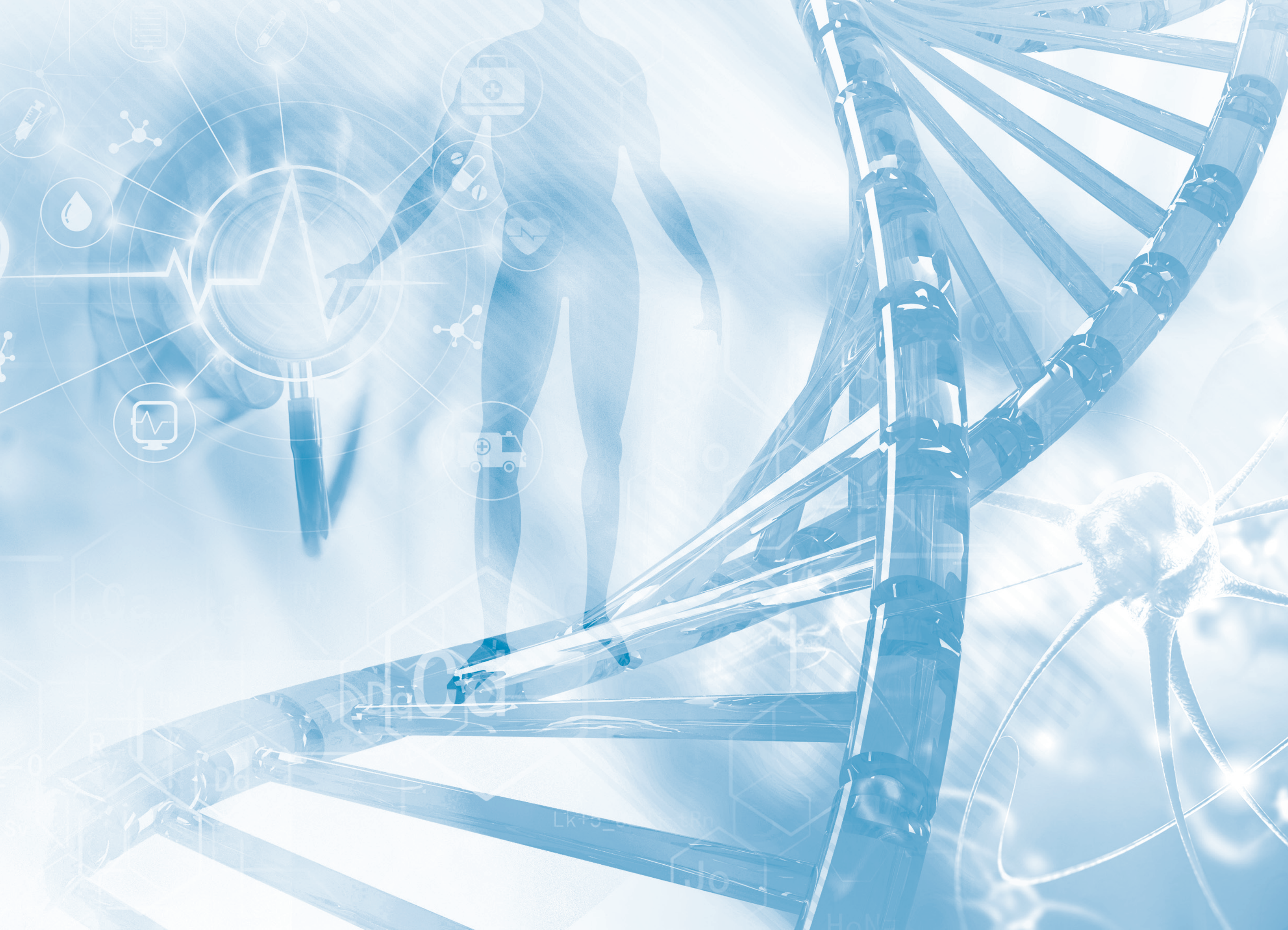
麥迪衛康健康醫療管理科技股份有限公司
MEDIWELCOME HEALTHCARE MANAGEMENT & TECHNOLOGY INC.

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 2159

2021
ANNUAL REPORT

Contents



Corporate Information

BOARD OF DIRECTORS

Executive Directors:

Mr. Shi Wei *(Chairman)*
Mr. Yang Weimin
Mr. Wang Liang *(Chief Executive Officer)*
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. Tsoi Siu Wai

AUTHORIZED REPRESENTATIVES

Mr. Shi Wei
Ms. Tsoi Siu Wai

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

28th Floor
AIA Central
1 Connaught Road Central
Central
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

Rainbow Capital (HK) Limited
Room 5B, 12/F.
Tung Ning Building
No. 2 Hillier Street
Sheung Wan
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				
	2021	2020	2019	2018	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	**708,358**	432,291	427,159	298,968	258,880
Cost of sales	**614,762**	335,978	332,291	214,372	187,506
Gross profit	**93,596**	96,313	94,868	84,596	71,374
Profit before taxation	**5,588**	22,281	25,972	49,152	38,118
Income tax expense	**386**	302	3,915	9,475	7,902
Profit for the year attributable to					
— Owners of the Company	**4,645**	21,042	20,852	38,041	29,657
— Non-controlling interests	**557**	937	1,205	1,636	559

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Year ended 31 December				
	2021	2020	2019	2018	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Total assets	**366,700**	280,080	229,481	203,173	140,256
Total liabilities	**73,213**	109,084	84,676	76,587	41,521
Total equity	**293,487**	170,996	144,805	126,586	98,735

Business Highlights

Revenue RMB **708.4** million	**Year-on-year increase** **63.9** %
Revenue from patient education and screening services RMB **152.1** million	**increased from 2020 by approximately** **88.0** %
Revenue from marketing strategy and consulting services RMB **121.2** million	**increased from 2020 by approximately** **36.8** %
Number of registered physicians of Doctor+ internet hospital reached **30,761**	**increased from 2020 by approximately** **63.8** %

Chairman's Statement

Dear Shareholders

On behalf of the board (the "**Board**") of directors (the "**Directors**"), I am pleased to present the annual results of Mediwelcome Healthcare Management & Technology Inc. ("**Mediwelcome**" or the "**Company**", together with its subsidiaries, the "**Group**") for the year ended 31 December 2021 (the "**Reporting Period**"). 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.

