by Mr. Luo Shuai; 1.47% by Tongling Lizhi Equity Investment Co., Ltd.* (銅陵勵志投資有限公司); 0.37% by Tianjin Qixing Heyi Management Consulting Co., Ltd.* (天津啟興和宜企業管理諮詢有限公司) (collectively, the "**Registered Shareholders**")	Medical conference services, patient education services, marketing and strategic consulting services
Weiliandong	Mediwelcome Beijing	Medical conference services, patient education services, marketing and strategic consulting services
Ningxia Subsidiary	80% by Mediwelcome Beijing and 20% by Mr. Chen Lei (陳磊), a PRC citizen and an independent third party save for his interest in Ningxia Subsidiary	Internet hospital service

Major terms of the Contractual Arrangements

1. **Exclusive Business Cooperation Agreement**

   Mediwelcome Beijing and WFOE entered into the Exclusive Business Cooperation Agreement on 5 July 2019 (the "**Exclusive Business Cooperation Agreement**"), pursuant to which Mediwelcome Beijing agreed to engage WFOE as its exclusive provider of technical support, consultation and other services, including but not limited to (i) technical services and network support; (ii) information management system support; (iii) business consulting; (iv) intellectual property licensing; (v) equipment and assets leasing; (vi) marketing consultation and marketing development plan support; (vii) system integration; (viii) product development and system maintenance; and (ix) other relevant services requested by WFOE from time to time to the extent permitted under PRC laws and regulations.

* *for identification purpose only*

CONTINUING CONNECTED TRANSACTIONS (Continued)

Contractual Arrangements (Continued)

Major terms of the Contractual Arrangements (Continued)

2. **Exclusive Option Agreement**

   WFOE, Mediwelcome Beijing and the Registered Shareholders entered into the Exclusive Option Agreement on 5 July 2019 (the "**Exclusive Option Agreement**"), pursuant to which the Registered Shareholders severally granted to WFOE the irrevocable and exclusive rights to require the Registered Shareholders to transfer any or all their equity interests and/or assets in Mediwelcome Beijing to WFOE and/or a third party designated by it, in whole or in part at any time and from time to time, at a minimum purchase price permitted under PRC laws and regulations. The Registered Shareholders have also undertaken that, subject to the relevant PRC laws and regulations, they will return to WFOE any consideration they receive in the event that WFOE exercises the options under the Exclusive Option Agreement to acquire the assets in Mediwelcome Beijing.

3. **Equity Pledge Agreement**

   WFOE, Mediwelcome Beijing and the Registered Shareholders entered into the Equity Pledge Agreement on 5 July 2019 (the "**Equity Pledge Agreement**"), pursuant to which each of the Registered Shareholders agreed to pledge all of their respective equity interests in Mediwelcome Beijing to WFOE as a security interest to guarantee the payment of outstanding debts under the Exclusive Business Cooperation Agreement.

4. **Shareholders' Rights Proxy Agreement**

   Each of Mediwelcome Beijing, the Registered Shareholders and WFOE entered into the Shareholders' Rights Proxy Agreement on 5 July 2019 (the "**Shareholders' Rights Proxy Agreement**"), pursuant to which, each Registered Shareholder, through the power of attorney, irrevocably appoints WFOE or the Directors and their successors (including a liquidator replacing the Directors) but excluding those non-independent or who may give rise to conflict of interests, as his attorney-in-fact to exercise such shareholder's rights in Mediwelcome Beijing, including without limitation to, the rights to (i) convene and participate in shareholders' meeting in the capacity of a proxy of the Registered Shareholders; (ii) exercise the voting rights, on behalf of the Registered Shareholders, and adopt and execute resolutions, on matters to be discussed and resolved at shareholders' meetings, such as, the appointment and election of directors of Mediwelcome Beijing or any senior management that should be appointed or dismissed by the shareholders of Mediwelcome Beijing; and (iii) exercise other voting rights of shareholders under the articles of association of Mediwelcome Beijing.

Please refer to the section headed "Contractual Arrangements" in the Prospectus for further details of the Contractual Arrangements.

During the year ended 31 December 2020, (i) there were no material changes in the Contractual Arrangements or the circumstances under which they were adopted, and (ii) none of the Contractual Arrangements mentioned above had been unwound as none of the restrictions that led to the adoption of the Contractual Arrangements were removed.

CONTINUING CONNECTED TRANSACTIONS (Continued)

Compliance and Overall Performance of the Contractual Arrangements

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

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

(ii) the Board will review the overall performance of and compliance with the Contractual Arrangements at least once a year;

(iii) the Company will establish a risk management committee, which will perform regular review on the operations of Weiliandong and Ningxia Subsidiary to ensure they are only conducting businesses that are restricted or prohibited to foreign investors under the FI Restriction (as defined in the Prospectus);

(iv) the Company will disclose the overall performance and compliance with the Contractual Arrangements in its annual reports;

(v) the Company will maintain close contact with the relevant PRC regulatory authorities and make periodic enquiries understand any new regulatory development and assess whether the Group has fulfilled the Qualification Requirements. The Group undertakes to provide periodic updates in annual and interim reports as requested by the Stock Exchange after the Listing to inform the investing public of its efforts and actions taken to comply with the Qualification Requirements as well as the progress of the Group's efforts; and

(vi) the Company will engage external legal advisers or other professional advisers, if necessary, to assist the Board to review the implementation of the Contractual Arrangements, review the legal compliance of WFOE and the Consolidated Affiliated Entities to deal with specific issues or matters arising from the Contractual Arrangements.

CONTINUING CONNECTED TRANSACTIONS (Continued)

Contractual Arrangements (Continued)

Key financial information of the Consolidated Affiliated Entities

Set out below are key financial information of the Consolidated Affiliated Entities for the year ended 31 December 2020:

	Year ended 31 December 2020 *(RMB)*
Revenue	262,809
Total assets	170,381

Risk associated with the Contractual Arrangements and the actions taken by the Company to mitigate the risks

Risk associated with the Contractual Arrangements	Mitigation actions taken by the Company
If the PRC Government determines that the Contractual Arrangements do not comply with applicable laws and regulations, or if these laws and regulations or their interpretations change in the future, the Group could be subject to severe consequences, including the nullification of the Contractual Arrangements and the relinquishment of the Group's interest in the Consolidated Affiliated Entities.	According to the agreements of the Contractual Arrangements, in the event of any changes in the relevant laws and regulations that result in the interests of a party to the agreements being undermined, the parties to the agreements shall cooperate to apply for legal waivers in accordance with the laws if the agreement needs to be continued. If loss cannot be avoided, the parties to the agreements shall make corresponding adjustments to the Contractual Arrangements through negotiation to minimise and balance the loss that may be incurred by the parties.
Substantial uncertainties exist with respect to the interpretation and implementation of the Foreign Investment Law of the PRC and how it may impact the viability of the Group's current corporate structure, corporate governance and business operations.	The Directors will closely monitor the latest development of the existing or future applicable PRC laws or regulations (including the Foreign Investment Law of the PRC), and will take measures to ensure that the Company is under the control of PRC investors so as to comply with relevant rules and regulations in the PRC.

CONTINUING CONNECTED TRANSACTIONS (Continued)

Contractual Arrangements (Continued)

Risk associated with the Contractual Arrangements and the actions taken by the Company to mitigate the risks (Continued)

Risk associated with the Contractual Arrangements	Mitigation actions taken by the Company
Certain shareholders of Mediwelcome Beijing may have potential conflicts of interest with the Group, which may materially and adversely affect the Group's business and financial condition.	The Registered Shareholders have undertaken that, during the period that the Contractual Arrangements remain effective, (a) they shall not execute any documents with or make any undertaking to any third parties that may have conflicts of interests with any agreements entered into with WFOE; (b) they shall not commit or refrain from committing any act that may lead to any conflicts of interests between the Registered Shareholders and WFOE; and (c) in the event of the occurrence of a conflict of interests (where WFOE has the sole discretion to determine whether such conflict arises), they shall take appropriate measures upon the consent of WFOE and its designees to eliminate such conflicts; and unless otherwise agreed to by WFOE in writing, they will not (a) directly or indirectly participate or engage in any business which is or may potentially be in competition with the business of Mediwelcome Beijing or any of its subsidiaries; and (b) be employed by an entity whose operation is or may potentially be in competition with the business of WFOE or any of its subsidiaries. The Shareholders' Rights Proxy Agreement also provides that, in order to avoid potential conflicts of interest, where the Registered Shareholders are officers or directors of the Company, the power of attorney is granted in favor of other unrelated officers or directors of the Company.

CONTINUING CONNECTED TRANSACTIONS (Continued)

Contractual Arrangements (Continued)

***Risk associated with the Contractual Arrangements and the actions taken by the Company to mitigate the risks** (Continued)*

Risk associated with the Contractual Arrangements	Mitigation actions taken by the Company
The Contractual Arrangements may not be as effective in providing operational control as direct ownership and Mediwelcome Beijing or relevant parties may fail to perform their obligations under the Contractual Arrangements.	Each of the agreements under the Contractual Arrangements, except for Power of Attorney (as defined in the Prospectus), provides that, in the event of any dispute arising from the performance of or relating to the Contractual Arrangements, any party has the right to submit the relevant dispute to the China International Economic and Trade Arbitration Commission for arbitration in accordance with the then effective arbitration rules. The arbitration award shall be final and binding on all parties. In addition, the Company has implemented effective internal control over the Consolidated Affiliated Entities to ensure the security of the assets held by it through the Contractual Arrangements and that the Consolidated Affiliated Entities follow the Group's unified internal control policies and procedures.
The Group's ability to acquire the entire equity interest of the Consolidated Affiliated Entities is subject to restrictions.	Pursuant to the Exclusive Option Agreement, the Registered Shareholders severally granted to WFOE the irrevocable and exclusive rights to require the Registered Shareholders to transfer any or all their equity interests and/or assets in Mediwelcome Beijing to WFOE and/or a third party designated by it, in whole or in part at any time and from time to time, at a minimum purchase price permitted under PRC laws and regulations. The Registered Shareholders have also undertaken that, subject to the relevant PRC laws and regulations, they will return to WFOE any consideration they receive in the event that WFOE exercises the options under the Exclusive Option Agreement to acquire the assets in Mediwelcome Beijing.

CONTINUING CONNECTED TRANSACTIONS (Continued)

Contractual Arrangements (Continued)

Risk associated with the Contractual Arrangements and the actions taken by the Company to mitigate the risks (Continued)

Risk associated with the Contractual Arrangements	Mitigation actions taken by the Company
Group may lose the ability to use and enjoy assets and licenses held by the Consolidated Affiliated Entities that are important to the operation of the Group's business if the Consolidated Affiliated Entities declare bankruptcy or becomes subject to a dissolution or liquidation proceeding.	Pursuant to the Exclusive Option Agreement, in the event of a mandatory liquidation required by the PRC laws, Mediwelcome Beijing shall sell all of its assets, to the extent permitted by PRC laws, to WFOE or another qualifying entity designated by WFOE, at the lowest selling price permitted by applicable PRC laws.
The Contractual Arrangements may be subject to scrutiny by the PRC tax authorities and a finding that the Group owes additional taxes could substantially reduce the Group's consolidated net income and the value of shareholders' investment.	As advised by the Company's PRC legal advisers, who took the view that the Contractual Arrangements will not be challenged by the PRC tax authorities or other government authorities unless the PRC tax authorities determine that such transactions are not conducted on an arm's length basis, provided that WFOE and the Consolidated Affiliated Entities implement the Contractual Arrangements in accordance with the terms of the structured contracts.
The Group conducts the Relevant Businesses (as defined in the Prospectus) in the PRC through the Consolidated Affiliated Entities by way of the Contractual Arrangements, but certain terms of the Contractual Arrangements may not be enforceable under PRC laws.	As disclosed in the Prospectus, the Company's PRC legal advisers are of the opinion that the Contractual Arrangements are narrowly tailored to minimize the potential conflict with relevant PRC laws and regulations.

Please refer to the section headed "Risk Factors" in the Prospectus for further details of the risks associated with the Contractual Arrangements.

CONTINUING CONNECTED TRANSACTIONS (Continued)

Contractual Arrangements (Continued)

Waiver from the Stock Exchange and annual review

Each of Mr. Shi Wei, Mr. Yang Weimin and Mr. Wang Liang is an executive Director and a controlling shareholder of the Company. Ms. Zhang Yitao is a non-executive Director and a controlling shareholder of the Company. Ms. Yan Jing is a substantial shareholder of Mediwelcome Beijing and the close associate of Ms. Zhang Yitao. Mediwelcome Beijing is an associate of the controlling shareholders of the Company. Mr. Shi Wei, Mr. Yang Weimin, Mr. Wang Liang, Ms. Zhang Yitao, Ms. Yan Jing and Mediwelcome Beijing are therefore connected persons of the Company for the purpose of Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under the Contractual Arrangements constitute continuing connected transactions and are subject to reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.105 of the Listing Rules, the Company has applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with (i) announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the transactions under the Contractual Arrangements; (ii) the requirement of setting maximum aggregate annual value (i.e. an annual cap) for the fees payable to the Group under the Contractual Arrangements; and (iii) the requirement of limiting the term of the Contractual Arrangements to three years or less, for so long as the Shares are listed on the Stock Exchange, subject to certain conditions as disclosed from page 303 to page 305 of the Prospectus.

Pursuant to Rule 14A.55 of the Listing Rules, all the independent non-executive Directors have reviewed the continuing connected transactions contemplated under the Contractual Arrangements for the year ended 31 December 2020 and confirmed that they have been entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or better; and (iii) in accordance with the respective agreements governing the above continuing connected transactions on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

The independent non-executive Directors have also confirmed that (i) the transactions carried out during the year ended 31 December 2020 have been entered into in accordance with the relevant provisions of the Contractual Arrangements; (ii) no dividends or other distributions have been made by Mediwelcome Beijing to the holders of its equity interests which are not otherwise subsequently assigned or transferred to the Group; and (iii) there were no new contracts entered into, renewed or reproduced between the Group and Mediwelcome Beijing during the year ended 31 December 2020.

In accordance with Rule 14A.56 of the Listing Rules, the Group has engaged its auditor to perform procedures on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagement Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants for the year ended 31 December 2020.

CONTINUING CONNECTED TRANSACTIONS (Continued)

Contractual Arrangements (Continued)

Waiver from the Stock Exchange and annual review (Continued)

In addition, the Company's auditor has performed review procedures on the transactions carried out pursuant to the Contractual Arrangements and has provided a letter to the Directors with a copy to the Stock Exchange confirming nothing has come to the auditor's attention that the transactions have not been approved by the Directors and were not entered into, in all material respects, in accordance with the relevant provisions of the Contractual Arrangements and that any dividends or other distributions were made by Mediwelcome Beijing to the holders of its equity interests which are not otherwise subsequently assigned or transferred to the Group.

Related Party Transactions

Details of the related party transactions of the Group for the year ended 31 December 2020 are set out in note 31 to the consolidated financial statements.

Save for the continuing connected transactions set out in the section headed "Continuing Connected Transactions" above, none of the related party transactions set out in note 31 to the consolidated financial statements constitute connected transactions or continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

The Company has complied with or otherwise obtained waiver from the disclosure requirements prescribed in Chapter 14A of the Listing Rules with respect to the connected transactions or continuing connected transactions entered into by the Group during the year ended 31 December 2020.

DIRECTORS

The Directors during the financial year and up to the date of this annual report were:

Executive Directors:

Mr. Shi Wei (Chairman)
Mr. Yang Weimin
Mr. Wang Liang (Chief Executive Officer)
Mr. He Jiyong
Mr. Wang Wei
Mr. Sui Huijun

Non-executive Directors:

Ms. Zhang Yitao
Mr. Liu Xia

Independent Non-executive Directors:

Mr. Song Ruilin (appointed on 21 December 2020)
Mr. Fei John Xiang (appointed on 21 December 2020)
Mr. David Zheng Wang (appointed on 21 December 2020)
Mr. Yang Xiaoxi (appointed on 21 December 2020)

DIRECTORS (Continued)

In accordance with the Articles of Association, Mr. Song Ruilin, Mr. Fei John Xiang, Mr. David Zheng Wang and Mr. Yang Xiaoxi will retire at the forthcoming AGM to be held on Friday, 25 June 2021 and, being eligible, offer themselves for re-election at the AGM.

None of the Directors proposed for re-election at the forthcoming AGM has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than normal statutory obligations.

DIRECTORS' SERVICE CONTRACTS

Please refer to the subsection headed "Appointment and Re-election of Directors" in the Corporate Governance Report for details of Directors' service contracts.

MANAGEMENT CONTRACT

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or in existence during the year ended 31 December 2020.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENT AND CONTRACTS

Save for those disclosed in this annual report, no transaction, arrangement or contract of significance to which the Company or its subsidiaries was a party, and in which a Director or an entity connected with a Director had a material interest, subsisted at any time during the year ended 31 December 2020.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Save for their respective interests in the Group (including the PRC Operating Entities), none of the Directors had any interest in any business apart from the Group's business, which competes or is likely to compete, either directly or indirectly with the Group's business as at 31 December 2020.

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

The Company's shares were listed on the Main Board of the Stock Exchange on 19 January 2021. Therefore, section 352 of the Securities and Futures Ordinance (the "**SFO**") and the Model Code were not applicable to the Company as at 31 December 2020.

As at the date of this report, the interests and short positions of the Directors and the chief executives of the Company 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 to be entered in the register kept by the Company pursuant to section 352 of the SFO, or as otherwise be notified to the Company and the Stock Exchange pursuant to the Model Code are set out below:

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS (Continued)

Interest in the Company

Name of Director	Nature of Interest	Number of Shares[1]	Approximate Percentage of Shareholding[1]
Mr. Shi Wei[2]	Interest in a controlled corporation/Interest held jointly with another person	103,519,000 (L)	51.76%
Mr. Yang Weimin[2]	Interest in a controlled corporation/Interest held jointly with another person	103,519,000 (L)	51.76%
Ms. Zhang Yitao[2]	Interest in a controlled corporation/Interest held jointly with another person	103,519,000 (L)	51.76%
Mr. Wang Liang [2]	Interest in a controlled corporation/Interest held jointly with another person	103,519,000 (L)	51.76%

Notes:

(1) The letter "L" denotes the person's long position in the shares. The percentage of shareholding was calculated based on Company's total issued shares of 200,000,000 shares as at the date of this annual report.

(2) The Company's ultimate controlling shareholders, Mr. Shi Wei, Mr. Yang Weimin, Ms. Zhang Yitao and Mr. Wang Liang, are parties acting in concert and on 13 October 2019, they entered into written agreement to, among others, confirm their acting-in-concert arrangement. Please refer to the section headed "History and Reorganization — Parties Acting in Concert" in the Prospectus for further details. By virtue of the SFO, each controlling Shareholder is deemed to be interested in the Shares beneficially owned by other controlling Shareholders.

Save as disclosed above, as at the date of this annual report, none of the Directors and chief executives of the Company had interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be entered in the register kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save for the restricted share unit scheme and the share option scheme of the Company as disclosed in this Report of Directors, at no time during the year ended 31 December 2020 was the Company or any of its subsidiaries a party to any arrangement to enable the Directors, their respective spouse or minor children to acquire benefits by means of the acquisitions of shares in the Company or in any other body corporate.

INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY OF PERSONS OTHER THAN THE DIRECTORS AND CHIEF EXECUTIVES OF THE COMPANY

The Company's shares were listed on the Main Board of the Stock Exchange on 19 January 2021. Therefore, section 336 of the SFO was not applicable to the Company as at 31 December 2020.

As at the date of this annual report, the following persons, other than a Director or chief executive of the Company, had 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 under section 336 of the SFO:

Name of Shareholder	Nature of Interest	Number of Shares(1)	Approximate Percentage of Shareholding(1)
Ji Ze Investment Management Company Limited(2)(3) ("**Ji Ze Investment**")	Beneficial interest/Interest held jointly with another person	103,519,000 (L)	51.76 %
Shun Jia Investment Management Company Limited(2)(4) ("**Shun Jia Investment**")	Beneficial interest/Interest held jointly with another person	103,519,000 (L)	51.76 %
He Hui Wan Yi Investment Management Company Limited(2)(5) ("**He Hui Wan Yi Investment**")	Beneficial interest/Interest held jointly with another person	103,519,000 (L)	51.76 %
Tai Zhi Feng Investment Management Company Limited(2)(6) ("**Tai Zhi Feng Investment**")	Beneficial interest/Interest held jointly with another person	103,519,000 (L)	51.76 %
The Core Trust Company Limited(7)	Trustee	20,000,000 (L)	10.00%
TCT (BVI) Limited(7)	Other	20,000,000 (L)	10.00%
Great Insight Global Limited(7)	Nominee for another person	20,000,000 (L)	10.00%

INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY OF PERSONS OTHER THAN THE DIRECTORS AND CHIEF EXECUTIVES OF THE COMPANY (Continued)

Notes:

(1) The letter "L" denotes the person's long position in the shares. The percentage of shareholding was calculated based on Company's total issued shares of 200,000,000 shares as at the date of this annual report.

(2) The Company's ultimate controlling shareholders, Mr. Shi Wei, Mr. Yang Weimin, Ms. Zhang Yitao and Mr. Wang Liang, are parties acting in concert and on 13 October 2019, they entered into written agreement to, among others, confirm their acting-in-concert arrangement. Please refer to the section headed "History and Reorganization — Parties Acting in Concert" in the Prospectus for further details. By virtue of the SFO, each controlling Shareholder is deemed to be interested in the Shares beneficially owned by other controlling Shareholders.

(3) Ji Ze Investment is wholly-owned by Mr. Shi Wei. By virtue of the SFO, Mr. Shi Wei, Mr. Yang Weimin, Ms. Zhang Yitao, Mr. Wang Liang, Shun Jia Investment, He Hui Wan Yi Investment and Tai Zhi Feng Investment are deemed to be interested in the Shares held by Ji Ze Investment.

(4) Shun Jia Investment is wholly-owned by Mr. Yang Weimin. By virtue of the SFO, Mr. Shi Wei, Mr. Yang Weimin, Ms. Zhang Yitao, Mr. Wang Liang, Ji Ze Investment, He Hui Wan Yi Investment and Tai Zhi Feng Investment are deemed to be interested in the Shares held by Shun Jia Investment.

(5) He Hui Wan Yi Investment is wholly-owned by Ms. Zhang Yitao. By virtue of the SFO, Mr. Shi Wei, Mr. Yang Weimin, Ms. Zhang Yitao, Mr. Wang Liang, Ji Ze Investment, Shun Jia Investment and Tai Zhi Feng Investment are deemed to be interested in the Shares held by He Hui Wan Yi Investment.

(6) Tai Zhi Feng Investment is wholly-owned by Mr. Wang Liang. By virtue of the SFO, Mr. Shi Wei, Mr. Yang Weimin, Ms. Zhang Yitao, Mr. Wang Liang, Ji Ze Investment, Shun Jia Investment and He Hui Wan Yi Investment are deemed to be interested in the Shares held by Tai Zhi Feng Investment.

(7) The Core Trust Company Limited, as a trustee, holds 20,000,000 Shares on trust under the restricted share unit scheme of the Company through Great Insight Global Limited (the "**Nominee**"). The Nominee is wholly-owned by TCT (BVI) Limited, which is in turn wholly-owned by The Core Trust Company Limited.

Save as disclosed above, the Directors are not aware of any person (other than the Directors or chief executives of the Company) who had interests or short positions in the Shares or underlying Shares which were recorded in the register required to be kept by the Company under section 336 of the SFO.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACT OF SIGNIFICANCE

Save as disclosed in the section headed "Contractual Arrangements" and "Continuing Connected Transactions" above, no contract of significance was entered into between the Company or any of its subsidiaries and the controlling Shareholders or any of its subsidiaries, and no contract of significance for the provision of services to the Company or any of its subsidiaries by a controlling Shareholder or any of its subsidiaries was entered into during the year ended 31 December 2020.

RSU SCHEME

The Company has conditionally adopted a restricted share unit scheme (the "**RSU Scheme**") by a resolution of the Shareholders and a resolution of the Board on 18 September 2019. The RSU Scheme is not subject to the provisions of Chapter 17 of the Listing Rules as the RSU Scheme does not involve the grant of options by the Company to subscribe for new Shares.

The Company's shares were listed on the Main Board of the Stock Exchange on 19 January 2021. Therefore, the RSU Scheme had not come to effect as of 31 December 2020.

Purpose of the RSU Scheme

The purposes of the RSU Scheme is to reward the Participants (as defined below) for their contribution to the success of the Group, and to provide incentives to them to further contribute to the Group.

RSU Awards

An award of restricted share under the RSU Scheme (the "**Award(s)**") gives a Participant in the RSU Scheme a conditional right when the Award vests to obtain Shares on or about the date of vesting, as determined by the Board in its absolute discretion.

Participants of the RSU Scheme

Participants of the RSU Scheme (the "**Participants**") include the following:

(i) the employees or officers (including executive, non-executive and independent non-executive directors) of the Group;

(ii) any person or entity that provides research, development, consultancy and other technical or operational or administrative support to the Group; and

(iii) any other persons who, in the sole opinion of the Board, have contributed or will contribute to the Company, any of its subsidiaries and/or the Consolidated Affiliated Entities.

Grant of Award

On and subject to the terms of the RSU Scheme and the terms and conditions that the Board imposes pursuant thereto, the Board shall be entitled at any time during the life of the RSU Scheme to make a grant to any Participant as the Board may in its absolute discretion determine. Awards may be granted on such terms and conditions as the Board may determine, provided such terms and conditions shall not be inconsistent with any other terms and conditions of the RSU Scheme.

RSU SCHEME (Continued)

RSU Scheme Limit

No Award shall be granted pursuant to the RSU Scheme if as a result of such grant, the aggregate number of Shares underlying all grants made pursuant to the RSU Scheme (excluding the Awards that have lapsed or been canceled in accordance with the rules of the RSU Scheme) will exceed 5% of the number of Shares in issue immediately before the completion of the Global Offering.

Vesting

The Board has the sole discretion to determine the vesting schedule and vesting conditions (if any) for any grant of Award(s) to any grantee, which may also be adjusted and re-determined by the Board from time to time. If the vesting conditions are not satisfied and no waiver of such condition is granted, the RSU shall be canceled according to conditions as determined by the Board in its absolute discretion.

As of 31 December 2020, the RSU Scheme had not come into effect and no Award had been granted or agreed to be granted under the RSU Scheme.

The RSU Scheme shall be valid and effective for a period of 10 years commencing from 18 September 2019.

Please refer to the section headed "Statutory and General Information — RSU Scheme" in the Prospectus for further details of the RSU Scheme.

SHARE OPTION SCHEME

The following is a summary of the principal terms of the share option scheme of the Company (the "**Share Option Scheme**") conditionally approved by a written resolution of all the Shareholders passed on 21 December 2020 and adopted by a resolution of the Board on 21 December 2020. The Share Option Scheme came into effect on the Listing Date. The terms of the Share Option Scheme are in accordance with the provisions under the Listing Rules.

Purpose of the Share Option Scheme and Eligibility

The purpose of the Share Option Scheme is to motivate the Eligible Persons (as defined below) to optimize their future contributions to the Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain ongoing relationships with such Eligible Persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group, and additionally in the case of Executives (as defined below), to enable the Group to attract and retain individuals with experience and ability and/or to reward them for their past contributions. Subject to the terms of the Share Option Scheme, the Board shall be entitled at any time during the life of the Share Option Scheme to offer the grant of any Option (as defined below) to any Eligible Person as the Board may in its absolute discretion select. The basis of eligibility shall be determined by the Board from time to time.

SHARE OPTION SCHEME (Continued)

Participants of the Share Option Scheme

The Board may, at its absolute discretion, offer options (the "**Options**") to subscribe for such number of Shares in accordance with the terms set out in the Share Option Scheme to:

(i) any executive director of, manager of, or other employee holding an executive, managerial, supervisory or similar position in any member of the Group;

(ii) any proposed employee, any full-time or part-time employee, or a person for the time being seconded to work full-time or part-time for any member of the Group (the "**Executive**");

(iii) a director or proposed director (including an independent non-executive director) of any member of the Group;

(iv) a direct or indirect shareholder of any member of the Group;

(v) a supplier of goods or services to any member of the Group;

(vi) a customer, consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of the Group;

(vii) a person or entity that provides design, research, development or other support or any advisory, consultancy, professional or other services to any member of the Group; and

(viii) an associate (as defined in the Listing Rules) of any of the persons referred to in paragraph (i) to (vii) above.

The persons referred above are the "**Eligible Persons**".

Maximum Number of Shares

The maximum number of Shares which may be issued upon exercise of all Options to be granted under the Share Option Scheme and any other schemes of the Group shall not in aggregate exceed 10% of the Shares in issue as at the Listing Date, such limit represents 20,000,000 Shares (the "**General Scheme Limit**"), being 10% of the issued Shares as at the date of this annual report. Any further grant of Options in excess of the General Scheme Limit is subject to Shareholders' approval in a general meeting of the Company. The maximum number of Shares which may be issued upon exercise of all outstanding Options granted and yet to be exercised under the Share Option Scheme and any other schemes of the Group shall not exceed 30% of the Shares in issue from time to time.

Maximum Entitlement of Each Participant

The maximum number of Shares issued and to be issued upon exercise of the Options granted to any one Eligible Person (including exercised and outstanding Options) in any 12-month period shall not exceed 1% of the Shares in issue from time to time (the "**Individual Limit**"). Any further grant of Options in excess of the Individual Limit is subject to Shareholders' approval in a general meeting of the Company.

SHARE OPTION SCHEME (Continued)

Offer Period

An offer of the grant of an Option shall remain open for acceptance by the Eligible Person concerned for a period of 28 days from the offer date provided that no such grant of an Option may be accepted after the expiry of the effective period of the Share Option Scheme. An Option shall be deemed to have been granted and accepted by the Eligible Person and to have taken effect when the duplicate offer letter comprising acceptance of the offer of the Option duly signed by the grantee together with a remittance in favor of the Company of HK$1.0 by way of consideration for the grant thereof is received by the Company on or before the date upon which an offer of an Option must be accepted by the relevant Eligible Person, being a date not later than 30 days after the offer date.

Vesting and Performance Target

Subject to the provisions of the Listing Rules, the Board may in its absolute discretion when offering the grant of an Option impose any conditions, restrictions or limitations in relation thereto in addition to those set forth in the Share Option Scheme as the Board may think fit (to be stated in the letter containing the offer of the grant of the Option) including (without prejudice to the generality of the foregoing) qualifying and/or continuing eligibility criteria, conditions, restrictions or limitations relating to the achievement of performance, operating or financial targets by the Company and/or the grantee, the satisfactory performance or maintenance by the grantee of certain conditions or obligations or the time or period when the right to exercise the Option in respect of all or some of the Shares to which the Option relates shall vest provided that such terms or conditions shall not be inconsistent with any other terms or conditions of the Share Option Scheme.

Amount Payable for Options

The amount payable on acceptance of an Option is HK$1.0.

Subscription Price

The subscription price in respect of any particular Option shall be such price as the Board may in its absolute discretion determine at the time of the grant of the relevant Option (and shall be stated in the letter containing the offer of the grant of the Option) but the subscription price shall not be less than whichever is the highest of (i) the closing price of a share of the Company as stated in the Stock Exchange's daily quotations sheet on the offer date; and (ii) the average closing price of a Share as stated in the Stock Exchange's daily quotations sheet for the five business days (as defined in the Listing Rules) immediately preceding the offer date.

SHARE OPTION SCHEME (Continued)

Exercise of Option

An Option shall be exercised in whole or in part (but if in part only, in respect of a board lot or any integral multiple thereof) within the period, in respect of an Option, commencing immediately after the business day (as defined in the Listing Rules) on which the Option is deemed to be granted and accepted in accordance to the Share Option Scheme (the "**Commencement Date**") and expiring on such date of the expiry of the Option as the Board may in its absolute discretion determine and which shall not exceed 10 years from the Commencement Date but subject to the provisions for early termination thereof contained in the Share Option Scheme.

As of 31 December 2020, the Share Option Scheme had not come into effect and no Option has been granted or agreed to be granted under the Share Option Scheme.

The Share Option Scheme will remain in force for a period of 10 years commencing from 21 December 2020.

Please refer to the section headed "Statutory and General Information — Share Option Scheme" in the Prospectus for further details of the Share Option Scheme.

EQUITY-LINKED AGREEMENTS

Other than the Share Option Scheme as disclosed above, no equity-linked agreements that will or may result in the Company issuing Shares or that require the Company to enter into any agreements that will or may result in the Company issuing Shares were entered into by the Company during the year ended 31 December 2020 or subsisted as at 31 December 2020.

EMOLUMENT POLICY

The Group is committed to establishing fair remuneration system and will conduct performance evaluation for its employees on an annual basis. Compensation for employees of the Group typically consists of a base salary and a performance-based bonus. The emoluments of the Directors and senior management of the Company are proposed by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics, subject to the final decision by the Board.

The remuneration of the Directors and five highest paid individuals of the Company are set out in note 8 to the consolidated financial statements.

To the knowledge of the Company, as at the date of this annual report, none of the Directors had waived or agreed to waive any arrangement for emolument.

Pursuant to the applicable PRC laws and regulations, the Group participates to contribute to various security insurance including social insurance and having provident fund. No forfeited contributions are available to reduce the contribution payable by the Group in the future years.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2020, revenue attributable to the largest customer of the Group amounted to approximately 16.3% of the total revenue in the year and the five largest customers of the Group accounted for 38.3% of the Group's total revenue in the year.