Since the outbreak of the COVID-19 pandemic across the world, various industries in the People's Republic of China ("**PRC**") have undergone intense changes in the macro-environment of regular pandemic control and prevention. In March 2021, the PRC's "Outline of the Fourteenth Five-Year Plan for the National Economic and Social Development and the Long-Range Objectives Through the Year 2035" put forward the goal of building a healthy China to insist on a prevention-based principle, strengthen monitoring and alert, and risk assessment; deepen the construction of primary medical and health service system; strengthen the prevention, early screening and comprehensive intervention of chronic diseases; and elevate the intelligent application of medical and health data to a national strategy level. Amid the intensive changes in the medical industry, internet + digital technology has played an important role in pandemic prevention and control and public health management. The regular pandemic control and prevention has greatly affected user behaviour, and the domestic healthcare service demand is evolving in the direction of high quality, multiple dimensions and diversity, thereby further promoting the widespread application of Internet + digital healthcare; following the promulgation of laws such as the Data Security Law and the Personal Information Protection Law, and the deepening and implementation of policies in recent years such as national centralized procurement and medical representative filings, the medical industry is subject to further regulations for a healthy development and is progressing towards to goal of value-based medical care. In 2021, Mediwelcome, as always, shouldered the mission of promoting the development of the medical industry. On the basis of its existing medical and marketing business, we further combined our own advantageous resources to continue establishing and upgrading intelligent digital medical ecosystem in the field of specialized diseases: upgrading internet hospital services, creating a duel-end health management service system for doctors and patients, regarding doctors as the main subject and patients as the center, with the collaboration between the platform and clinical experts; establishing a customized disease management service platform for the patients with a core of helping patients to enhance awareness in disease self-management, improve disease recognition and compliance, effectively achieving the integrated health information management for doctors and patients inside and outside the hospital; creating a new and upgraded digital marketing solution to help medical device companies improve coverage efficiency, reduce marketing costs and comply with promotions of its academic products; initiating the outline of research and development, and application and promotion of its innovated digital products to improve deep integration of intelligent technology and medical demands while deploying remote service platform, creating a comprehensive and full-circle digital medical ecosystem, improving results of medical care for patients, and opening a new chapter of digital medical business for the Group.

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

30 March 2022

BUSINESS REVIEW

The Group maintained a positive growth momentum in 2021 in terms of revenue. The Group's total revenue reached approximately RMB708.4 million, representing an increase of approximately 63.9% as compared to that in 2020.

In particular, the Group has made achievements in the field of cardiovascular and cerebrovascular medicine and marketing services:

1. In recent years, the National Health Commission has issued a statement to support the establishment of medical centers, such as stroke centers and chest pain centers, in general hospitals at the second level and above. In view of this, the Group continues to support the construction of stroke centers, chest pain centers, vascular centers of health management and multidisciplinary oncology clinics nationwide. As at 31 December 2021, the Group has carried out doctor projects and patient projects through online + offline to support the work of the China Stroke Center Alliance; assisted Chest Pain Center Headquarters; supported the primary healthcare industry and promoted the development of the "Vascular Center of Health Management". As at 31 December 2021, the Group assisted more than 1,000 vascular centers of health management across the country, conducting events which covered doctors and patients; and cooperated with oncologists to start the construction of a multidisciplinary diagnosis and treatment center system, contributing to the new development of the specialised medical association of clinical diagnosis and treatment of oncology.

2. In response to national policies and initiatives to meet the needs of clinical practitioners for quality academic content and continuous medical education, and the needs of patients for disease knowledge and health education content, the Group has launched online and offline educational activities for doctors and patients. The Group's doctor/patient education and conference services business is well developed. Among which, the 7th Annual Scientific Session of the Chinese Stroke Association & Tiantan International Stroke Conference 2021 (CSA & TISC 2021) was held in the form of offline + online, covering approximately 155,000 doctors in total. Through the online internet platform, as at 31 December 2021, we completed 37,684 online doctor educational activities and 29,168 patient educational activities, with a total of 5,635 videos that attracted 20,543 and 108,814 views from doctors and patients, respectively.

The Group's achievements in the internet hospital service business in 2021:

With the long-term impact brought from the emergence of new norms such as COVID-19 and centralised procurement of drugs, coupled with the wave of digital transformation and upgrading in various industries, the needs and behaviours of stakeholders in the medical sector (hospitals, doctors, patients, pharmaceutical companies, etc.) have undergone profound changes, and an upward trend of the demand for diagnosis and medical treatment is witnessed in internet hospitals. The Group's internet hospital platform focuses on the connection of doctors and patients and the provision of quality online medical services. As at 31 December 2021, the number of registered doctor users reached 30,761, representing an increase of 63.8% compared with 2020, and the number of patient users reached 86,729, representing an increase of 235.2% compared with 2020.

Management Discussion and Analysis

OUTLOOK

Plans for the Group's development in 2022:

1. Continue to consolidate its leading edge in the field of cardiovascular and cerebrovascular medicine and marketing services and expand its expertise in oncology:

   With new opportunities, the Group will continue to optimise its products and services and leverage the favourable health policy environment and its own resources to maintain revenue growth of its professional medicine and marketing services in the traditional cardiovascular and cerebrovascular discipline in the face of growing market demand.