For the year ended 31 December 2020, purchases attributable to the largest supplier of the Group amounted to approximately 18.2% of the total purchases in the year and the five largest suppliers of the Group accounted for 25.9% of the Group's total purchases in the year.

So far as the Board is aware, neither the Directors and their respective close associates nor any Shareholder (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) had any interest in these major customers and suppliers.

CORPORATE GOVERNANCE OF THE COMPANY

As the Company has not yet listed on the Main Board of the Stock Exchange during the year ended 31 December 2020, the requirements under the CG code or the continuing obligations of a listed issuer pursuant to the Listing Rules were not applicable to the Company for the year ended 31 December 2020.

In the opinion of the Directors, throughout the period from the Listing Date to the date of this annual report, the Company has complied with all applicable code provisions as set out in the CG Code.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, during the period from the Listing Date and up to the date of this annual report, the Company has maintained the prescribed public float as required by the Listing Rules.

AUDITOR

The consolidated financial statements have been audited by Moore Stephens CPA Limited, who will retire at the forthcoming AGM, and, being eligible, offer themselves for re-appointment. A resolution will be proposed to the Shareholders at the forthcoming AGM to re-appoint Moore Stephens CPA Limited as the external auditor of the Company.

On behalf of the Board
Shi Wei
Chairman

26 March 2021

Independent Auditor's Report

to the Shareholders of Mediwelcome Healthcare Management & Technology Inc.
(Incorporated in the Cayman Islands with limited liability)

MOORE

Moore Stephens CPA Limited

801-806 Silvercord, Tower 1,
30 Canton Road, Tsimshatsui,
Kowloon, Hong Kong

T +852 2375 3180
F +852 2375 3828

www.moore.hk

大華馬施雲
會計師事務所有限公司

OPINION

We have audited the consolidated financial statements of Mediwelcome Healthcare Management & Technology Inc. (the "Company") and its subsidiaries (together, the "Group") set out on pages 70 to 144, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

KEY AUDIT MATTERS (Continued)

Key audit matters	How our audit addressed the key audit matter
Impairment assessment of trade receivables	
We identified the impairment of trade receivables as a key audit matter due to the significance of the balance to the consolidated financial statements as a whole and the estimation of impairment losses entails a significant degree of the inability of the customers to make the required payment. As disclosed in Note 19 to the consolidated financial statements, the trade receivables net of impairment amounted to RMB78,447,000 as at 31 December 2020. Impairment losses amounting to RMB1,030,000 have been recognized for the year ended 31 December 2020. Management performed periodic assessment on the recoverability of the trade receivables and the sufficiency of provision for impairment based on information including credit profile of different customers, ageing of the trade receivables, historical settlement records, subsequent settlement status, expected timing and amount of realisation of outstanding balances, and on-going business relationships with the relevant customers. Management also considered forward looking information that may impact the customers' ability to repay the outstanding balances in order to estimate the expected credit losses for the impairment assessment. We focused on this area due to the impairment assessment of trade receivables under the expected credit losses model involved the use of significant management judgements and estimates.	Our procedures in relation to the assessment of recoverability of trade receivables included: • Obtaining an understanding of how allowance for trade receivables is estimated by the management; • Testing the ageing of trade receivables, on a sample basis, to the supporting documents and the credit term granted; • Challenging the information used to determine the expected credit losses by considering cash collection performance against historical trends and the level of credit loss charges over time; • Reviewing the accuracy of management's judgement by comparing historical management's judgement against actual write-offs; • Discussing with the management on their assessment based on the business relationship with customers in relation to overdue trade receivables with/without settlement; and • Examining on sampling basis evidence related to post year end cash receipt.

KEY AUDIT MATTERS (Continued)

Key audit matters	How our audit addressed the key audit matter
Valuation of equity instruments at fair value through other comprehensive income ("FVTOCI")	
We identified the valuation of equity instruments at FVTOCI as a key audit matter due to the significance of the balance as a whole and the significant judgement and estimation required in determining their fair values. The equity instruments at FVTOCI of the Group represent investment in unlisted equity securities. The fair value of equity instruments at FVTOCI amounted to RMB16,826,000 as at 31 December 2020, with the fair value gain of RMB4,212,000 recognised in other comprehensive income for the year then ended. As disclosed in Notes 3(b) and 14(a) to the consolidated financial statements, in estimating the fair value of the equity instruments, the Group engaged an independent qualified external valuer to perform the valuation and worked with the external valuer to establish inputs to the valuation. The fair value of equity instruments at FVTOCI was arrived at by using market approach. The valuations are dependent on certain significant unobservable inputs that involve judgements and estimations, including price to sales ratio.	Our procedures in relation to the valuation of financial assets at FVTOCI included: • Evaluating the competence, capabilities, objectivity and independence of the external valuer; • With the assistance of our internal valuation specialists, discussing with the management and the external valuer their valuation methodology and the key estimates and assumptions adopted in their valuations; • Evaluating the appropriateness of the valuation models and the judgement made by the management and the external valuer; • Challenging the reasonableness of key assumptions and key inputs being used based on our knowledge of the business and industry, including the price to sales ratio; and • Checking on a sample basis, the accuracy and reliance of the input data used.

OTHER INFORMATION

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

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

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

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

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

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

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

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

Moore Stephens CPA Limited
Certified Public Accountants

Cheung Sai Kit
Practising Certificate Number: P05544

Hong Kong, 26 March 2021

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2020

	Notes	**2020** *RMB'000*	2019 *RMB'000*
Revenue	*4*	**432,291**	427,159
Cost of sales		**(335,978)**	(332,291)
Gross profit		**96,313**	94,868
Other income, gains and losses	*5*	**3,337**	3,339
Selling expenses		**(10,380)**	(6,377)
Administrative expenses		**(41,950)**	(34,196)
Research and development expenses		**(14,012)**	(11,589)
Listing expenses		**(9,054)**	(13,605)
Finance costs	*6*	**(896)**	(309)
Impairment losses on trade receivables		**(1,030)**	(6,113)
Other expenses		**(47)**	(46)
Profit before taxation	*7*	**22,281**	25,972
Income tax expense	*9*	**(302)**	(3,915)
Profit for the year		**21,979**	22,057
Other comprehensive income/(loss)			
Item that will not be reclassified to profit or loss:			
Fair value changes in equity instruments at fair value through other comprehensive income		**4,212**	(3,839)
Total comprehensive income for the year		**26,191**	18,218
Profit for the year attributable to:			
– Owners of the Company		**21,042**	20,852
– Non-controlling interests		**937**	1,205
		21,979	22,057
Total comprehensive income for the year attributable to:			
– Owners of the Company		**25,254**	17,013
– Non-controlling interests		**937**	1,205
		26,191	18,218
Earnings per share			
– Basic and diluted earnings per share (RMB cents)	*11*	**14.03**	13.90

Consolidated Statement of Financial Position

31 December 2020

	Notes	2020 *RMB'000*	2019 *RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment	*12*	**7,763**	6,048
Right-of-use assets	*13*	**21,723**	4,023
Equity instruments at fair value through other comprehensive income	*14a*	**16,826**	12,614
Goodwill	*15*	**3,115**	3,115
Intangible assets	*16*	**23,159**	21,454
Deferred tax assets	*17*	**2,098**	1,685
Prepayments, deposits and other receivables	*18*	**2,808**	646
		77,492	49,585
Current assets			
Trade receivables	*19*	**78,447**	71,719
Contract costs	*20*	**11,086**	4,421
Prepayments, deposits and other receivables	*18*	**8,165**	12,214
Financial assets at fair value through profit or loss	*14b*	**15,900**	17,900
Bank balances and cash	*21*	**88,990**	73,642
		202,588	179,896
Total assets		**280,080**	229,481
LIABILITIES			
Current liabilities			
Trade payables	*22*	**26,153**	27,357
Contract liabilities	*23*	**28,713**	30,346
Other payables and accruals	*24*	**25,834**	16,523
Lease liabilities	*25*	**2,104**	3,794
Tax payable		**2,628**	5,471
		85,432	83,491
Net current assets		**117,156**	96,405
Total assets less current liabilities		**194,648**	145,990
Non-current liabilities			
Deferred tax liabilities	*17*	**329**	815
Lease liabilities	*25*	**23,323**	370
		23,652	1,185
Net assets		**170,996**	144,805

Consolidated Statement of Financial Position

31 December 2020

	Notes	2020 *RMB'000*	2019 *RMB'000*
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital	*26*	**1**	1
Reserves	*27*	**161,174**	135,920
		161,175	135,921
Non-controlling interests		**9,821**	8,884
Total equity		**170,996**	144,805

The consolidated financial statements were approved and authorised for issue by the board of directors on 26 March 2021.

Shi Wei
Director

Wang Liang
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2020

	Attributable to owners of the Company								
	Share capital *RMB'000* (Note 26)	Capital reserve *RMB'000* (Note 27)	Statutory reserve *RMB'000* (Note 27)	Fair value reserve *RMB'000* (Note 27)	Other reserve *RMB'000* (Note 27)	Retained earnings *RMB'000*	Sub-total *RMB'000*	Non-controlling interests *RMB'000*	Total *RMB'000*
As at 1 January 2019	54,216	37,878	5,223	677	–	20,913	118,907	7,679	126,586
Profit for the year	–	–	–	–	–	20,852	20,852	1,205	22,057
Other comprehensive loss									
Fair value changes in equity instruments at FVTOCI	–	–	–	(3,839)	–	–	(3,839)	–	(3,839)
Total comprehensive (loss)/ income for the year	–	–	–	(3,839)	–	20,852	17,013	1,205	18,218
Derecognition upon deemed disposal of equity instruments at FVTOCI (Note 29)	–	–	–	3,601	–	(3,601)	–	–	–
Appropriation to statutory reserve	–	–	6,117	–	–	(6,117)	–	–	–
Issuance of shares of the Company	1	–	–	–	–	–	1	–	1
Effect of Reorganisation*	(54,216)	–	–	–	54,216	–	–	–	–
As at 31 December 2019 and 1 January 2020	**1**	**37,878**	**11,340**	**439**	**54,216**	**32,047**	**135,921**	**8,884**	**144,805**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**21,042**	**21,042**	**937**	**21,979**
Other comprehensive income									
Fair value changes in equity instruments at FVTOCI	**–**	**–**	**–**	**4,212**	**–**	**–**	**4,212**	**–**	**4,212**
Total comprehensive income for the year	**–**	**–**	**–**	**4,212**	**–**	**21,042**	**25,254**	**937**	**26,191**
Appropriation to statutory reserve	**–**	**–**	**3,264**	**–**	**–**	**(3,264)**	**–**	**–**	**–**
As at 31 December 2020	**1**	**37,878**	**14,604**	**4,651**	**54,216**	**49,825**	**161,175**	**9,821**	**170,996**

* As defined in Note 1.2

Consolidated Statement of Cash Flows

For the year ended 31 December 2020

	Notes	2020 *RMB'000*	2019 *RMB'000*
Operating activities			
Profit before taxation		**22,281**	25,972
Adjustments for:			
Depreciation of property, plant and equipment	*12*	**3,173**	2,666
Depreciation of right-of-use assets	*13*	**7,457**	5,352
Loss/(gain) on disposal of property, plant and equipment	*5*	**34**	(2)
Amortisation of intangible assets	*16*	**7,079**	2,711
Gain on fair value changes in financial assets at fair value through profit or loss	*5*	**(418)**	(627)
Impairment losses on trade receivables	*32.2(b)*	**1,030**	6,113
Finance costs	*6*	**896**	309
Interest income	*5*	**(304)**	(466)
Operating cash flows before movements in working capital		**41,228**	42,028
Increase in trade receivables		**(7,758)**	(47,045)
(Increase)/decrease in contract costs		**(6,665)**	4,612
Decrease/(increase) in prepayments, deposits and other receivables		**1,887**	(1,157)
(Decrease)/increase in trade payables		**(1,204)**	11,594
Decrease in contract liabilities		**(1,633)**	(5,806)
Increase in other payables and accruals		**9,312**	8,580
Cash generated from operations		**35,167**	12,806
Income tax paid		**(4,045)**	(8,291)
Net cash generated from operating activities		**31,122**	4,515
Investing activities			
Purchases of property, plant and equipment	*12*	**(5,027)**	(2,138)
Acquisition of intangible assets	*16*	**(8,784)**	(10,858)
Deposit refunded for acquisition of intangible assets	*18*	**–**	4,000
Purchases of financial assets at fair value through profit or loss	*32.4*	**(16,000)**	(70,000)
Proceeds from disposal of financial assets at fair value through profit or loss	*32.4*	**18,418**	54,016
Loan advanced to Beijing Weiliandong Internet Technology Co., Ltd.		**–**	(20,000)
Loan repayment from Beijing Weiliandong Internet Technology Co., Ltd.		**–**	20,000
Proceeds from disposal of property, plant and equipment		**105**	15
Net cash outflow for acquisition of a subsidiary	*29*	**–**	(24)
Interest received	*5*	**304**	466
Net cash used in investing activities		**(10,984)**	(24,523)

	Notes	**2020** **RMB'000**	2019 *RMB'000*
Financing activities			
Payment for principal portion of lease liabilities	*25*	**(3,894)**	(5,246)
Payment for interest portion of lease liabilities	*25*	**(896)**	(309)
Net cash used in financing activities		**(4,790)**	(5,555)
Net increase/(decrease) in cash and cash equivalents		**15,348**	(25,563)
Cash and cash equivalents at beginning of the year		**73,642**	99,205
Cash and cash equivalents at end of the year, representing bank balances and cash	*21*	**88,990**	73,642

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

1. GENERAL INFORMATION, HISTORY OF THE GROUP, REORGANISATION AND BASIS OF PRESENTATION

1.1 General information

Mediwelcome Healthcare Management & Technology Inc. (the “**Company**”) was incorporated under the laws of the Cayman Islands with limited liability on 21 February 2019. The registered office is located at Floor 4, Willow House, Cricket Square, Grand Cayman KY1-9010, Cayman Islands and its principal place of business in Hong Kong is located at Room 2204, 22/F, Fu Fai Commercial Centre, 27 Hillier Street, Hong Kong. The shares of the Company (“**Shares**”) have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) with effect from 19 January 2021.

The Company acts as an investment holding company and the particulars of its subsidiaries are set out in Note 34 to the consolidated financial statements. The Company and its subsidiaries are collectively referred to as the “**Group**”.

The Company is ultimately controlled by Mr. Shi Wei, Mr. Yang Weimin, Ms. Zhang Yitao and Mr. Wang Liang (collectively referred to as the “**Controlling Parties**”), who are also parties acting in concert, and as a result of contractual arrangements, collectively have the power to direct the relevant activities of the Group.

Items included in the consolidated financial statements of each of the Group’s entities are measured using the currency of the primary economic environment in which the entity operates (the “**functional currency**”). The functional currency of the Company is Renminbi (“**RMB**”) since the Company’s primary subsidiaries were incorporated and are operating in the People’s Republic of China (the “**PRC**”) and these subsidiaries considered RMB as their functional currency. The consolidated financial statements is presented in RMB, which is the Company’s functional and the Group’s presentation currency. All values are rounded to the nearest thousand except when otherwise indicated.

1.2 History of the Group, reorganisation and basis of presentation of the consolidated financial statements

History of the Group

Prior to the Reorganisation (as defined below), the business of the Group was mainly carried out by Mediwelcome Beijing Healthcare Technology Co. Ltd. (“**Mediwelcome Beijing**”) and its subsidiaries (collectively, the “**Mediwelcome Beijing Group**”) which was a group of companies providing provision of medical conference services, patient education and screening services and marketing strategy and consulting services. On 22 September 2016, the shares of Mediwelcome Beijing were listed and traded on National Equities Exchange and Quotations (“**NEEQ**”) (NEEQ: 839176) of the PRC.

1. GENERAL INFORMATION, HISTORY OF THE GROUP, REORGANISATION AND BASIS OF PRESENTATION (Continued)

1.2 History of the Group, reorganisation and basis of presentation of the consolidated financial statements (Continued)

Reorganisation

De-listing from the NEEQ

In preparing for the initial public offering and listing of the shares of the Company on the Stock Exchange, the Group underwent a series of reorganisation (the "**Reorganisation**") as set out below.

On 14 January 2019, the shareholders of Mediwelcome Beijing resolved to apply for the de-listing of Mediwelcome Beijing from the NEEQ. The shares of Mediwelcome Beijing were de-listed from the NEEQ on 13 February 2019.

Incorporation of the Company

On 21 February 2019, the Company was incorporated in the Cayman Islands as an exempted company with limited liability and authorised share capital of US$50,000 divided into 5,000,000 shares with par value of US$0.01 each.

On 12 May 2019, the Company resolved that the authorised share capital be redenominated from US$50,000 to HK$380,000 by the creation of an additional 37,995,000,000 shares with par value of HK$0.00001 each.