2. Optimise internet hospital services and business scale:

   The Group will continue to upgrade the platform construction of internet hospitals and improve the internal system of the Company with a renowned internet enterprise in respect of protection of information security and user privacy with black chain technology. Based on the standardised out-of-hospital management of stroke patients, which has been implemented nationwide and achieved initial results, the Group's operation has been extended to the vertical field of cardiovascular and cerebrovascular discipline to form a more distinctive online specialised medical service platform, on which health records, online consultation, e-prescription/online drug purchase, care plan/follow-up plan, health education video/graphics, and follow-up management services are provided for doctors and patients.

3. Enhance the model and scale of the digital marketing business:

   In 2022, doctors will be empowered through the creation of digital tools such as software tools, search engines and knowledge mapping, which will promote the digitization and intelligence of medical education and clinical research and provide doctors with a professional, cutting-edge and user-friendly digital professional medical content ecology; meanwhile, the Group provides enterprises with accurate, convergent and efficient solutions for digital medicine and marketing, and deliver the latest medical technology and knowledge to its target customers.

   In 2022, the medical industry is in the midst of a wave of development that presents both challenges and opportunities. Mediwelcome aspires to become the pioneer of innovative medical care in the field of chronic diseases to improve the clinical results of patients and build a professional, equal and intelligent platform for health products, services and marketing. Under the trend of digital transformation of pharmaceutical enterprises and the upgrade of diversified patient needs, the digital marketing and internet hospital business in the area of specialised diseases will be boosted to achieve high growth; the pioneering exploration of digital therapy for stroke rehabilitation will become an important growth engine for the Group in the future.

FINANCIAL REVIEW

Revenue

During 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 developed and generated revenue from contract research organisation ("**CRO**") services and internet hospital services.

The Group's revenue increased by 63.9% from approximately RMB432.3 million for the year ended 31 December 2020 to approximately RMB708.4 million for the year ended 31 December 2021. The following table sets forth a breakdown of the Group's revenue by service type for the periods indicated:

	For the year ended 31 December			
	2021		2020	
	(RMB'000)		*(RMB'000)*	
Medical conference services	**424,183**	**59.9%**	256,947	59.5%
Patient education and screening services	**152,109**	**21.5%**	80,905	18.7%
Marketing strategy and consulting services	**121,182**	**17.1%**	88,598	20.5%
CRO services	**6,566**	**0.9%**	5,403	1.2%
Internet hospital services	**4,318**	**0.6%**	438	0.1%
Total	**708,358**	**100.0%**	432,291	100.0%

Medical Conference Services

Medical conference services primarily represent the medical conventions and seminars that the Group organises which are generally hosted by medical NGOs and sponsored by enterprises in the healthcare industry, which primarily include pharmaceutical companies. The Group has built various technology platforms to enhance its integrated healthcare marketing solutions. To strengthen the Group's conference management capabilities, the Group has launched the Conference+ App (醫會+) for users, i.e. medical NGOs and pharmaceutical companies, to submit onsite conference requests and monitor conference implementation.

Revenue from medical conference services increased by 65.1% from approximately RMB256.9 million for the year ended 31 December 2020 to approximately RMB424.2 million for the year ended 31 December 2021, primarily due to the increase in the revenue generated from online medical seminars. After the outbreak of COVID-19 and the prolonged effects of the epidemic, more medical NGOs and pharmaceutical companies have engaged the Group to organise online medical seminars and six projects contributed a revenue of approximately RMB212.4 million during the Reporting Period.

Patient Education and Screening Services

Patient education and screening services of the Group allow patients to administer better self-care and disease control, which will lower the burden on the healthcare system in the long run. Revenue from patient education and screening services increased by 88.0% from approximately RMB80.9 million for the year ended 31 December 2020 to approximately RMB152.1 million for the year ended 31 December 2021 as the Group has successfully shifted most of its onsite patient education and screening services to its online platforms which can access more participants and increase the contract value of each project. During the Reporting Period, the Group recognised revenue of approximately RMB101.5 million for projects with online educational programmes, which was 231.7% higher than the revenue of approximately RMB30.6 million in the corresponding period last year.

Marketing Strategy and Consulting Services

The Group provides marketing strategy and consulting services to assist pharmaceutical companies in formulating and implementing effective business strategies to enhance their brands and product awareness among physicians. Revenue from marketing strategy and consulting services increased by 36.8% from approximately RMB88.6 million for the year ended 31 December 2020 to approximately RMB121.2 million for the year ended 31 December 2021 due to the market expansion of the Group's top five customers. These five customers actively engaged the Group for marketing strategy and consulting services in order to expand their markets. The Group recognised revenue of approximately RMB50.4 million for the provision of such services to them during the Reporting Period.

CRO Services and Internet Hospital Services

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

Revenue from CRO services increased by 22.2% from approximately RMB5.4 million for the year ended 31 December 2020 to approximately RMB6.6 million for the year ended 31 December 2021 due to the Group's successful development and expansion of the CRO services which was newly launched in late 2019.

The Group has developed the mobile platforms, Mediwelcome Doctor+ (麥迪衛康醫加) and Doctor+ for Doctor (醫加醫生端), to provide internet hospital services. Currently, physicians' existing patients can schedule online follow-up consultations, obtain e-prescriptions and purchase medicine through the platforms. Revenue from internet hospital services increased by 975.0% from approximately RMB0.4 million for the year ended 31 December 2020 to approximately RMB4.3 million for the year ended 31 December 2021, representing the significant increase in the number of active patient users purchasing prescribed medicine through the Group's internet hospital platform. The monthly active patient number increased from 1,659 as at 31 December 2020 to 9,011 as at 31 December 2021.