On 12 May 2019, the Company issued and allotted 40,651,000 shares to Ji Ze Investment (wholly-owned by Mr. Shi Wei), 25,415,000 shares to Shun Jia Investment (wholly-owned by Mr. Yang Weimin), 25,415,000 shares to He Hui Wan Yi Investment (wholly-owned by Ms. Zhang Yitao) and 12,038,000 shares to Tai Zhi Feng Investment (wholly-owned by Mr. Wang Liang), representing 31.27%, 19.55%, 19.55% and 9.26% shareholding of the Company respectively. The remaining 26,481,000 shares were allotted to minority shareholders of Mediwelcome Beijing representing 20.37% of shareholding of the Company. Upon the completion of the allotment and issue of the shares of the Company, the Company is ultimately controlled by the Controlling Parties.

Incorporation of offshore subsidiaries

On 1 March 2019, Mediwelcome Investment Management Company Limited ("**Mediwelcome BVI**") was established in the British Virgin Islands ("**BVI**") as a wholly-owned subsidiary of the Company.

On 8 March 2019, Mediwelcome (HK) Investment Management Company Limited ("**Mediwelcome HK**") was established in Hong Kong as a wholly-owned subsidiary of Mediwelcome BVI. Mediwelcome HK is the holding company of the PRC subsidiary, Beijing Medi Healthcare Management Consulting Co. Ltd. ("**WFOE**").

1. GENERAL INFORMATION, HISTORY OF THE GROUP, REORGANISATION AND BASIS OF PRESENTATION (Continued)

1.2 History of the Group, reorganisation and basis of presentation of the consolidated financial statements (Continued)

***Reorganisation** (Continued)*

Establishment of WFOE

On 16 May 2019, WFOE was established in the PRC as a wholly owned subsidiary of Mediwelcome HK.

Contractual Arrangements

On 5 July 2019, WFOE entered into a series of agreements (as described in Note 34(d)) with Mediwelcome Beijing and the registered shareholders of Mediwelcome Beijing ("**Registered Shareholders**") in order for the WFOE to exercise and maintain control over the operation of Mediwelcome Beijing and its subsidiaries and to obtain economic benefits from Mediwelcome Beijing and its subsidiaries, preventing any leakage of assets and values to the Registered Shareholders.

The Reorganisation completed on 5 July 2019. The Group comprising the Company, Mediwelcome BVI, Mediwelcome HK, WFOE and Mediwelcome Beijing Group has always been under the common control of the Controlling Parties before and after the Reorganisation. Therefore, it is regarded as a continuing entity and the consolidated financial statements have been prepared as if the Company had always been the holding company of the Group.

The consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for the years ended 31 December 2019 and 2020 which include the financial performance, changes in equity and cash flows of the Group have been prepared using the principles of merger accounting as if the current group structure had been in existence throughout the reporting periods, or since their respective dates of incorporation/establishment/acquisition, where is a shorter period.

The consolidated statements of financial position of the Group as at 31 December 2019 and 2020 have been prepared using the principles of merger accounting to present the assets and liabilities of the Group at the carrying amounts shown in the financial statements of the group entities which had been in existence at those dates, taking into account their respective dates of incorporation/establishment/acquisition, where applicable as if the current group structure had been in existence throughout the reporting periods, or since their respective dates of incorporation/establishment/acquisition, where is a shorter period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. The principal accounting policies and methods of computation used by the Group in the preparation of the consolidated financial statements for the year ended 31 December 2020 are consistent with those adopted in the consolidated financial statements for the year ended 31 December 2019, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**"), which includes all HKFRSs, Hong Kong Accounting Standards ("**HKASs**") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and accounting principles generally accepted in Hong Kong. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income which are carried at fair value at subsequent reporting dates.

Adoption of new and revised HKFRSs

In the preparation of the consolidated financial statements for the year ended 31 December 2020, the Group has applied, for the first time, the following revised standards issued by the HKICPA.

The Group has applied the following new and amendments to HKFRSs issued by the HKICPA for the first time in the current year:

Amendments to HKAS1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

In addition, in the preparation of the consolidated financial statements for the year ended 31 December 2020, the Group has early applied the Amendments to HKFRS 16 *Covid-19 – Related Rent Concessions* ("**Amendments to HKFRS 16**"), which are mandatorily effective for annual reporting periods beginning on or after 1 June 2020.

Except as described in Note 2.7, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

Adoption of new and revised HKFRSs (Continued)

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

		Effective for annual periods beginning on or after
HKFRS 17	Insurance Contracts and the related Amendments	1 January 2023
Amendments to HKFRS 3	Reference to the Conceptual Framework	1 January 2022
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2	1 January 2021
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)	1 January 2023
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use	1 January 2022
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020	1 January 2022

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

2.2 Subsidiaries

Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Subsidiaries (Continued)

Merger accounting for business combination involving entities or business under common control

The consolidated financial statements incorporate the financial statements items of the combining entities or businesses that are under common control as if they had been consolidated from the date when the combining entities or business first came under the control of the controlling shareholder.

The assets and liabilities of the combining business are consolidated using existing carrying values. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquirer's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination.

The consolidated statements of comprehensive income include the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

Business combination

The Group applies the acquisition method to account for business combinations except for business combination under common control as described in Note 1.2. The consideration transferred for the acquisition of a business is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRSs.

Acquisition-related costs are expensed as incurred.

When a business combination is achieved in stages, the Group's previously held equity interests in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss or other comprehensive income, as appropriate. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income and measured under HKFRS 9 *Financial Instruments* ("**HKFRS 9**") would be accounted for on the same basis as would be required if the Group had disposed directly of the previously held equity interests.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Subsidiaries (Continued)

Merger accounting for business combination involving entities or business under common control *(Continued)*

Business combination (Continued)

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is a financial asset or liability is recognised in accordance with HKFRS 9 in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interests in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference (after reassessment) is recognised directly profit or loss.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("**CODM**"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the chief executive officer and directors of the Company that makes strategic decisions.

2.4 Foreign currency

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Property, plant and equipment

All property, plant and equipment is stated at historical costs less accumulated depreciation and accumulated impairment loss. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred. Depreciation is calculated on the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Electronic equipment	3 to 5 years
Furniture and fixtures	3 to 5 years
Motor vehicle	3 to 5 years
Leasehold improvements	Estimated useful lives (2 to 5 years) or remaining lease terms, whichever is shorter

The assets' useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised in "Other income, gains and losses" in the consolidated statement of comprehensive income.

2.6 Intangible assets

(a) Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interests in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("**CGUs**"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Intangible assets (Continued)

(a) Goodwill (Continued)

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(b) Research and development expenditures

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are capitalised as intangible assets when recognition criteria are fulfilled. These criteria include: (1) it is technically feasible to complete the software product so that it will be available for use; (2) management intends to complete the software product and use or sell it; (3) there is an ability to use or sell the software product; (4) it can be demonstrated how the software product will generate probable future economic benefits; (5) adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and (6) the expenditure attributable to the software product during its development can be reliably measured. Other development expenditures that do not meet those criteria are recognised as expenses as incurred.

Development costs previously recognised as expenses are not recognised as assets in subsequent periods. Capitalised development costs are amortised from the point at which the assets are ready for use on a straight-line basis over their useful lives. Customer contracts obtained and acquired from Beijing Weiliandong Internet Technology Co. Ltd. (“**Weiliandong**”) are amortised on straight-line basis over the contract term.

2.7 Leases

The Group as lessee

The Group assesses whether a contract is or contains a lease at inception of a contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For short-term leases and leases of low value assets, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease, and payments for these leases are presented as cash flows from operating activities in the consolidated statement of cash flows.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses the lessee’s incremental borrowing rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Leases (Continued)

The Group as lessee *(Continued)*

Lease payments include fixed payments, less any lease incentives receivables, variable lease payments that depend on an index or a rate known at the commencement date, and purchase options or extension option payments if the Group is reasonably certain to exercise these options. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and are recognised as an expense in profit or loss in the year in which the event or condition that triggers those payments occurs.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. The right-of-use assets are depreciated starting at the commencement date of the lease over the shorter period of useful life of the underlying asset and lease term unless the lease transfers ownership of the underlying asset to the lessee by the end of the lease term or if the cost of the right-of-use asset reflects that lessee will exercise a purchase option, the right-of-use assets are depreciated starting at the commencement date of the lease to the end of the useful life of the underlying assets.

Termination options are included in certain leases across the Group and all the termination options are exercisable only by the respective lessor and not by the Group. The Group has an unconditional obligation to pay for the right to use the asset for the period of the lease ranging from 12 to 53 months.

Early adoption of Amendment to HKFRS 16 COVID-19 – Related Rent Concessions

Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 outbreak. The practical expedient applies only to rent concessions occurring as a direct consequence of the COVID-19 outbreak and only if: (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective retrospectively for annual periods beginning on or after 1 June 2020 with earlier application permitted.

During the year, certain monthly lease payments for the leases of the Group's offices and warehouses have been reduced or waived by the lessors as a result of the COVID-19 outbreak and there are no other changes to the terms of the leases. The Group has early adopted the amendment on 1 January 2020 and elected not to apply lease modification accounting for all rent concessions granted by the lessors as a result of the COVID-19 outbreak during the year. Accordingly, a reduction in the lease payments arising from the rent concessions of RMB474,000 has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss for the year ended 31 December 2020.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Impairment of non-financial assets

Goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (CGUs). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.9 Investments and other financial assets

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e. the date that the Group commits to purchase or sell the asset.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 *Revenue from Contracts with Customers* ("**HKFRS 15**"). Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss ("**FVTPL**")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Investments and other financial assets (Continued)

Financial instruments *(Continued)*

(a) Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 *Business Combinations* applies.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or

- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or fair value through other comprehensive income as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Investments and other financial assets (Continued)

Financial instruments *(Continued)*

(a) Classification and subsequent measurement of financial assets (Continued)

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and debt instruments/receivables subsequently measured at fair value through other comprehensive income. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

(ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or fair value through other comprehensive income or designated as fair value through other comprehensive income are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes dividend or interest earned on the financial asset and is included in the "other income, gains and losses" line item.

(iii) Equity instruments at FVTOCI

Investments in equity instruments at FVTOCI on initial recognition are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the fair value reserve (non-recycling); and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained earnings/will continue to be held in the fair value reserve (non-recycling).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Investments and other financial assets (Continued)

Financial instruments *(Continued)*

(b) Impairment of financial assets

The Group recognises a loss allowance for expected credit loss ("**ECL**") on financial assets which are subject to impairment under HKFRS 9 (including trade and other receivables and bank balances and cash). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("**12m ECL**") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on whether there has been significant increase in credit risk since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

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

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Investments and other financial assets (Continued)

Financial instruments *(Continued)*

(b) Impairment of financial assets (Continued)

(i) Significant increase in credit risk (Continued)

- an actual or expected significant deterioration in the operating results of the debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group considers the bank balances to have a low credit risk because the majority of the counterparties are banks with external credit rating of "investment grade" as per globally understood definitions.

(ii) Definition of default

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower; or

(b) a breach of contract, such as a default or past due event; or

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Investments and other financial assets (Continued)

Financial instruments (Continued)

(b) Impairment of financial assets (Continued)

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade, bills and receivables where the corresponding adjustment is recognised through a loss allowance account.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

2.11 Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by Mediwelcome Beijing and the Company are recognised at the proceeds received, net of direct issue costs.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Financial liabilities and equity instruments (Continued)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Interest expense is recognised on an effective interest basis.

Financial liabilities at amortised cost

Financial liabilities (including trade payables and other payables) are subsequently measured at amortised cost, using the effective interest method.

2.12 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or share options are shown in equity as a deduction from the proceeds.

2.13 Income tax

Income tax represents the sum of current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.13 Income tax (Continued)

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

In respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

Deferred tax is calculated, without discounting, at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.14 Employee benefits

(a) Pension obligation

In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries. The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees' payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administered funds managed by the PRC government.

The Group's contributions to the aforesaid defined contribution retirement schemes are expensed as incurred.

(b) Housing funds, medical insurances and other social insurances

Employees of the Group in the PRC are entitled to participate in various government-supervised housing funds medical insurances and other social insurance plan. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group's liability in respect of these funds is limited to the contributions payable in each year. Contributions to the housing funds, medical insurances and other social insurances are expensed as incurred.

2.15 Revenue recognition

The Group offers a variety of medical related services, including medical conference services, patient education and screening services and marketing strategy and consulting services.

Revenues are recognised when or as the control of the goods or services is transferred to the customer. Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.15 Revenue recognition (Continued)

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

If contracts involve the promise of more than one performance obligations, the transaction price will be allocated to each performance obligation based on their relative stand-alone selling prices. If the stand-alone selling prices are not directly observable, they are estimated based on expected cost plus a margin or adjusted market assessment approach, depending on the availability of observable information.

(a) Performance obligation

(i) Medical conference services

The Group is engaged by medical associations and pharmaceutical companies to provide medical conference services to physicians through onsite conferences and online seminars to enhance their training and ability to treat more patients.

Onsite conferences involve (a) preparation of teaching materials, (b) arranging of professors to deliver conferences, (c) rental of sites and (d) managing services during the conferences. The sales of teaching materials and the delivery of conferences including (b), (c) and (d) are considered as two separate performance obligations.

Online seminars involve (a) preparation of teaching materials, (b) arranging of professors to deliver seminars, (c) development and (d) maintenance of platforms. The sales of teaching materials and the delivery of seminars including (b), (c) and (d) through the platforms are considered as two separate performance obligations.

(ii) Patient education and screening services

The Group is engaged by medical associations to provide patient education and screening services through onsite patient education and online patient education services.

Onsite seminars involve (a) preparation of teaching materials, (b) arranging of professors to deliver seminars, (c) rental of sites and (d) managing services during the seminars. The sales of teaching materials and the delivery of seminars including (b), (c) and (d) are considered as two separate performance obligations.

Online patient education services involve (a) preparation of teaching materials, (b) arranging of professors to deliver seminars, (c) development and (d) maintenance of platforms. The sales of teaching materials and the delivery of seminars including (b), (c) and (d) through the platforms are considered as two separate performance obligations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.15 Revenue recognition (Continued)

(a) Performance obligation (Continued)

(iii) Marketing and strategic consulting services

The Group generates revenue by providing marketing and strategic consulting services to pharmaceutical companies such as promotion, design of logo and posters, market research report and sourcing of promotion related products, etc. The sales of promotion materials and related products only involve a single performance obligation.

(iv) Contract research organisation services

The Group is appointed by pharmaceutical companies, medical non-governmental organisations ("**medical NGOs**") and drug developers as project manager to provide services for their medical research projects under fee-for-service ("**FFS**") contracts which included (i) delivery of deliverable units and (ii) management services of research projects, which are separate performance obligations.

Deliverable units are generally in the form of technical laboratory reports and/or samples. The FFS contracts usually contain multiple deliverable units, and each of the deliverable units is with individual selling price specified within the contracts. The Group identifies each deliverable unit as a separate performance obligation for delivery of deliverable units.

Management services of research projects involve monitoring the overall progress of medical research projects as project manager, which are separate performance obligations.

(v) Internet hospital services

The Group provides mobile application platform for physicians to provide internet hospital services to patients. Patients purchase medicine through the mobile application after attending the online consultation with physicians (who are registered in the mobile application free of charge and are not employees of the Group) and obtaining e-prescription. Pharmacies will deliver the medicine to patients after the Group, as the practice license holder of internet hospital, approves the e-prescription issued by physicians. The Group is the primary obligor to provide such services and the Group has the ability to determine the pricing of the services and nature of services. In respect of the services provided, the Group earns consultation services income from patients and commissions for sales of medicine from pharmacies and the commission rate from pharmacies is determined based on the transaction amount of medicine being sold in each transaction. The provision for consultation services and the commission earned for the sales of medicine from pharmacies are considered as separate performance obligations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.15 Revenue recognition (Continued)

(b) Timing of revenue recognition

(i) Sales of promotion or teaching materials

Preparation of promotion or teaching materials involve series of preparation works, which the customers are not able to simultaneously receive and consume the benefits until the Group delivers the promotion or teaching materials to the customers. Nor are the promotion or teaching materials controlled by the customer during the development of the materials. The sales of promotion or teaching materials are customised for each customer, therefore the Group's performance does not create an alternative use to the Group. Also, in the opinion of the directors of the Company, the Group has no enforceable right to payment for performance completed to date according to the contracts. As a result, the consideration for the sales of promotion or teaching material are recognised as revenue at a point in time.

Sales of promotion or teaching materials income are recognised at a point in time when the materials are delivered and accepted by the customers.

(ii) Delivery of seminars/conferences

Delivery of seminars/conferences involve series of preparation works, which the customers are not able to simultaneously receive and consume the benefits until the Group deliver the seminars to the customers. Nor the preparation work for the delivery of seminars is controlled by the customer. The delivery of seminars are customised for each customer, therefore the Group's performance does not create an alternative use to the Group. Also, in the opinion of the directors of the Company, the Group has no enforceable right to payment for performance completed to date according to the contracts. As a result, the consideration for the delivery of seminars/conferences are recognised as revenue at a point in time when the seminars/conferences are completed.