Cost of sales

The Group's cost of sales which mainly represent speaker fee paid to physicians, venue costs and staff costs increased by 83.0% from approximately RMB336.0 million for the year ended 31 December 2020 to approximately RMB614.8 million for the year ended 31 December 2021. The significant increase in cost of sales was mainly due to increase in number of organised conferences caused by (i) down scale of each conference to comply with the enhanced anti-epidemic measures in view of uncertain epidemic situation; and (ii) increase in provision of services 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 decreased by approximately RMB2.7 million from approximately RMB96.3 million for the year ended 31 December 2020 to approximately RMB93.6 million for the year ended 31 December 2021. The Group's overall gross profit margin decreased from 22.3% for the year ended 31 December 2020 to 13.2% for the year ended 31 December 2021, primarily due to (i) the increase in revenue generated from provision of online medical seminars which generally entails lower profit margin as compared to other service types; (ii) the competitive pricing strategy implemented by the Group to procure sizeable and reputable customers, including famous pharmaceutical companies, medical associations and foundations in order to gain market share; and (iii) increase in the cost of provision of services in order to comply with the enhanced anti-epidemic measures in view of uncertain epidemic situation.

Other income, gains and losses

Other income, gains and losses mainly consist of government grants, bank interest income, fair value changes of financial assets at fair value though profit or loss and value-added tax refund. The Group's other income, gains and losses increased by 175.8% from approximately RMB3.3 million for the year ended 31 December 2020 to approximately RMB9.1 million for the year ended 31 December 2021, primarily attributable to the government subsidy of approximately RMB5.0 million in connection with the successful listing (the "**Listing**") and the increase in value-added tax refund.

Selling expenses

Selling expenses mainly consist of transportation expenses, salaries, share-based compensation expenses, performance bonuses and employee benefits expenses for the sales and marketing and business development expenses. The Group's selling expenses increased by 58.7% from approximately RMB10.4 million for the year ended 31 December 2020 to approximately RMB16.5 million for the year ended 31 December 2021, primarily due to (i) the recognition of share-based compensation expenses of approximately RMB3.1 million; and (ii) the increase in staff costs and travel and business development expenses in relation to the overall expansion of the Group's services.

Administrative expenses

Administrative expenses mainly represent the salaries and benefits of the administrative and management staff, professional consulting fees, share-based compensation expenses, depreciation and other miscellaneous administrative expenses. The Group's administrative expenses increased by 41.2% from approximately RMB42.0 million for the year ended 31 December 2020 to approximately RMB59.3 million for the year ended 31 December 2021, primarily due to (i) the recognition of share-based compensations of approximately RMB10.8 million; (ii) increase in staff costs and travel and business expenses; and (iii) increase in depreciation of right-of-use of assets as a result of the overall expansion of the Group.

Research and development expenses

The Group's research and development expenses increased by 33.6% from approximately RMB14.0 million for the year ended 31 December 2020 to approximately RMB18.7 million for the year ended 31 December 2021, representing the increase in the Group's research and development expenses primarily due to more resources and headcounts were incurred to develop the Group's internet hospital services and digital related medical products, software and platform.

Listing expenses

The Group recorded a decrease in listing expenses by 2.2% from approximately RMB9.1 million for the year ended 31 December 2020 to approximately RMB8.9 million for the year ended 31 December 2021, primarily attributable to the net effects of (i) a significant portion of service fees of professional parties in connection with the Listing were recognised for the year ended 31 December 2020 according to the stage of completion of the Listing; and (ii) the increase in reimbursements of professional parties for the year ended 31 December 2021.

Finance costs

The Group's finance costs increased by 44.4% from approximately RMB0.9 million for the year ended 31 December 2020 to approximately RMB1.3 million for the year ended 31 December 2021, primarily attributable to the increase in interest expense on lease liabilities due to office expansion, which was in line with the Group's service line expansion strategy.

Income tax expense

The Group recorded income tax expense of approximately RMB0.4 million for the year ended 31 December 2021 as compared with income tax expense of approximately RMB0.3 million for the year ended 31 December 2020, primarily due to recognition of deferred tax as at year ended.

Profit for the year

The Group's profit for the year decreased by 76.4% from approximately RMB22.0 million for the year ended 31 December 2020 to approximately RMB5.2 million for the year ended 31 December 2021 due to the net effects of (i) the decrease in gross profit margin mainly due to the increase in proportion of revenue generated from provision of online medical seminars which generally entails lower gross profit margins as compared to other services and the competitive pricing strategy implemented by the Group to procure sizeable and reputable customers; (ii) the increase in staff costs which was in line with the increase in revenue and expansion strategy of the Group; (iii) increase in the cost of provision of services in order to comply with the enhanced anti-epidemic measures in view of uncertain epidemic situation; and (iv) the grant of a total of 15,170,000 restricted share units ("**RSUs**") to 31 eligible participants under the restricted share units scheme ("**RSU Scheme**") by the Group on 25 June 2021 in recognition of their contributions to the development of the Group and to incentivise them to further promote the development of the Company, resulting in recognition of share-based compensation expenses of approximately RMB14.5 million for the year ended 31 December 2021. The Group did not record any share-based compensation expenses for the year ended 31 December 2020.

Other comprehensive income

The Group recorded other comprehensive income of approximately RMB4.2 million for the year ended 31 December 2021, remaining stable as compared with other comprehensive income of approximately RMB4.2 million for the year ended 31 December 2020.

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 approximately RMB78.4 million as at 31 December 2020 to approximately RMB84.2 million as at 31 December 2021 which was generally in line with the increase in the Group's revenue.

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, rental services and video production services. The Group's trade payables increased from approximately RMB26.2 million as at 31 December 2020 to approximately RMB27.4 million as at 31 December 2021 which was mainly due to the increase in cost of sales in relation to the overall expansion of the Group's services.