(iii) Delivery of deliverable units

The Group recognises revenue arising from FFS contracts of contractual elements at a point in time upon delivery of each deliverable unit to the customers.

(iv) Management services of research projects

The Group recognises revenue for the provision of management services of research projects over time when the customers simultaneously receive and consume the benefit from the Group's performance.

Input method is used to measure the progress towards complete satisfaction of a performance obligation which is to recognise revenue on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation, that best depict the Group's performance in transferring control of goods or services.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.15 Revenue recognition (Continued)

(b) Timing of revenue recognition (Continued)

(v) Consultation services income for internet hospital services

The Group recognises the consultation services income for internet hospital services over time when the customers simultaneously receive and consume the benefit from the Group's performance.

(vi) Commission income for sales of medicine for internet hospital services

The Group recognises the commission income on sales of medicine for internet hospital services at a point in time when the medicine is delivered and accepted by the patients.

(c) Principal versus agent

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

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

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party.

The Group acts as principal for the provision of medical conference services, patient education services and marketing and strategic consulting services. Also, the Group acts as principal for the provision of management services of research projects for contract research organisation services and consultation services for internet hospital services.

The Group acts as an agent for provision of delivery of deliverable units and for sales of medicine for internet hospital services.

(d) Contract asset and contract liability

When either party to a contract has performed, the Group presents the contract in the statement of financial position as a contract asset or a contract liability, depending on the relationship between the Group's performance and the customer's payment. A contract asset is the Group's right to consideration in exchange for services that the Group has transferred to its customer that is not yet unconditional. A contract liability is the Group's obligation to transfer services to its customer for which the Group has received consideration from the customer. Incremental costs incurred to obtain a contract, if recoverable, are capitalised and presented as contract assets and subsequently expensed when the related revenue is recognised.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.16 Recognition of contract costs

Contract costs are either the incremental costs of obtaining a contract with a customer or the costs to fulfil a contract with a customer which are not capitalised as inventory, property, plant and equipment (Note 2.5) or intangible assets (Note 2.6).

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. Incremental costs of obtaining a contract are capitalised when incurred if the costs relate to revenue which will be recognised in a future reporting period and the costs are expected to be recovered. Other costs of obtaining a contact are expensed when incurred.

Costs to fulfil a contract are capitalised if the costs relate directly to an existing contract or to a specifically identifiable anticipated contract; generate or enhance resources that will be used to provide goods or services in the future; and are expected to be recovered. Costs that relate directly to an existing contract or to a specifically identifiable anticipated contract may include direct labor, direct materials, costs that are explicitly chargeable to the customer and other costs that are incurred only because the Group entered into the contract (for example, payments to sub-contractors). Other costs to fulfilling a contract, which are not capitalised as inventory, property, plant and equipment or intangible assets, are expensed as incurred.

Capitalised contract costs are stated at cost less impairment losses. Impairment losses are recognised to the extent that the carrying amount of the contract cost asset exceeds the net of (i) remaining amount of the consideration that the Group expects to receive in exchange for the goods or services to which the asset relates, less (ii) any costs that relate directly to providing those goods or services that have not yet been recognised as expenses.

2.17 Interest income

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance). Interest income is included in "Other income, gains and losses."

2.18 Related parties

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

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

(ii) has significant influence over the Group; or

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.18 Related parties (Continued)

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

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

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

(vi) the entity is controlled or jointly controlled by a person identified in (a);

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

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent. Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

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

(a) that person's children and spouse or domestic partner;

(b) children of that person's spouse or domestic partner; and

(c) dependents of that person or that person's spouse or domestic partner.

2.19 Provisions and contingent liabilities

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation. When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.19 Provisions and contingent liabilities (Continued)

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

2.20 Government subsidy

Government subsidy are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

3. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 2, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(a) Critical judgement in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Principal versus agent consideration

In applying HKFRS 15, as explained in Note 2.15, the management of the Group assessed whether the Group acts as a principal and hence recognises revenue on gross basis, or acts as an agent and recognises revenue on net basis based on the requirements in HKFRS 15.

3. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATION UNCERTAINTY (Continued)

(a) Critical judgement in applying accounting policies (Continued)

***Principal versus agent consideration** (Continued)*

(i) Sales of promotion or teaching materials and delivery of seminars/conferences

The provision of medical conference services, patient education services and marketing and strategic consulting services (i.e. promotion services), involve engagement of professors by the Group to deliver the services. When the Group obtains a contract from a customer for promotion services, conference services or education services, the Group enters into contracts with the professors and directs the professors to prepare teaching materials and deliver the relevant seminars/conferences according to the Group's instruction for the customer.

The management of the Group assesses and concludes that the Group acts as a principal for provision of medical conference services, patient education services and marketing and strategic consulting services, as the Group has the right to direct how the professors should prepare the materials and deliver the seminars/conferences to the customers and customer does not have such right. In addition, the Group is obliged to pay the professors even if the customer fails to pay the Group.

(ii) Delivery of deliverable units

The provision of delivery of deliverable units involves physicians who are employed by pharmaceutical companies, medical NGOs and drug developers or relevant government authorities to prepare technical laboratory reports and/or samples.

The Group acts as an agent of pharmaceutical companies, medical NGOs and drug developers for provision of delivery of deliverable units as the Group does not have latitude in determining the remuneration for physicians.

(iii) Management services of research projects

The Group acts as a principal for provision of management services of research projects to monitor the overall progress of medical research projects as project manager.

(iv) Consultation services income for internet hospital services

The Group acts as a principal for provision of consultation services income for internet hospital services as the Group is regarded as the primary obligor to provide such services and the Group has the ability to determine the pricing of the services and nature of services.

(v) Commission income for sales of medicine for internet hospital services

The Group acts as an agent for sales of medicine for internet hospital services as it does not have latitude in establishing prices of medicine and does not have inventory risk.

3. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATION UNCERTAINTY (Continued)

(a) Critical judgement in applying accounting policies (Continued)

Lease term determination

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Potential future cash outflows have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

(b) Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment of non-financial assets

The Group tests annually whether goodwill has suffered any impairment. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts have been determined based on value-in-use calculations or fair value less costs to sell. These calculations require the use of judgments and estimates.

Judgment is required to determine key assumptions adopted in the valuation models for impairment review purpose. Changing the assumptions selected by management in assessing impairment could materially affect the result of the impairment test and as a result affect the Group's financial condition and results of operations. If there is a significant adverse change in the key assumptions applied, it may be necessary to take additional impairment charge to the consolidated statement of comprehensive income.

Useful lives and amortisation charges of intangible assets

The Group's management determines the estimated useful lives and related amortisation charges for the Group's intangible assets with reference to the estimated periods that the Group intends to derive future economic benefits from the use of these assets. Management will revise the amortisation charges where useful lives are different to that of previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in useful lives and therefore amortisation expense in future periods.

3. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATION UNCERTAINTY (Continued)

(b) Key sources of estimation uncertainty (Continued)

Current and deferred income taxes

The Group is subject to income taxes in the PRC. Judgment is required in determining the provision for income taxes. There are transactions and calculations during the ordinary course of business for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognised when management considers it is probable that future taxable profits will be available against which the temporary differences or tax losses can be utilised. When the expectation is different from the original estimate, such differences will impact the recognition of deferred income tax assets and taxation charges in the period in which such estimate is changed.

Fair value of financial assets

Fair value of financial assets, in the absence of an active market, is estimated by using valuation techniques. Such valuations were based on certain assumptions about credit risk, volatility and liquidity risks associated with the instruments, which are subject to uncertainty and might materially differ from the actual results. Further details are included in Note 32.4.

Provision of ECL for trade receivables and contract assets

The Group uses provision matrix to calculate ECL for the trade receivables and contract assets. The provision rates are based on internal credit ratings as groupings of various debtors that have similar loss patterns. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. In addition, trade receivables and contract assets with significant balances and credit impaired are assessed for ECL individually.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables are disclosed in Notes 32.2(b) and 19.

Discount rate for lease liability

In determining the discount rate for lease liabilities, the Group is required to estimate and determine the discount rate (being the lessee's incremental borrowing rates) taking into account the nature of the underlying assets and the terms and conditions of the leases, at both the commencement date and the effective date of the modification.

4. REVENUE AND SEGMENT INFORMATION

The CODM reviews the "operating profit" as presented below and the consolidated results when making decisions about allocating resources and assessing performance of the Group as a whole. Therefore, the Group has only one reportable segment which mainly operates its businesses in the PRC and earns substantially all of the revenues from external customers attributed to the PRC. As at the end of the reporting period, substantially all of the non-current assets of the Group were located in the PRC. Therefore, no geographical segments are presented. No analysis of segment assets or segment liabilities is presented as they are not used by the CODM when making decisions about allocating resources and assessing performance of the Group.

	2020 ***RMB'000***	2019 *RMB'000*
The Group's profit before taxation	**22,281**	25,972
Add: Listing expenses	**9,054**	13,605
Less: Other income	**(3,337)**	(3,339)
Operating profit presented to the CODM	**27,998**	36,238

Revenue by service type as follows:

	2020 ***RMB'000***	2019 *RMB'000*
Medical conference services	**256,947**	282,262
Patient education and screening services	**80,905**	72,782
Marketing strategy and consulting services	**88,598**	67,622
Contract research organisation services	**5,403**	4,482
Internet hospital services	**438**	11
Total revenue	**432,291**	427,159

The timing of revenue recognition for the services are as follows:

	2020 ***RMB'000***	2019 *RMB'000*
Timing of revenue recognition		
At a point in time	**431,473**	426,873
Over time	**818**	286
Total revenue	**432,291**	427,159

4. REVENUE AND SEGMENT INFORMATION (Continued)

The major customers which contributed more than 10% of the total revenue for the corresponding years are listed as below:

	2020	2019
Customer A	**16%**	31%

The following table includes revenue expected to be recognised in the future related to performance obligations that are unsatisfied or partially unsatisfied at the date of the reporting period.

	2020 ***RMB'000***	2019 *RMB'000*
Within one year	**329,479**	179,818

5. OTHER INCOME, GAINS AND LOSSES

	2020 ***RMB'000***	2019 *RMB'000*
Foreign exchange (loss)/gain, net	**(7)**	3
(Loss)/gain on disposal of property, plant and equipment	**(34)**	2
Bank interest income	**304**	466
Gain on fair value changes of financial assets at FVTPL	**418**	627
Government subsidy (Note (a))	**880**	1,193
Value added tax refund	**1,180**	1,041
COVID-19 related rent concessions (Note (b))	**474**	–
Others	**122**	7
	3,337	3,339

Notes:

(a) Amount represented subsidy on the Group's business development without any specific conditions attached to the subsidy.

(b) The amount represents rental concession from the landlords in relation to the compensation of lockdown of the PRC cities due to COVID-19 pandemic for the year ended 31 December 2020. The Group elected not to apply lease modification by applying practical expedient that meets the conditions in paragraph 46B of the HKFRS 16 *Leases* as disclosed in Note 2.7.

6. FINANCE COSTS

	2020 **RMB'000**	2019 RMB'000
Interest expense on lease liabilities	**896**	309

7. PROFIT BEFORE TAXATION

	2020 **RMB'000**	2019 RMB'000
Profit before taxation has been carried at after charging:		
Auditor's remuneration:		
– audit services	**1,094**	335
– non-audit services	**2,996**	2,461
	4,090	2,796
Depreciation of property, plant and equipment (Note 12)	**3,173**	2,666
Depreciation of right-of-use assets (Note 13)	**7,457**	5,352
Amortisation of intangible assets (included in cost of sales) (Note 16)	**7,079**	2,711
Short-term lease payments	**570**	683
Staff costs:		
– Fee and salaries (including directors' remuneration)	**49,187**	42,538
– Staff retirement benefit costs (including directors' retirement benefit scheme contributions)	**526**	3,839
– Social security costs, housing benefits and other employee benefits (including directors' social security costs, housing benefits and other benefits)	**8,035**	7,916
	57,748	54,293

8. DIRECTORS' REMUNERATION, INDIVIDUALS WITH HIGHEST EMOLUMENTS AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' and chief executive's remuneration

Directors' and chief executive's remuneration for the year, disclosed pursuant to the applicable Listing Rules and Companies Ordinance (Chapter 622 of the Laws of Hong Kong), is as follows:

Year ended 31 December 2020

	Fee *RMB'000*	Salary, allowances and benefits in kind *RMB'000*	Discretionary bonuses *RMB'000*	Retirement benefits scheme contributions *RMB'000*	Other social security costs, housing benefits and other employee benefits *RMB'000*	Total *RMB'000*
Executive directors						
Shi Wei	–	600	–	8	54	662
Yang Weimin	–	600	–	8	54	662
Wang Liang	–	600	–	8	54	662
He Jiyong	–	600	–	8	54	662
Wang Wei	–	276	–	7	48	331
Sui Huijun	–	276	–	4	42	322
	–	2,952	–	43	306	3,301
Non-executive directors						
Zhang Yitao	–	–	–	–	–	–
Liu Xia	–	–	–	–	–	–
	–	–	–	–	–	–
Independent non-executive directors						
Song Ruilin	–	–	–	–	–	–
Fei John Xiang	–	–	–	–	–	–
David Zheng Wang	–	–	–	–	–	–
Yang Xiaoxi	–	–	–	–	–	–
	–	–	–	–	–	–
	–	2,952	–	43	306	3,301

8. DIRECTORS' REMUNERATION, INDIVIDUALS WITH HIGHEST EMOLUMENTS AND SENIOR MANAGEMENT'S EMOLUMENTS (Continued)

(a) Directors' and chief executive's remuneration (Continued)

Year ended 31 December 2019

	Fee *RMB'000*	Salary, allowances and benefits in kind *RMB'000*	Discretionary bonuses *RMB'000*	Retirement benefits scheme contributions *RMB'000*	Other social security costs, housing benefits and other employee benefits *RMB'000*	Total *RMB'000*
Executive directors						
Shi Wei	–	573	–	37	55	665
Yang Weimin	–	573	–	37	55	665
Wang Liang	–	573	–	37	55	665
He Jiyong	–	518	–	40	64	622
Wang Wei	–	278	–	33	44	355
Sui Huijun	–	279	–	18	16	313
	–	2,794	–	202	289	3,285
Non-executive directors						
Zhang Yitao	–	–	–	–	–	–
Liu Xia	–	–	–	–	–	–
	–	–	–	–	–	–
Independent non-executive directors						
Song Ruilin	–	–	–	–	–	–
Fei John Xiang	–	–	–	–	–	–
David Zheng Wang	–	–	–	–	–	–
Yang Xiaoxi	–	–	–	–	–	–
	–	–	–	–	–	–
	–	2,794	–	202	289	3,285

The remuneration shown above represents remuneration received from the Group by the director in his capacity as employee to the companies comprising the Group. No directors waived any emolument during both years.

8. DIRECTORS' REMUNERATION, INDIVIDUALS WITH HIGHEST EMOLUMENTS AND SENIOR MANAGEMENT'S EMOLUMENTS (Continued)

(a) Directors' and chief executive's remuneration (Continued)

Mr. Shi Wei was appointed as the Company's director on 21 February 2019 and re-designated as an executive director and chairman of the board of directors on 18 September 2019. Mr. Yang Weimin, Mr. Wang Wei, Mr. Wang Liang and Mr. Sui Huijun were appointed as the Company's executive director on 18 September 2019.

Ms. Zhang Yitao and Liu Xia were appointed as the Company's non-executive director on 18 September 2019.

Mr. Song Ruilin, Mr. Fei John Xiang, Mr. David Zheng Wang and Mr. Yang Xiaoxi were appointed as the Company's independent non-executive director on 21 December 2020.

(b) Five highest paid individuals

Of the five individuals with the highest emoluments in the Group, four (2019: four) are the directors of the Group during the year, whose emoluments are included in "Directors' and chief executive's remuneration" above. The emoluments of remaining one (2019: one) individual during the year are as follows:

	2020 ***RMB'000***	2019 *RMB'000*
Salary, allowances and benefits in kind	**600**	276
Discretionary bonuses	**–**	–
Retirement benefits contributions	**8**	32
Other social security costs, housing benefits and other employee benefits	**54**	50
	662	358

The emoluments fell within the following band:

	Number of individuals	
	2020	2019
Nil up to HK$1 million	**1**	1

During the current and prior year, no emoluments were paid by the Group to any of the directors or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office.

9. INCOME TAX EXPENSE

	2020 RMB'000	2019 RMB'000
Current tax	**1,517**	4,966
(Over)/under provision of taxation for previous years	**(316)**	43
	1,201	5,009
Deferred tax (Note 17)	**(899)**	(1,094)
	302	3,915

(a) PRC enterprise income tax ("EIT")

EIT provision was made on the estimated assessable profits of entities within the Group incorporated in the PRC for both years calculated in accordance with the relevant regulations of the PRC after considering the available tax benefits from refunds and allowances. The EIT rate is 25% during both years.

Two of the entities comprising the Group was approved to be the High and New Technology Enterprise ("**HNTE**") on 10 September 2018 and 31 October 2018 respectively, and they enjoyed the preferential tax rate of 15% for HNTE. Mediwelcome Beijing has been qualified to be HNTE on 2 December 2019 and enjoyed the preferential tax rate in 2019. The HNTE certificate needs to be renewed every three years so as to enable to enjoy the reduced tax rate of 15% from 2018 to 2021.

The Group enjoyed additional 75% tax reduction based on the eligible research and development expenses for both years.

One of the entities comprising the Group is qualified for the tax exemption from 2017 to 2020 for its operation in the Horgos Economic Development Zone (the "**HEDZ**"). For both years, the income generated from this subsidiary is fully exempted from EIT.

For the year ended 31 December 2020, five (2019: four) of the entities comprising the Group is qualified as small and micro-sized enterprises ("**SMEs**") for tax reduction. For the first RMB1 million of annual taxable income is eligible for 75% reduction and the income between RMB1 million and RMB3 million is eligible for 50% reduction at the applicable EIT tax rate of 20% for both years.

No provision for taxation in Hong Kong has been made as the Group's income neither arises in, nor is derived from, Hong Kong for both years.

(b) PRC withholding tax ("WHT")

According to the applicable PRC tax regulations, dividends distributed by a company established in the PRC to a foreign investor with respect to profits derived after 1 January 2008 are generally subject to a 10% WHT. If a foreign investor incorporated in Hong Kong meets the conditions and requirements under the double taxation treaty arrangement entered into between the PRC and Hong Kong, the relevant withholding tax rate will be reduced from 10% to 5%.

9. INCOME TAX EXPENSE (Continued)

(b) PRC withholding tax ("WHT") (Continued)

The Group does not have any plan to require its PRC subsidiaries to distribute their retained earnings and intends to retain them to operate and expand its business in the PRC. Accordingly, no deferred income tax liability on WHT was provided as at 31 December 2020 and 2019.

The income tax expense for the year can be reconciled to the profit before taxation per the consolidated statement of comprehensive income as follows:

	2020 RMB'000	2019 RMB'000
Profit before taxation	**22,281**	25,972
Tax calculated at PRC statutory tax rate of 25% (2019: 25%)	**5,570**	6,493
Tax effect of income that is not taxable for tax purposes	**–**	(67)
Tax effect of expenses that are not deductible for tax purposes	**1,117**	313
Tax effect of income exempted in the HEDZ	**(75)**	(111)
Tax effect of recognition of tax losses previously not recognised	**(565)**	–
Tax effect of tax losses not recognised	**192**	584
Tax effect of utilisation of tax losses previously not recognised	**(1,180)**	(602)
Tax effect of additional tax reduction for eligible research and development expenses	**(2,424)**	(1,657)
Tax effect of different tax rate of a subsidiary qualified as HNTE	**(1,349)**	(1,717)
(Over)/under provision of taxation for previous years	**(316)**	43
Tax effect of additional tax reduction for SMEs	**(668)**	(101)
Other	**–**	737
Income tax expense	**302**	3,915

10. DIVIDEND

The directors of the Company do not recommend the payment of any dividend in respect of the year ended 31 December 2020 (2019: Nil).

11. EARNINGS PER SHARE

The calculations of basic earnings per share are based on the profit of approximately RMB21,042,000 (2019: RMB20,852,000) for the year attributable to owners of the Company and the weighted average of 150,000,000 (2019: 150,000,000) shares in issue during the year.

The 150,000,000 shares used to calculate the basic earnings per share for the years ended 31 December 2020 and 2019 represents the number of shares of the Company immediately prior to the Listing as if the shares had been in issue throughout the years ended 31 December 2020 and 2019.

Diluted earnings per share were same as the basic earnings per share as there were no dilutive potential ordinary shares in existence during the years ended 31 December 2020 and 2019.

12. PROPERTY, PLANT AND EQUIPMENT

	Electronic equipment *RMB'000*	Furniture and fixtures *RMB'000*	Motor vehicle *RMB'000*	Leasehold improvements *RMB'000*	Total *RMB'000*
Cost					
At 1 January 2019	6,550	413	9,154	2,855	18,972
Additions	1,370	–	321	447	2,138
Addition through acquisition of a subsidiary (Note 29)	16	–	–	–	16
Disposal	(46)	–	–	–	(46)
At 31 December 2019 and 1 January 2020	**7,890**	**413**	**9,475**	**3,302**	**21,080**
Additions	**975**	**525**	**–**	**3,527**	**5,027**
Disposal	**(240)**	**–**	**–**	**(195)**	**(435)**
Written off	**–**	**–**	**–**	**(2,021)**	**(2,021)**
At 31 December 2020	**8,625**	**938**	**9,475**	**4,613**	**23,651**
Accumulated depreciation					
At 1 January 2019	3,274	269	6,558	2,298	12,399
Depreciation provided for the year	1,087	100	1,096	383	2,666
Eliminated on disposal	(33)	–	–	–	(33)
At 31 December 2019 and 1 January 2020	**4,328**	**369**	**7,654**	**2,681**	**15,032**
Depreciation provided for the year	**1,301**	**91**	**835**	**946**	**3,173**
Eliminated on disposal	**(220)**	**–**	**–**	**(76)**	**(296)**
Written off	**–**	**–**	**–**	**(2,021)**	**(2,021)**
At 31 December 2020	**5,409**	**460**	**8,489**	**1,530**	**15,888**
Carrying amount					
At 31 December 2020	**3,216**	**478**	**986**	**3,083**	**7,763**
At 31 December 2019	3,562	44	1,821	621	6,048

12. PROPERTY, PLANT AND EQUIPMENT (Continued)

Depreciation expenses have been charged to the consolidated statement of comprehensive income as follows:

	2020 *RMB'000*	2019 *RMB'000*
Administrative expenses	**2,704**	2,253
Cost of sales	**410**	407
Research and development expenses	**59**	6
	3,173	2,666

13. RIGHT-OF-USE ASSETS

	2020 *RMB'000*	2019 *RMB'000*
Leased premises for the Group to use as offices and warehouses	**21,723**	4,023

The Group obtains right to use offices and warehouses located in the PRC for a period of time through lease arrangements. Lease arrangements are negotiated on an individual basis and contain a wide range of different terms and conditions including lease payments and lease terms ranging from 12 to 53 months (2019: 12 to 34 months).

Termination options are included in certain leases across the Group and all the termination options are exercisable only by the respective lessor and not by the Group. The Group has an unconditional obligation to pay for the right to use the asset for the period of the lease.

Additions to the right-of-use assets during the year were RMB25,157,000 (2019: RMB1,343,000). Total cash outflow for leases (including short-term leases) during the year amounted to RMB5,360,000 (2019: RMB6,238,000).

Depreciation expenses have been charged to the consolidated statement of comprehensive income as follows:

	2020 *RMB'000*	2019 *RMB'000*
Administrative expenses	**7,457**	5,352

14a. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2020 **RMB'000**	2019 RMB'000
Unlisted equity securities		
– Beijing Cezhiyi Consulting Co., Ltd. ("**Beijing Cezhiyi**") (Note (a))	**2,807**	1,800
– Shanghai Bohuikang Biological Technology Co., Ltd. ("**Shanghai Bohuikang**") (Note (b))	**5,406**	5,205
– Beijing Lingchuang Yigu Technology Development Co., Ltd. ("**Lingchuang Yigu**") (Note (c))	**8,613**	5,609
	16,826	12,614

Notes:

(a) On 16 March 2018, the Group entered into an agreement with two independent third parties to the Group to acquire 5% equity interests of Beijing Cezhiyi for a cash consideration of RMB1,725,000. The completion date of acquisition was on 18 May 2018.

(b) On 17 May 2018, the Group entered into an agreement with the founding shareholders of Shanghai Bohuikang, independent third parties to the Group, for the injection of new capital to Shanghai Bohuikang by the Group. Upon the completion of the capital contribution of RMB5,150,000 on 17 May 2018, the Group held 9% equity interests of Shanghai Bohuikang.

(c) On 16 November 2018, the Group entered into an agreement with the founding shareholders of Lingchuang Yigu, independent third parties to the Group, for the injection of new capital to Lingchuang Yigu by the Group. Upon the completion of the capital contribution of RMB5,300,000 on 23 November 2018, the Group held 15% of equity interests of Lingchuang Yigu.

(d) The above mentioned investments are not held for trading, instead, they are held for long-term strategic purposes. The directors of the Company have elected to designate these investments in equity instruments as at FVTOCI as they believe that recognising short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realising their performance potential in the long run.

14b. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020 **RMB'000**	2019 RMB'000
Short term financial assets mandatorily measure at FVTPL		
– Financial products (Note)	**15,900**	17,900

Note: During the year ended 31 December 2020, the Group acquired some financial products at the aggregate consideration of RMB16,000,000 (2019: RMB70,000,000). Some of the financial products have been disposed of at total proceeds of RMB18,418,000 (2019: RMB54,016,000) for the year ended 31 December 2020 and no gain or loss arising from the disposals. The financial products are structured fixed deposits with financial institutions with three-month maturities. The principal of the structured fixed deposits will be invested in debt instruments while the interest will be invested in derivative markets. The Group received variable return depending on the return of the derivative.

15. GOODWILL

	RMB'000
At 1 January 2019	962
Arising on acquisition of a subsidiary (Note 29)	2,153
At 31 December 2019, 1 January 2020 and 31 December 2020	**3,115**

Impairment tests for goodwill

As at 31 December 2020, the goodwill includes (1) goodwill of RMB591,000 recognised from the acquisition of Beijing Haice Culture Co., Ltd. ("Beijing Haice") on 31 May 2017; (2) goodwill of RMB371,000 recognised from the acquisition of Beijing Baichuan Binhai Medical Information Technology Co., Ltd. ("Beijing Baichuan") on 30 September 2018; and (3) goodwill of RMB2,153,000 recognised from the acquisition of Weiliandong on 25 March 2019.

Beijing Haice

During the year ended 31 December 2020, the management performed impairment review for the goodwill. The recoverable amount of the cash-generating unit has been determined by a value-in-use calculation, based on the cash flow forecast derived from the most recent financial budgets and estimated future cash flows covering a 5-year period as approved by management and using a pre-tax discount rate of 17% (2019: 19%). The revenue growth rate applied for the year ended 31 December 2020 are 8%, 6%, 4%, 2% and 2% (2019: 10%, 8%, 6%, 4% and 3%) for each of the 5 years from 2021 to 2025 (2019: 2020 to 2024), respectively. The cash flows beyond the five-year period are extrapolated using a 3% growth rate. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes in gross margin. Management estimates discount rates that reflect current market assessments of the time value of money and the risks pacific to the cash-generating unit. Changes in gross margin are based on past practices and expectations of future changes in the market.

15. GOODWILL (Continued)

Beijing Baichuan

During the year ended 31 December 2020, the management performed impairment review for the goodwill. The recoverable amount of the cash-generating unit has been determined by a value-in-use calculation, based on the cash flow forecast derived from the most recent financial budgets and estimated future cash flows covering a 5-year period as approved by management and using a pre-tax discount rate of 17% (2019: 19%). The revenue growth rate applied for the year ended 31 December 2020 are 15%, 12%, 10%, 5% and 2% (2019: 30%, 20%, 15%, 10% and 5%) for each of the 5 years from 2021 to 2025 (2019: 2020 to 2024), respectively. The cash flows beyond the five-year period are extrapolated using a 3% growth rate. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes in gross margin. Management estimates discount rates that reflect current market assessments of the time value of money and the risks pacific to the cash-generating unit. Changes in gross margin are based on past practices and expectations of future changes in the market.

Weiliandong

During the year ended 31 December 2020, the management performed impairment review for the goodwill. The recoverable amount of the cash-generating unit has been determined by a value-in-use calculation, based on the cash flow forecast derived from the most recent financial budgets and estimated future cash flows covering a 5-year period as approved by management and using a pre-tax discount rate of 15% (2019: 17%). The revenue growth rate applied for the year ended 31 December 2020 are 2%, 2%, 2%, 2% and 3% (2019: 15%, 10%, 8%, 5% and 3%) for each of the 5 years from 2021 to 2025 (2019: 2020 to 2024), respectively. The cash flows beyond the five-year period are extrapolated using a 3% growth rate. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes in gross margin. Management estimates discount rates that reflect current market assessments of the time value of money and the risks pacific to the cash-generating unit. Changes in gross margin are based on past practices and expectations of future changes in the market.

In the opinion of the directors of the Company, any reasonably possible change in any of these assumptions would not cause its carrying amount to exceed its recoverable amount. The management determines that the cash-generating unit containing the goodwill has not suffered an impairment loss.

16. INTANGIBLE ASSETS

	Softwares *RMB'000* (Note (a))	Contracts *RMB'000* (Note (b))	Total *RMB'000*
Cost			
At 1 January 2019	3,172	–	3,172
Additions	10,858	–	10,858
Additions through acquisition of a subsidiary (Note 29)	4,916	5,565	10,481
At 31 December 2019 and 1 January 2020	**18,946**	**5,565**	**24,511**
Additions	**8,784**	**–**	**8,784**
At 31 December 2020	**27,730**	**5,565**	**33,295**
Accumulated amortisation			
At 1 January 2019	346	–	346
Charged for the year	1,320	1,391	2,711
At 31 December 2019 and 1 January 2020	**1,666**	**1,391**	**3,057**
Charged for the year	**4,296**	**2,783**	**7,079**
At 31 December 2020	**5,962**	**4,174**	**10,136**
Net carrying amount			
At 31 December 2020	**21,768**	**1,391**	**23,159**
At 31 December 2019	17,280	4,174	21,454

Notes:

(a) Softwares represent softwares and systems and are amortised on straight-line basis over useful life of 5 years.

(b) Contracts represent sales contracts obtained through acquisition of Weiliandong and are amortised on straight-line basis over the contract term of 2 years.

17. DEFERRED TAX

The analysis of deferred tax is as follows:

	2020 ***RMB'000***	2019 *RMB'000*
Deferred tax assets	**2,098**	1,685
Deferred tax liabilities	**(329)**	(815)
	1,769	870

The gross movements in the deferred income tax assets/(liabilities) are as follows:

	Tax losses ***RMB'000***	**Impairment on trade receivables and other receivables** ***RMB'000***	**Fair value change in intangible assets** ***RMB'000*** (Note a)	**Total** ***RMB'000***
At 1 January 2019	–	956	–	956
Additions through acquisition of a subsidiary (Note 29)	–	–	(1,180)	(1,180)
Credited to profit or loss for the year	–	729	365	1,094
At 31 December 2019 and 1 January 2020	**–**	**1,685**	**(815)**	**870**
Credited/(charged) to profit or loss for the year	**565**	**(152)**	**486**	**899**
At 31 December 2020	**565**	**1,533**	**(329)**	**1,769**

Notes:

(a) Being fair value adjustments on intangible assets acquired in business combination.

(b) Deferred income tax assets are recognised for deductible temporary differences. The Group did not recognise deferred income tax assets as at 31 December 2020, in respect of unused tax losses amounting to RMB10,881,000 (2019: RMB16,780,000) of certain subsidiaries of the Group, due to unpredictability of future assessable profit stream of these subsidiaries. The tax losses can be carried forward against future taxable income, and will be expired between 2021 and 2025 under PRC tax regulations.

18. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2020 RMB'000	2019 RMB'000
Included in non-current assets		
Deposits and other receivables (Note (a))	**2,808**	646
Included in current assets		
Prepayments (Note (b))	**2,484**	1,115
Prepaid listing expenses	**4,471**	3,229
Other prepaid taxation (Note (c))	**483**	2,035
Other receivables (Note (d))	**727**	5,835
	8,165	12,214

Notes:

(a) As at 31 December 2019 and 2020, deposits and other receivables mainly represent non-current portion of rental deposits.

(b) As at 31 December 2019 and 2020, the balances mainly represent prepayments for petrol, short-term lease and management fee and legal retainer fee which will be utilised within 12 months from the end of the reporting period.

(c) Other prepaid taxation mainly represents value-added tax and surcharges.

(d) As at 31 December 2019, other receivables mainly represent current portion of rental deposit of RMB1,467,000 and advances to suppliers of RMB4,000,000. The advances to suppliers were fully refunded in March 2020. As at 31 December 2020, other receivables mainly represent current portion of rental deposit of RMB620,000.

19. TRADE RECEIVABLES

	2020 RMB'000	2019 RMB'000
Receivables from third parties	**89,403**	81,645
Less: allowance for credit losses	**(10,956)**	(9,926)
	78,447	71,719

Note:

The Group normally allows a credit period of 90 days to its customers.