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. As at 31 December 2021, the financial products were primarily low risk structured deposit from reputable PRC commercial banks, 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 at 31 December 2021 had an expected rate of return of 2.62% to 3.22% per annum depending on the returns of the derivatives.

As at 31 December 2021, the fair value of the Group's financial assets at fair value through profit or loss was approximately RMB9.5 million, details of which are summarised below:

Issuer	Name of wealth management products	Fair value as at 31 December 2021	Size as compared to the Company's total assets as at 31 December 2021
		RMB'000	
Everbright Wealth Management Co., Ltd.	CEB Cash A (光銀現金A)	8,000	2.2%
China Merchants Bank Co., Ltd.	Ririxin 80008 (日日鑫80008號)	1,500	0.4%

The Group invested in these financial products during the year ended 31 December 2021 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 behaviour 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 2021, the Group had net current assets of approximately RMB218.0 million, as compared with net current assets of approximately RMB117.2 million as at 31 December 2020.

Bank Balances and Cash

The Group's bank balances and cash mainly consist of (i) bank deposits denominated in Renminbi and Hong Kong Dollar and carried the relevant benchmark interest rates throughout the Reporting Period; and (ii) cash on hand.

As at 31 December 2021, the Group had bank balances and cash of approximately RMB165.3 million, representing an increase of 85.7% from approximately RMB89.0 million as at 31 December 2020 as the Group raised fund from the Listing in January 2021. 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 strive 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 2021, the Group, as a lessee, had outstanding current and non-current lease liabilities of approximately RMB25.2 million as compared with approximately RMB25.4 million as at 31 December 2020. The lease liabilities represent payment for the right to use underlying assets, which is unsecured and unguaranteed.

As at 31 December 2021, the Group did not enter into any banking facility agreement and had no unutilised 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 2021 was nil (31 December 2020: nil).

Capital Expenditures

As at 31 December 2021, capital expenditures of the Group significantly increased to approximately RMB25.0 million for the year ended 31 December 2021 as compared with approximately RMB13.8 million for the year ended 31 December 2020. These capital expenditures were related to (i) purchases of property, plant and equipment; and (ii) expenses for research and development activities capitalised 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 capitalised. These expenses will be financed by Net Proceeds (defined below) in the manner consistent with that as mentioned in the section headed "Future Plans and Use of Proceeds" in the prospectus of the Company dated 31 December 2020 (the "**Prospectus**") and cash flow from operating activities.

Capital Structure

The shares of the Company ("**Shares**") were successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 19 January 2021 (the "**Listing Date**"). There has been no change in the capital structure of the Group since then.

As at 31 December 2021, the total number of issued shares of the Company was 200,000,000.

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 functional currencies of the respective entities of the Group. 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 currencies 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 2021, the Group did not have any material contingent liabilities (31 December 2020: nil).

Pledge of Assets

As at 31 December 2021, the Group did not pledge any of its assets (31 December 2020: nil).

Human Resources

As at 31 December 2021, the Group had 408 employees (31 December 2020: 392 employees) as a result of the increase in headcount due to the development of overall expansion of the Group's services. For the year ended 31 December 2021, the staff cost recognised as expenses of the Group amounted to approximately RMB81.2 million, representing an increase of 40.7% from approximately RMB57.7 million for the year ended 31 December 2020. The increase was mainly attributable to the increase in proportion of employees with higher income, increase in headcounts and approximately RMB14.5 million share-based compensations was recognised due to the grant of 15,170,000 RSUs during the Reporting Period.

The Group is committed to establishing a 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 the RSU 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.

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

Equity Interests in Lingchuang Yigu

On 2 July 2021, the Group entered into an agreement with the existing shareholders of Beijing Lingchuang Yigu Technology Development Co., Ltd.* (北京領創醫谷科技發展有限責任公司, "**Lingchuang Yigu**") and certain new investors (being independent third parties to the Group) for the capital contribution of RMB45,000,000 to Lingchuang Yigu by certain of the existing shareholders of Lingchuang Yigu and the new investors for the new registered capital of RMB1,672,000 ("**Capital Contribution**") and disposal of share capital of RMB283,000 of Lingchuang Yigu by the Group to a new investor at a cash consideration of RMB10,000,000 ("**Disposal**"). The consideration was determined after arm's length negotiation between the Group and the independent third party with reference to the latest business and development for future prospects of Lingchuang Yigu.

Lingchuang Yigu is principally engaged in the production and sale of spinal endoscopes. The Group invested in Lingchuang Yigu as pain treatment is a rising segment of the healthcare industry and Lingchuang Yigu's spinal endoscopes have relatively strong competitiveness in the market. Upon completion of the Capital Contribution and the Disposal, the Group holds 5.82% of equity interest in Lingchuang Yigu.

The consideration was received on 13 July 2021 and the Capital Contribution and the Disposal were completed as at 31 December 2021.

The Disposal did not constitute notifiable transaction of the Company for the purpose of Chapter 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Listing Rules**").

The fair value of the 5.82% (31 December 2020: 15%) equity interests in Lingchuang Yigu as at 31 December 2021 was approximately RMB3.2 million (31 December 2020: approximately RMB8.6 million), accounting for approximately 0.87% (31 December 2020: approximately 3.08%) of the total assets of the Group of approximately RMB366.7 million as at 31 December 2021 (31 December 2020: approximately RMB280.1 million).

During the Reporting Period, the change of fair value on the equity interests in Lingchuang Yigu, which was classified as fair value through other comprehensive income, was approximately RMB3.4 million (2020: RMB3.0 million). No dividend income was received from the equity interests in Lingchuang Yigu during the Reporting Period (2020: nil).