19. TRADE RECEIVABLES (Continued)

An aging analysis of trade receivables (after allowance for credit losses) based on invoice date is as follows:

	2020 RMB'000	2019 RMB'000
Within 90 days	**68,466**	71,319
91 days to 180 days	**7,481**	400
181 days to 365 days	**2,500**	–
	78,447	71,719

An aging analysis of trade receivables (after allowance for credit losses) based on due date is as follows:

	2020 RMB'000	2019 RMB'000
Neither past due nor impaired	**68,466**	69,457
0-90 days past due	**7,481**	2,262
Over 91 days past due	**2,500**	–
	78,447	71,719

Trade receivables are classified as financial assets measured at amortised cost, their carrying amounts approximated their fair values due to their short maturities.

20. CONTRACT COSTS

	2020 RMB'000	2019 RMB'000
Arising from costs to fulfill contracts	**11,086**	4,421

Contract costs capitalised as at 31 December 2019 and 2020 relate to fee paid to suppliers while revenue from related services is recognised at a future point in time as disclosed in Note 2.15(b). Contract costs are recognised as part of "cost of sales" in the consolidated statement of comprehensive income in the period in which revenue from the related services is recognised. The amount of capitalised costs recognised in profit or loss during the year were RMB4,164,000 (2019: RMB9,033,000). There was no impairment in relation to the contract costs at the end of the reporting period.

All the capitalised contract costs is expected to be recovered within one year.

21. BANK BALANCES AND CASH

	2020	2019
	RMB'000	*RMB'000*
Cash on hand	**101**	333
Cash at banks	**88,889**	73,309
Cash at banks and on hand	**88,990**	73,642

Cash at banks earn interest at floating rates based on daily bank deposit rates. The conversion of the RMB denominated balances maintained in the PRC into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

22. TRADE PAYABLES

	2020	2019
	RMB'000	*RMB'000*
Payables to third parties	**26,153**	27,357

Trade payables and their aging analysis based on invoice date are as follows:

	2020	2019
	RMB'000	*RMB'000*
Up to 90 days	**24,359**	25,243
91 days to 180 days	**510**	1,089
181 days to 360 days	**871**	849
Over 360 days	**413**	176
	26,153	27,357

23. CONTRACT LIABILITIES

The Group has recognised the following revenue-related contract liabilities:

	2020 RMB'000	2019 RMB'000
Contract liabilities	**28,713**	30,346

Movement of contract liabilities

	RMB'000
At 1 January 2019	36,152
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	(36,152)
Increase in contract liabilities as a result of receiving deposits for providing services	30,346
At 31 December 2019 and 1 January 2020	**30,346**
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	**(30,346)**
Increase in contract liabilities as a result of receiving deposits for providing services	**28,713**
At 31 December 2020	**28,713**

Typical payment terms which impact on the amount of contract liabilities recognised are as follows:

When the Group receives a deposit before the preparation work of services commences, this will give rise to contract liabilities, until the related consideration is recognised as revenue. The Group typically receives a 30% deposit on acceptance of service orders. The amount of the deposit, if any, was negotiated on a case by case basis with customers. The remaining of the consideration is payable by 2 to 3 instalments in manner as set out in the contracts. The deposits are refundable upon the cancellation of the contracts which requires consent from both parties.

The amount of billings in advance of performance and instalments received expected to be recognised as income within one year or less.

24. OTHER PAYABLES AND ACCRUALS

	2020 *RMB'000*	2019 *RMB'000*
Reimbursement to staff	**4,577**	2,195
Accrued social security costs	**913**	906
Accrued listing expenses	**7,057**	2,793
Accrued audit fee	**1,094**	–
Other tax payables (Note)	**6,560**	6,866
Salary payable	**5,278**	3,368
Others	**355**	395
	25,834	16,523

Note: As at 31 December 2020, other tax payables mainly represent PRC Value Added Tax payable of RMB5,742,000 (2019: RMB5,909,000) and PRC Individual Income Tax payable (withholding tax) of RMB592,000 (2019: RMB625,000).

25. LEASE LIABILITIES

	2020 *RMB'000*	2019 *RMB'000*
Current	**2,104**	3,794
Non-current	**23,323**	370
	25,427	4,164
Weighted average lessee's incremental borrowing rate	**4.75%**	4.75%

During the year ended 31 December 2020, cash outflow for interest paid on lease liabilities of RMB896,000 (2019: RMB309,000), was included in net cash in financing activities. During the year ended 31 December 2020, cash outflows for the reduction of the principal amount of the lease liabilities of RMB3,894,000 (2019: RMB5,246,000), was presented as cash flows under financing activities.

26. SHARE CAPITAL

The Group

The share capital as at 1 January 2019 represented the share capital of Mediwelcome Beijing. The share capital as at 31 December 2019 and 2020 represented the share capital of the Company.

	RMB'000
At 1 January 2019	54,216
Issuance of shares of the Company	1
Effect of Recognisation (Note)	(54,216)
At 31 December 2019, 1 January 2020 and 31 December 2020	**1**

Note: Upon the completion of the Reorganisation, the difference between the par value of the allotted shares of the Company with the nominal value of equity interests in Mediwelcome Beijing amounting to RMB54,216,000 was transferred from share capital to other reserve.

The Company

	Par value	Number of ordinary shares *'000*	Amount *RMB'000*
Authorised:			
At date of incorporation	US$0.01	5,000	336
Share capital redenomination on 12 May 2019	HK$0.00001	–	(336)
Share reorganisation from the Reorganisation described in Note 1 on 12 May 2019	HK$0.00001	37,995,000	334
At 31 December 2019, 1 January 2020 and 31 December 2020	**HK$0.00001**	**38,000,000**	**334**
Issued and fully paid:			
At date of incorporation	–	–	–
Arising from the Reorganisation described in Note 1 on 12 May 2019		130,000	1
Allotment of shares on 18 September 2019 (Note)		20,000	–*
At 31 December 2019, 1 January 2020 and 31 December 2020		**150,000**	**1**

* Less than RMB1,000

Note: On 18 September 2019, 20,000,000 shares were allotted and issued to Great Global Insight Limited, a company wholly-owned by a third party independent licensed administrator appointed by the Company and holding approximately 13.33% of the issued shares of the Company on trust and for the benefit of the participants of the RSU Scheme (as defined in Note 28).

27. THE GROUP'S RESERVES

	Capital reserve *RMB'000*	Statutory reserve *RMB'000* (Note)	Fair value reserve *RMB'000*	Other reserve *RMB'000*	Retained earnings *RMB'000*	Total *RMB'000*
At 1 January 2019	37,878	5,223	677	–	20,913	64,691
Profit for the year	–	–	–	–	20,852	20,852
Fair value changes in equity instruments at FVTOCI (Note 32.4)	–	–	(3,839)	–	–	(3,839)
Derecognition upon deemed disposal of equity instruments at FVTOCI	–	–	3,601	–	(3,601)	–
Appropriation to statutory reserve from retained earnings	–	6,117	–	–	(6,117)	–
Effect of Reorganisation (Note 26)	–	–	–	54,216	–	54,216
At 31 December 2019 and 1 January 2020	**37,878**	**11,340**	**439**	**54,216**	**32,047**	**135,920**
Profit for the year	**–**	**–**	**–**	**–**	**21,042**	**21,042**
Fair value changes in equity instruments at FVTOCI (Note 32.4)	**–**	**–**	**4,212**	**–**	**–**	**4,212**
Appropriation to statutory reserve from retained earnings	**–**	**3,264**	**–**	**–**	**(3,264)**	**–**
At 31 December 2020	**37,878**	**14,604**	**4,651**	**54,216**	**49,825**	**161,174**

Note: In accordance with the relevant laws and regulations in the PRC, the PRC subsidiaries of the Group are required to appropriate 10% of the annual statutory net profit, after offsetting any prior years' losses to the statutory reserve fund before distributing the net profit. When the respective balance of the statutory reserve fund reaches 50% of the share capital of the PRC subsidiaries, any further appropriation is at the discretion of shareholders of the PRC subsidiaries. The statutory reserve fund can be used to offset prior years' losses, if any, and may be converted into share capital by issuing new shares to shareholders in proportion to their existing shareholding or by increasing the par value of the shares currently held by them, provided that the respective remaining balance of the statutory reserve fund after such issue is not less than 25% of registered capital of the PRC subsidiaries.

28. SHARE OPTION SCHEME

The Company has a share option scheme under which eligible persons, including directors of the Group may be granted options to subscribe for shares in the Company.

On 18 September 2019, the Company adopted the Restricted Share Unit Scheme ("**RSU Scheme**"). The purpose of the RSU Scheme is to attract and to retain quality personnel and other persons and to provide them with incentive to contribute to the business and operation of the Group.

Under the RSU Scheme, the directors of the Company may grant options to any directors, employees, consultants and any persons contribute to the Company, its subsidiaries or PRC operating entities to subscribe for shares of the Company. An option granted by the Company is exercisable at any time for a period determined by the grantees which should not be more than 10 years from 18 September 2019 upon vesting.

The maximum number of shares in respect of which the options may be granted under the RSU Scheme shall not exceed 20,000,000 ordinary shares or 5% of the issued share capital of the Company after initial public offering.

The RSU Scheme will remain in force for a period of 10 years commencing from 18 September 2019. No share option has been granted as at 31 December 2019 and 2020.

29. BUSINESS COMBINATION

Acquisition of Weiliandong

As at 31 December 2018, Mediwelcome Beijing held 18.37% equity interests in Weiliandong which is classified as equity instrument as FVTOCI. On 25 March 2019, Mediwelcome Beijing completed its acquisition on 81.63% equity interests in Weiliandong at aggregate consideration of RMB2,667,001 from independent third parties. At the completion of the transaction, Weiliandong became a wholly owned subsidiary of Mediwelcome Beijing. Weiliandong is principally engaged in providing medical conference services, patient education services, marketing and strategic consulting services. The transaction has been accounted for as a business combination using acquisition accounting. The previously held equity interests was remeasured to fair value at the date of business combination, and the accumulated loss on fair value change of 18.37% equity interests in Weiliandong amounting to RMB3,601,000 was transferred to retained earnings from fair value reserve at the date of business combination.

29. BUSINESS COMBINATION (Continued)

Acquisition of Weiliandong (Continued)

Fair value of assets acquired and liabilities recognised at the date of acquisition are as follows:

	RMB'000
Property, plant and equipment	16
Intangible assets	10,481
Trade receivables	122
Prepayments and other receivables	9,427
Bank balances and cash	2,643
Other payables and accruals	(96)
Deferred tax liabilities	(1,180)
Amount due to Beijing Chuangyan Medical Research Center Co., Ltd. ("**Beijing Chuangyan**")	(20,000)
Net assets acquired	1,413

	RMB'000
Net cash outflow arising on acquisition	
Cash consideration transferred	(2,667)
Bank balances and cash acquired	2,643
	(24)

	RMB'000
Goodwill arising on acquisition	
Consideration transferred	
Equity instruments at FVTOCI	899
Cash consideration	2,667
Total consideration transferred	3,566
Add: Net assets acquired	(1,413)
Goodwill arising on acquisition	2,153

Note:

The identified intangible assets for the acquisition primarily consists of softwares and sales contracts. They are initially recognised and measured at fair value if they are acquired in business combinations.

Acquisition-related costs of RMB50,000 have been charged to administrative expenses in the consolidated statement of comprehensive income for the year ended 31 December 2019.

The fair value of acquired trade receivables is RMB122,000. The gross contractual amount for trade receivables due is RMB122,000, which is the best estimate at acquisition date of the contractual cash flows expected to be collected.

29. BUSINESS COMBINATION (Continued)

Acquisition of Weiliandong (Continued)

The fair value of acquired other receivables included in prepayments and other receivables is RMB200,000. The gross contractual amount for other receivables due is RMB200,000, which is the best estimate at acquisition date of the contractual cash flows expected to be collected.

Weiliandong is the owner of Giraffe Platform, which is a video conferencing and online education solutions that enable hospitals to host online medical conferences and access online medical conferences and other training videos recorded by physicians. The acquisition of Weiliandong enables the Group to broaden its customer base and enhance its patient management capabilities and the anticipated future operating synergies from the combination would bring benefits to the operation of the Group.

The acquired business contributed revenue of RMB9,775,000 and net profit of RMB1,589,000 to the Group for the period from 25 March 2019, the date of acquisition, to 31 December 2019.

The revenue and net profit of the Group for the year ended 31 December 2019 as if the acquisition date for the business combination that occurred had been as of 1 January 2019 would be RMB428,352,000 and RMB21,211,000 respectively.

30. RECONCILIATION OF LIABILITIES GENERATED FROM FINANCING ACTIVITIES

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

	Lease liabilities *RMB'000*
At 1 January 2019	8,072
Financing cash flows	(5,555)
Non-cash changes	
Written off of balance on contracts early terminated	(5)
Additions to lease liabilities	1,343
Finance costs for lease liabilities	309
At 31 December 2019 and 1 January 2020	**4,164**
Financing cash flows	**(4,790)**
Non-cash changes	
Additions to lease liabilities	**25,157**
Finance costs for lease liabilities	**896**
At 31 December 2020	**25,427**

31. RELATED PARTY TRANSACTIONS

Save as disclosed in other notes, the following significant transactions were carried out between the Group and its related parties during the year. In the opinion of the directors of the Company, the related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective related parties.

(a) Name and relationship with related party

The following company is related party of the Group that had balances and/or transactions with the Group during the year.

Company	Relationship with the Group
Shanghai Yiman Medical Technology Co., Ltd (上海以漫醫療技術有限公司) ("**Shanghai Yiman**")	The sole shareholder of Shanghai Yiman is the director of a subsidiary of the Group.

(b) Significant transactions with a related party

	2020 **RMB'000**	2019 RMB'000
Service fees paid to related party:		
– Shanghai Yiman	**–**	196

(c) Key management personnel compensations

The compensations paid or payable to key management personnel (including chief executive officer, directors of the Company and other senior executives of the Group) for employee services are show below:

	2020 **RMB'000**	2019 RMB'000
Wages salaries and bonuses	**5,733**	4,425
Retirement benefits contributions	**100**	371
Other social security costs, housing benefits and other employee benefits	**575**	508
	6,408	5,304

32. FINANCIAL RISK MANAGEMENT

32.1 Financial instruments by category

	2020 RMB'000	2019 RMB'000
Assets as per consolidated statement of financial position		
Equity instruments at FVTOCI (Note 14a)	**16,826**	12,614
Financial assets at FVTPL (Note 14b)	**15,900**	17,900
Financial assets at amortised cost:		
– Trade receivables (Note 19)	**78,447**	71,719
– Other receivables (Note 18)	**3,535**	5,909
– Bank balances and cash (Note 21)	**88,990**	73,642
	203,698	181,784
Liabilities as per consolidated statement of financial position		
Financial liabilities at amortised cost:		
– Trade payables (Note 22)	**26,153**	27,357
Liabilities at amortised cost:		
– Lease liabilities (Note 25)	**25,427**	4,164
	51,580	31,521

32.2 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by the senior management of the Group.

(a) Market risk

Foreign exchange risk

Foreign exchange risk arises when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not the group entities' functional currency. The Group manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposures. The Group does not hedge against any fluctuation in foreign currency during the reporting period.

The Group operates mainly in the PRC with most of the transactions settled in RMB, management considers that the business is not exposed to any significant foreign exchange risk as there are no significant financial assets or liabilities of the Group are denominated in the currencies other than the respective functional currencies of the Group's entities.

32. FINANCIAL RISK MANAGEMENT (Continued)

32.2 Financial risk factors (Continued)

(b) Credit risk

At the end of the reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The Group's credit risk is primarily attributable to its trade and other receivables, and bank balances.

The Group has concentration of credit risk as 40% (2019: 54%) of the total trade receivables representing amounts due from the Group's largest five trade debtors which are pharmaceutical companies and medical associations as at 31 December 2020. The Group measures loss allowances for trade receivables at an amount equal to lifetime ECL, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments and the type and size of the debtors are similar, the loss allowance based on past due status is not further distinguished between the Group's different customer bases. The Group has performed historical analysis and identified the key economic variables impacting credit risk and ECL. It considers available reasonable and supportive forwarding-looking information.

The following table provides information about the Group's exposure to credit risk and ECL for trade receivables as at 31 December 2019 and 2020:

	2020				2019			
	Expected loss rate	Gross carrying amount RMB'000	Loss allowance RMB'000	Net amount RMB'000	Expected loss rate	Gross carrying amount RMB'000	Loss allowance RMB'000	Net amount RMB'000
Current (not past due)	3.81%	71,179	2,713	68,466	6.02%	73,908	4,451	69,457
0-90 days past due	3.85%	7,781	300	7,481	8.31%	2,467	205	2,262
Over 91 days past due	76.06%	10,443	7,943	2,500	100%	5,270	5,270	–
		89,403	10,956	78,447		81,645	9,926	71,719

Expected loss rates are based on actual loss experience over the past 12 months. These rates are adjusted to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

32. FINANCIAL RISK MANAGEMENT (Continued)

32.2 Financial risk factors (Continued)

(b) Credit risk (Continued)

The following table shows the movement in lifetime ECL that has been recognised for trade receivables under the simplified approach:

	Lifetime ECL (Not credit impaired) *RMB'000*	Lifetime ECL (Credit impaired) *RMB'000*	Total *RMB'000*
At 1 January 2019	1,980	1,833	3,813
Impairment losses recognised	2,676	3,437	6,113
At 31 December 2019 and 1 January 2020	**4,656**	**5,270**	**9,926**
(Reversal of impairment losses)/ impairment losses recognised	**(1,643)**	**2,673**	**1,030**
At 31 December 2020	**3,013**	**7,943**	**10,956**

As at 31 December 2020, the Group's other receivables included in current assets mainly represented rental deposits of RMB620,000 (2019: RMB1,467,000) which are refundable upon expiration of respective lease terms within 12 months from the end of the reporting period.

As at 31 December 2020, the Group's other receivables included in non-current assets mainly represented rental deposits of RMB2,808,000 (2019: RMB74,000) which are refundable when the tenancy agreements expires.

The directors of the Company consider the probability of default is minimal after assessing the counter-parties' financial background and creditability.

The credit risk on bank balances is limited because the majority of the counterparties are banks with good reputation.

32. FINANCIAL RISK MANAGEMENT (Continued)

32.2 Financial risk factors (Continued)

(c) Liquidity risk

The Group aims to maintain sufficient cash and cash equivalents. Due to the dynamic nature of the underlying businesses, the Group maintains flexibility in funding by maintaining adequate cash and cash equivalents.

The table below analyses the Group's financial liabilities into relevant maturity grouping based on the remaining period at the end of each reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year *RMB'000*	Between 1 and 2 years *RMB'000*	Between 2 and 5 years *RMB'000*	Over 5 years *RMB'000*	Total contractual undiscounted cash flow *RMB'000*	Total carrying amount *RMB'000*
At 31 December 2020						
Trade payables	**26,153**	**–**	**–**	**–**	**26,153**	**26,153**
Lease liabilities	**3,397**	**9,064**	**15,862**	**–**	**28,323**	**25,427**
	29,550	**9,064**	**15,862**	**–**	**54,476**	**51,580**
At 31 December 2019						
Trade payables	27,357	–	–	–	27,357	27,357
Lease liabilities	3,904	375	–	–	4,279	4,164
	31,261	375	–	–	31,636	31,521

32.3 Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remained unchanged from prior year.

The capital structure of the Group consists of cash and cash equivalents and equity attributable to owners of the Company, comprising share capital, various reserves and retained profits.

The directors of the Company review the capital structure periodically. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on the recommendations of the directors, the Group will balance its overall capital structure through the new share issues as well as the issue of new debt.

32. FINANCIAL RISK MANAGEMENT (Continued)

32.4 Fair value estimation

The table below analyses the Group's financial instruments carried at fair value as at 31 December 2019 and 2020 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and
- inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's assets that are measured at fair value.

	Level 3 *RMB'000*
At 31 December 2020	
Assets	
– Long-term equity instruments at FVTOCI (Note 14a)	**16,826**
– Short-term financial assets at FVTPL (Note 14b)	**15,900**
	32,726
At 31 December 2019	
Assets	
– Long-term equity instruments at FVTOCI (Note 14a)	12,614
– Short-term financial assets at FVTPL (Note 14b)	17,900
	30,514

32. FINANCIAL RISK MANAGEMENT (Continued)

32.4 Fair value estimation (Continued)

The following table presents the changes in level 3 instruments of financial assets at FVTPL and equity instruments at FVTOCI during the year.

	2020 RMB'000	2019 RMB'000
Equity instruments at FVTOCI (Note (i))		
At the beginning of the year	**12,614**	17,352
Deemed disposals (Note 29)	**–**	(899)
Changes in fair value	**4,212**	(3,839)
At the end of the year	**16,826**	12,614
Financial assets at FVTPL (Notes (ii) and (iii))		
At the beginning of the year	**17,900**	1,289
Additions	**16,000**	70,000
Disposals	**(18,418)**	(54,016)
Changes in fair value	**418**	627
At the end of the year	**15,900**	17,900
Total	**32,726**	30,514

Notes:

(i) The following table summarises the quantitative information about the significant unobservable inputs used in recurring level 3 fair value measurements of the financial assets at FVTOCI as at 31 December 2019 and 2020.

Description	Fair value As at 31 December 2020 RMB'000	Fair value As at 31 December 2019 RMB'000	Valuation techniques	Price to sales ratio As at 31 December 2020	Price to sales ratio As at 31 December 2019	Relationship of unobservable inputs to fair value
Unlisted equity securities						
Beijing Cezhiyi	**2,807**	1,800	Market comparison	**2.49**	2.31	An increase in the price to sales ratio used would result in an increase in the fair value measurement of the unlisted equity security, and vice versa.
Shanghai Bohuikang	**5,406**	5,205	Market comparison	**2.91**	2.30	
Lingchuang Yigu	**8,613**	5,609	Market comparison	**15.64**	20.67	
	16,826	12,614				

The fair values of the above equity instruments at FVTOCI have been arrived with reference to a valuation carried out on 31 December 2019 and 2020 by Beijing Zhongping Zhengxin Asset Evaluation Co., Ltd. (北京中評正信資產評估有限公司), an independent professional valuer not connected with the Group, using market comparison method with adjustments.

32. FINANCIAL RISK MANAGEMENT (Continued)

32.4 Fair value estimation (Continued)

Notes: (Continued)

(ii) As at 31 December 2020, the fair value of financial assets at FVTPL amounting to RMB15,900,000 (2019: RMB17,900,000), is determined by the spot rate quoted by the issuer of the financial products. These financial products are structured fixed deposits with financial institutions with three-month maturities. Details are disclosed in Note 14b.

(iii) If the fair values of the financial assets at FVTPL held by the Group had been 10% (2019: 10%) higher/lower, the profit before taxation for the year ended 31 December 2020 would have been approximately RMB1,590,000 (2019: RMB1,790,000) higher/lower.

If the fair values of the equity instruments at FVTOCI held by the Group had been 10% higher/lower, the other comprehensive income for the year ended 31 December 2020 would have been approximately RMB1,683,000 (2019: RMB1,261,000) higher/lower.

There were no transfers between level 1, 2 and 3 of fair value hierarchy classifications during both years.

33. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2020 ***RMB'000***	2019 *RMB'000*
Asset		
Current asset		
Amounts due from shareholders	**1**	1
Liability		
Current liability		
Amount due to a subsidiary	**22,659**	13,605
Net liability	**(22,658)**	(13,604)
Equity		
Share capital	**1**	1
Accumulated losses	**(22,659)**	(13,605)
Total deficit	**(22,658)**	(13,604)

The Company's statement of financial position was approved and authorised for issue by the board of directors on 26 March 2021 and are signed on its behalf by:

Shi Wei
Director

Wang Liang
Director

33. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Note: Movements of the Company's reserves during the current year and prior period are as follows:

	Accumulated losses RMB'000
At 21 February 2019 (date of incorporation)	–
Loss for the period	(13,605)
At 31 December 2019 and 1 January 2020	**(13,605)**
Loss for the year	**(9,054)**
At 31 December 2020	**(22,659)**

34. PARTICULARS OF SUBSIDIARIES

Particulars of the Company's principal subsidiaries at the end of the reporting period are as follows:

Name of subsidiary	Country of operation and date of incorporation/ establishment	Nominal value of issued ordinary/ registered share capital ('000)	Nominal value of issued ordinary/ share capital paid up ('000)	Attributable equity interest held by the Company 2020	2019	Principal activities	Form of company	Notes
Directly held by the Company								
Mediwelcome BVI 麥迪衛康投資管理有限公司	BVI 1 March 2019	United States Dollars ("USD") 50	Nil	**100%**	100%	Investment holding	Limited liability entity	
Indirectly held by the Company								
Mediwelcome HK 麥迪衛康(香港)投資管理有限公司	Hong Kong 8 March 2019	Hong Kong Dollars HKD0.1	Nil	**100%**	100%	Investment holding	Limited liability entity	
WFOE 北京麥迪康健管理諮詢有限公司	PRC 16 May 2019	USD20,000	Nil	**100%**	100%	Investment holding	Limited liability entity	*(a)*
Mediwelcome Beijing 北京麥迪衛康醫療科技有限公司	PRC 11 September 2000	RMB54,216	RMB54,216	**100%**	100%	Medical conference services, patient education services, marketing and strategic consulting services	Limited liability entity	*(a), (b)*
Beijing Chuangyan 北京創研醫學研究中心有限公司	PRC 4 August 2011	RMB10,000	RMB10,000	**100%**	100%	Medical conference services, patient education services, marketing and strategic consulting services	Limited liability entity	*(a)*

34. PARTICULARS OF SUBSIDIARIES (Continued)

Name of subsidiary	Country of operation and date of incorporation/ establishment	Nominal value of issued ordinary/ registered share capital ('000)	Nominal value of issued ordinary/ share capital paid up ('000)	Attributable equity interest held by the Company 2020	2019	Principal activities	Form of company	Notes
Indirectly held by the Company								
Beijing Haice 北京海策文化傳播有限公司	PRC 13 July 2011	RMB6,123	RMB6,123	**51%**	51%	Medical conference and marketing and strategic consulting	Limited liability entity	*(a)*
Shanghai Xuanmai Public Relationship Consulting Co., Ltd. 上海煊麥公關策劃有限公司	PRC 19 June 2017	RMB5,000	RMB5,000	**100%**	100%	Medical conference services	Limited liability entity	*(a)*
Beijing Baichuan 北京百川彬海醫療信息技術有限公司	PRC 15 August 2016	RMB2,544	RMB2,544	**55%**	55%	Medical conference services	Limited liability entity	*(a)*
Horgos Yizong Information Technology Co., Ltd 霍爾果斯醫縱資訊科技有限公司	PRC 11 June 2017	RMB5,000	RMB5,000	**100%**	100%	Marketing and strategic consulting services	Limited liability entity	*(a)*
Weiliandong 北京微聯動網絡科技有限公司	PRC 21 March 2017	RMB3,675	RMB1,075	**100%**	100%	Medical conference services, patient education services, marketing and services	Limited liability entity	*(a), (b), (c)*
Yinchuan Mediwelcome Internet Hospital Co., Ltd. 銀川麥迪衛康互聯網醫院有限公司	PRC 21 May 2019	RMB10,000	RMB2,000	**80%**	80%	Internet hospital service	Limited liability entity	*(a), (b), (c)*

(a) The English names of certain subsidiaries referred herein represent the directors' best effort at translating the Chinese names of these companies as no English names have been registered.

(b) Mediwelcome Beijing is controlled by the Group through the Contractual Arrangement as described in Note 1.2.

(c) This company is a subsidiary of Mediwelcome Beijing.

34. PARTICULARS OF SUBSIDIARIES (Continued)

(d) Contractual Arrangements

The prevailing PRC rules and regulations restrict foreign ownership of companies that provide audio-visual program services business, video program producing business, value-added telecommunication business and internet hospital operation, which represent the core activities of and services provided by the Group. As a result of such restrictions, the Company and its subsidiaries cannot have equity interests in entities that are engaged in business as described above. On 5 July 2019, WFOE, Mediwelcome Beijing and the Registered Shareholders entered into a series of contractual arrangements, which include "Exclusive Business Cooperation Agreement", "Exclusive Option Agreement", "Equity Pledge Agreement" and "Shareholders' Rights Proxy Agreement" and (collectively, the "**Contractual Arrangements**"), under which, in the opinion of directors of the Company, WFOE is entitled to all economic benefits arising from the business and operations of Mediwelcome Beijing and its subsidiaries and has power to direct the relevant activities of Mediwelcome Beijing and its subsidiaries. In addition, the spouse of each of the Registered Shareholders, if applicable, has provided irrevocable undertakings ("Spousal Undertakings") which stipulate certain matters to succession of the rights and obligations under the Contractual Arrangements.

Key provisions of the Contractual Arrangements and the Spousal Undertakings are as follows:

Exclusive Business Cooperation Agreement

(i) WFOE provides technical support, consultation and other services to Mediwelcome Beijing, including but not limited to (i) technical services and network support; (ii) information management system support; (iii) business consulting; (iv) intellectual property licensing; (v) equipment and assets leasing; (vi) marketing consultation and marketing development plan support; (vii) system integration; (viii) product development and system maintenance; and (ix) other relevant services determined by WFOE from time to time to the extent permitted under PRC laws and regulations, and WFOE is entitled to the service fee equivalent to the total consolidated profit of Mediwelcome Beijing, after offsetting the prior-year loss (if any), operating costs, expenses, taxes and other statutory contributions.

(ii) Without the prior written approval from WFOE, Mediwelcome Beijing shall not, and shall procure its subsidiaries not to, enter into any transactions that may compete with the WFOE's business, including investing in any entity that has competing business with WFOE, or conduct any businesses without WFOE's prior written approval.

(iii) The agreements are effective for a term of 10 years, and shall be unconditionally and automatically extended at the sole discretion of WFOE. The WFOE can terminate the agreement by giving Mediwelcome Beijing a 30 days' prior written notice of termination or upon the legally transfer of the entire equity interests in and/or the legally transfer of all assets of Mediwelcome Beijing to WFOE or its designated person pursuant to the Exclusive Option Agreement. Mediwelcome Beijing is not contractually entitled to terminate the Exclusive Business Cooperation Agreement with WFOE.

34. PARTICULARS OF SUBSIDIARIES (Continued)

(d) Contractual Arrangement (continued)

Exclusive Option Agreement

The Registered Shareholders severally and irrevocably granted to WFOE the exclusive rights to require the Registered Shareholders to transfer any or all their equity interests at a consideration, lower of RMB1 or amount permitted under the PRC laws and regulations, and/or assets in Mediwelcome Beijing to WFOE and/or a third party designated by WFOE, in whole or in part at any time and from time to time, at a minimum purchase price permitted under PRC laws and regulations. The Registered Shareholders have also undertaken that, subject to the relevant PRC laws and regulations, they will return to WFOE any consideration they receive in the event that WFOE exercises the options under the Exclusive Option Agreement to acquire the assets in Mediwelcome Beijing.

Equity Pledge Agreement

Each of the Registered Shareholders agreed to pledge all of their respective equity interests in Mediwelcome Beijing to WFOE as a security interest to guarantee the payment of any outstanding debts due to WFOE under the Exclusive Business Cooperation Agreement.

Shareholders' Rights Proxy Agreement

Mediwelcome Beijing, Registered Shareholders and WFOE irrevocably appoint WFOE or the directors of WFOE, their successors and liquidators but excluding those non-independent or who may give rise to conflict of interests to exercise shareholder's rights in Mediwelcome Beijing, including appointment and removal of directors of Mediwelcome Beijing.

Spousal Undertakings

The spouse of each of the Registered Shareholders, where appropriate, has signed an undertaking on 5 July 2019, to the effect that, among others, (i) the shares of Mediwelcome Beijing held and to be held by each of the Registered Shareholders (together with any other interests therein) do not fall within the scope of communal properties, and (ii) he/she has no right to or control over such interests of the respective Registered Shareholder and will not have any claim on such interests.

The directors of the Company considered that the WFOE has the practical ability to direct the relevant activities of Mediwelcome Beijing and its subsidiaries and is the ultimate beneficial owner. Accordingly in the opinion of the directors of the Company, the Contractual Arrangements are legally enforceable taking into account legal advice from Global Law Office and the Company is able to control Mediwelcome Beijing and its subsidiaries.

34. PARTICULARS OF SUBSIDIARIES (Continued)

Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below provides details of a non-wholly owned subsidiary of the Group that has material non-controlling interests:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests as at 31 December		Profit allocated to non-controlling interests for the year ended 31 December		Accumulated non-controlling interests as at 31 December	
		2020	2019	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000
Beijing Haice	PRC	**49%**	49%	**1,179**	1,724	**8,772**	7,593

Summarised financial information in respect of the Group's subsidiary that have material non-controlling interests is set out below. The summarised financial information below represents amounts before elimination of intra-group transactions.

Beijing Haice

	2020 RMB'000	2019 RMB'000
Non-current assets	**222**	238
Current assets	**25,914**	19,369
Current liabilities	**(8,222)**	(4,100)
Equity		
– Equity attributable to owners of the Company	**9,142**	7,914
– Non-controlling interests	**8,772**	7,593
	17,914	15,507
Revenue	**48,664**	36,916
Profit for the year		
– Attributable to owners of the Company	**1,228**	1,794
– Attributable to the non-controlling interests	**1,179**	1,724
	2,407	3,518
Net cash outflow from operating activities	**(649)**	(644)
Net cash outflow from investing activities	**(86)**	(98)
Net cash outflow from financing activities	**(913)**	(766)
Net decrease in bank balances and cash	**(1,648)**	(1,508)

35. EVENTS AFTER THE REPORTING PERIOD

On 19 January 2021, the shares of the Company were listed on the Stock Exchange. In connection with the listing completed on 19 January 2021, the Company issued a total of 50,000,000 ordinary shares at a price of HK$3.00 per share for a total proceeds (before related share issuance costs) of HK$150,000,000.