Subscription of New Registered Capital of an Equity Instrument

On 4 August 2021, the Group entered into a capital increase agreement in relation to the subscription of new registered capital of Shanghai Bohuikang Biological Technology Co., Ltd.* (上海柏慧康生物科技有限公司, "**Shanghai Bohuikang**") at a consideration of RMB10 million in cash (the "**Subscription**"). Prior to the Subscription, the Company held approximately 9.3382% of the equity interests in Shanghai Bohuikang. Upon completion of the Subscription, the Group would hold a total of 19.4117% of equity interest in Shanghai Bohuikang. Shanghai Bohuikang is engaged in the development and production of cancer diagnostic reagents and ancillary instruments. Details of the Subscription are set out in the announcement of the Company dated 4 August 2021. The Subscription was completed on 24 August 2021.

The Subscription did not constitute notifiable transaction of the Company for the purpose of Chapter 14 of the Listing Rules.

The fair value of the 19.4117% equity interests of Shanghai Bohuikang as at 31 December 2021 was approximately RMB17.0 million, accounting for approximately 4.64% of total assets the Group of approximately RMB366.7 million as at 31 December 2021.

During the Reporting Period, the change of fair value on the equity interests in Shanghai Bohuikang, which was classified as fair value through other comprehensive income, was approximately RMB1.4 million. No dividend income was received from the equity interests in Shanghai Bohuikang during the Reporting Period.

Discloseable Transaction in Relation to the Formation of a Joint Venture

On 5 November 2021, Mediwelcome Beijing Healthcare Technology Co., Ltd.* (北京麥迪衛康醫療科技有限公司) ("**Mediwelcome Beijing**"), a wholly-owned subsidiary of the Company, entered into a shareholder agreement with Tianjin Yunyi Digital Intelligence Enterprise Management Consulting Partnership (Limited Partnership)* (天津雲奕數智企業管理諮詢合夥企業(有限合夥)) ("**Tianjin Yunyi**"), an independent third party to the Group, in relation to the formation of a limited liability company of Beijing Zetta-Yotta Healthcare Technology Co., Ltd.* (北京智煜健康科技有限公司) (the "**Joint Venture**") with a registered capital of RMB60.00 million (equivalent to approximately HK$73.20 million), of which RMB39.00 million (equivalent to approximately HK$47.58 million) has been partially contributed by Mediwelcome Beijing and RMB21.00 million (equivalent to approximately HK$25.62 million) will be contributed by Tianjin Yunyi. Upon formation, the Joint Venture will be owned as to 65% and 35% by Mediwelcome Beijing and Tianjin Yunyi respectively. Up to the date of this report, RMB10 million has been contributed by Mediwelcome Beijing.

The Joint Venture is principally engaged in the following businesses: (i) innovation, research and development, and promotion of digital medical products, provision of market access and operational services to professional medical institutions to serve doctors and patients; (ii) research and development in medical or digital therapy related softwares for smart devices; and (iii) create a digital healthcare platform in relation to special diseases to establish an ecosystem of disease management, and to establish cooperation with other manufacturers to provide services for doctors and patients.

The Board is of the view that the formation of the Joint Venture, which is principally engaged in the development and promotion of digital medical products, digital therapy related softwares and digital healthcare platform, will be beneficial to the Company and the Shareholders as a whole since it will enable the Group to (i) expand its ecosystem, value chain and development plans that are in line with its business development strategy; (ii) enhance and strengthen its position in the healthcare service industry; and (iii) enhance its service capabilities by leveraging the Group's experience and resources in the healthcare service industry and integrating the extensive market and administrative resources of Tianjin Yunyi in technology, software and hardware development.

Details of the formation of the Joint Venture are set out in the announcement of the Company dated 5 November 2021. On 25 November 2021, the Joint Venture has been established and its financial results has been consolidated into the accounts of the Group for the year ended 31 December 2021.

Save as disclosed herein, the Group had no other 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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the period from the Listing Date and up to 31 December 2021.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Group intends to utilise the Net Proceeds (defined below) 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 2021.

The Board is pleased to present this corporate governance report of the Company for the year ended 31 December 2021.

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.

Throughout the period from the Listing Date and up to 31 December 2021, the Company has adopted and complied with the applicable code provisions set out in the Corporate Governance Code (the "**CG Code**") as contained in Appendix 14 to the Listing Rules in force during the year ended 31 December 2021 and as at 31 December 2021. 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.

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 and up to 31 December 2021.

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.

Corporate Governance Report

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. 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

The biographical information of the Directors is set out in the section headed "Directors & Senior Management Profiles" on pages 37 to 43 of this annual report.

None of the members of the Board is related to one another. There are no financial, business, family or other material relationships among members of the Board.

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 2021, six Board meetings and one general meeting were held.

A summary of the attendance records of the Directors at the Board meetings and the general meeting held during the year ended 31 December 2021 is set out below:

Name of Directors	Attendance at the Board meeting	Attendance at the general meeting
Mr. Shi Wei	6/6	1/1
Mr. Yang Weimin	6/6	1/1
Mr. Wang Liang	6/6	1/1
Mr. He Jiyong* *(resigned on 17 November 2021)*	6/6	1/1
Mr. Wang Wei	6/6	1/1
Mr. Sui Huijun	6/6	1/1
Ms. Zhang Yitao	6/6	1/1
Mr. Liu Xia	6/6	1/1
Mr. Song Ruilin	6/6	1/1
Mr. Fei John Xiang	6/6	1/1
Mr. David Zheng Wang	6/6	1/1
Mr. Yang Xiaoxi	6/6	1/1

* Mr. He Jiyong resigned as an executive Director and chief financial officer of the Company with effect from 17 November 2021 due to his intention to concentrate on other business commitments.

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

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. 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)

During the year ended 31 December 2021, all of the Directors have complied with the then applicable code provision A.6.5 of the CG Code and participated in continuous professional development to develop and refresh their knowledge and skills.

The training records of the Directors for the year ended 31 December 2021 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* *(resigned on 17 November 2021)*	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

* Mr. He Jiyong resigned as an executive Director and chief financial officer of the Company with effect from 17 November 2021 due to his intention to concentrate on other business commitments.

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.

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 the then applicable code provision D.3.1 of the CG Code.

During the year ended 31 December 2021, the Audit Committee held two meetings to review the annual results of the Group for the year ended 31 December 2020 and the interim results of the Group for the six months ended 30 June 2021. 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.

During the Reporting Period, two Audit Committee meetings were held. Details of the members' attendance of the Audit Committee meetings are as follows:

Name of the Members	**Members' Attendance**
Mr. Yang Xiaoxi *(Chairman)*	2/2
Mr. Song Ruilin	2/2
Mr. Fei John Xiang	2/2

BOARD COMMITTEES (Continued)

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.

During the Reporting Period, one Remuneration Committee meeting were held for, among others, determining the policy for the remuneration of executive Directors, assessing performance of executive Directors and approving the terms of executive Directors' service contracts, and details of the members' attendance of the Remuneration Committee meeting are as follows:

Name of the Members	Members' Attendance
Mr. Fei John Xiang *(Chairman)*	1/1
Mr. Song Ruilin	1/1
Mr. David Zheng Wang	1/1

During the Reporting Period, the remuneration of the senior management by band is set out below:

Remuneration band	Number of persons
RMB1 to RMB500,000	7
RMB500,001 to RMB1,000,000	3
RMB1,000,001 to RMB1,500,000	1
RMB1,500,001 to RMB2,000,000	1

Nomination Committee

The Nomination Committee consists of three members, namely Mr. Shi Wei, an executive Director, and Mr. Fei John Xiang and Mr. David Zheng Wang, both being 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.

BOARD COMMITTEES (Continued)

Nomination Committee (Continued)

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.

During the Reporting Period, one Nomination Committee meeting was held to, among others, make recommendations to the Board on the selection of individuals nominated for the re-appointment of directors in accordance with the Company's Director Nomination Policy and the diversity aspects as set out in the Board Diversity Policy of the Company. The Nomination Committee had also taken into account their respective contributions to the Board and their commitment to their roles. Details of the members' attendance of the Nomination Committee meeting are as follows:

Name of the Members	Members' Attendance
Mr. Shi Wei *(Chairman)*	1/1
Mr. Fei John Xiang	1/1
Mr. David Zheng Wang	1/1

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	10
Ethnicity	
American	3
Chinese	8
Age	
31–40	1
41–50	6
51–60	4
Length of Service	
1–3 years	11

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 (including 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 operations 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 then applicable code provision D.3.1 of the CG Code.

During the year ended 31 December 2021, 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 2021, 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 2021.

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 2021, 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 2021.

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 71 to 77 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 2021 is set out below:

Service Category	**Fees Paid/Payable**
	RMB'000
Audit services	1,308
Non-audit services including internal control review, Environmental, Social and Governance Report, agreed-upon procedures engagement for interim report, continuing connected transactions review and IPO audit services	1,009
	2,317

JOINT COMPANY SECRETARIES

Ms. Zhao Luyang ("**Ms. Zhao**"), vice president of the Human Resources Department of the Company, and Ms. Tsoi Siu Wai ("**Ms. Tsoi**"), have been appointed as the Company's joint company secretaries (the "**Joint Company Secretaries**") with effect from 18 September 2019 and 25 October 2021 respectively.

Please refer to the section headed "Directors & Senior Management Profiles" on pages 37 to 43 of this annual report for their biographical information.

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

Ms. Zhao and Ms. Tsoi hare complied with the requirement under Rule 3.29 of the Listing Rules for the year ended 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 Joint 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 Joint 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 Joint 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 Joint 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:	28th Floor, AIA Central,1 Connaught Road Central, Central, Hong Kong (For the attention of the Joint Company Secretary)
Email:	compsec@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 relevant laws and regulations. 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 2021.

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 outstanding and authorize payment of the same out of the funds of the Company lawfully available.

DIRECTORS

Executive Directors

Mr. Shi Wei (施煒), aged 46, 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 is one of the founders of the Group. Mr. Shi served as the general manager of 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 55, 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 is one of the founders of the Group. 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 46, 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 is one of the founders of the Group. 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. Wang Wei (王偉), aged 45, 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 37, 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 medical and marketing businesses 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 responsible for overall operations and management of the Shanghai branch. Mr. Sui currently also serves as an executive director of the Group 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 and business planning of the medical and marketing businesses of the Group and Xuanmai.

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 55, 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 41, 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. He was a partner of Beijing Yanyuan Dongli Capital Management Co., Ltd. (北京燕園動力資本管理有限公司) from July 2020 to July 2021. He was the general manager of Beijing Zhongzhun Yuanlue Consultancy Co., Ltd. (北京中准遠略諮詢有限公司) in July 2021.

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 & Senior Management Profiles

DIRECTORS (Continued)

Independent Non-executive Directors

Mr. Song Ruilin (宋瑞霖), 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.

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). He is also a specially-invited expert of Talent Pool Participating in and Discussing State Affairs of the CPPCC, consultant expert of Participating in and Discussing State Affairs of the Chinese Peasants and Workers Democratic Party, expert of the expert pool of the Price and Cost Investigation Center of the National Development and Reform Commission, member of the Biotech Advisory Panel of the Hong Kong Stock Exchange, vice chairman of China Alliance of Rare Diseases(CARD), honorary director of Chinese Pharmaceutical Association (CPA), standing director of Chinese Pharmacist Association, director of Bethune Charitable Foundation, visiting researcher of Shanghai Jiao Tong University, etc.

Mr. Song has been serving as a non-executive director at Luye Pharma Group Ltd. (綠葉製藥集團有限公司) (stock code: 02186) since March 2017 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) since September 2019. 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, the four companies above are listed on the Stock Exchange. He has been serving as an independent director of Shenzhen Chipscreen Biosciences Co., Ltd. (深圳微芯生物科技股份有限公司) (stock code: 688321), a company listed on the Shanghai Stock Exchange, since August 2018.

Mr. Song served as an independent director of Boya Bio-pharmaceutical Group Co. Ltd. (博雅生物製藥集團股份有限公司) (stock code: 300294.SZ) from March 2017 to March 2021; an independent director of Tibet Aim Pharm. Inc. (西藏易明西雅醫藥科技股份有限公司) (stock code: 002826.SZ) from August 2015 to August 2021; an independent director of Shanxi Zhendong Pharmaceutical Co., Ltd. (山西振東製藥股份有限公司) (stock code: 300158.SZ) from June 2015 to June 2021; an independent director of Zhejiang Jolly Pharmaceutical Co., Ltd. (浙江佐力藥業股份有限公司) (stock code: 300181.SZ) from July 2009 to January 2014 and an independent director of Jointown Pharmaceutical Group Co., Ltd. (九州通醫藥集團股份有限公司) (stock code: 600998.SH) from November 2008 to November 2014.

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, aged 50, 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 served 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), from May 2018 to May 2021.

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, aged 59, 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 October 1995 to September 2019, Mr. Wang has been serving as the director of the stroke department of OSF Healthcare 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 served as the president at Chinese American Neurological Association (美國華人神經科學會). He serves as the co-director of the stroke department of Barrow Neurological Institute in the United States from October 2019 till now. 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 46, 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

Ms. Zhao Luyang (趙魯陽), aged 44, 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. Ms. Zhao joined the Group in November 2009.

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. Tsoi Siu Wai (蔡少惠), aged 37, is the chief financial officer of the Company and one of the joint company secretaries of the Company. Ms. Tsoi is responsible for overseeing the administration, financial and secretarial matters of the Group. Ms. Tsoi joined the Group in October 2021.

Ms. Tsoi has over 10 years of experience in auditing, financial management and company secretary services. She graduated from The Hong Kong Polytechnic University with a bachelor's degree of business administration (Honors) in Accountancy and is a member of the Hong Kong Institute of Certified Public Accountants. Prior to joining the Group, she worked as a director in a company secretary service company and had over 8 years of working experience in accounting firms.

SENIOR MANAGEMENT (Continued)

Ms. Liu Guijin (劉桂金), aged 41, is the vice president of finance of the Company and responsible for managing the overall accounting and finance matters of the Group. Ms. Liu joined the Group in December 2003.

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 36, is the vice president of the Company and responsible for business operations and strategic planning of the Group. Mr. Yin joined the Group in May 2011.

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 44, 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. Tsoi Siu Wai (蔡少惠), aged 37, was appointed as one of the joint company secretaries of the Company on 25 October 2021. Please refer to the subsection headed "Senior Management" above for the biographical details of Ms. Tsoi Siu Wai (蔡少惠).

OTHER DISCLOSURE PURSUANT TO RULES 13.51(2) AND 13.51B(1) OF THE LISTING RULES

Mr. He Jiyong has resigned as an executive Director and the chief financial officer of the Company with effect from 17 November 2021.

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 2021.

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 33 to the consolidated financial statements.

BUSINESS REVIEW

The Group's business review and its future business development, 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 18 and the section headed "Risk associated with the Contractual Arrangements and the actions taken by the Company to mitigate the risks" from page 54 to 57 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 2021, 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 2021 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 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 2021 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. Failure to maintain its relationship with the major customers could materially and adversely affect the business of the Group. 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.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS (Continued)

The Group's major customers include globally leading pharmaceutical companies, medical associations and foundations. The length of business relationship of these major customers with the Group ranged between 4 and 18 years and the credit terms granted to them were around 90 days. Details of the trade receivables of the Group as at 31 December 2021 are set out in note 19 to the consolidated financial statements. The major customers of the Group accounted for 19% of the Group's trade receivables as at 31 December 2021. Up to the date of this report, approximately 29% of the trade receivables from the major customers has been settled.

During the Reporting Period, the Group has not experienced any major disruption of business due to material delay or default of payment by customers due to their financial difficulties.

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.

The Group's major suppliers are generally suppliers of travel and lodging services, presentation materials, venue set-up and rental services, video production services and IT services. The length of business relationship of these major suppliers with the Group ranged between 6 and 18 years and the credit terms granted by the major suppliers ranged around 90 days. The payables were usually settled within the credit period. Details of the trade payables of the Group as at 31 December 2021 are set out in note 22 to the consolidated financial statements. There was no unpaid balance to major suppliers as at 31 December 2021.

The online patient education and screening services of the Group allow patients to watch online educational videos. The patient educational videos offered by the Group may fall under the "audio-visual program" category pursuant to the Regulation on Internet Audio-Visual Program Services (《互聯網視聽節目服務管理規定》), which would require the License for Online Transmission of Audio-Visual Programs (信息網絡傳播視聽節目許可證, the "**Audio-Visual License**"). Up to the date of this report, the Group was not able to obtain the Audio-Visual License because only a wholly state-owned enterprise or a state controlled enterprise can apply for the Audio-Visual License. The Group is currently offering the videos through a leading online video platform in the PRC that holds the Audio-Visual License by redirecting patients and playing patient educational videos on its platform. The Group is not sure whether it is able to continue to offer the videos through this online video platform or be able to offer the videos through other third-party online video platforms available on the market in the future. It may adversely affect the business, financial condition and results of operations of the Group. To mitigate the risk, the Group will closely monitor the situation and have meeting with the PRC legal advisers of the Company. Also, the Group will explore other platforms and means to offer the services of the Group.

During the Reporting Period, the Group did not have any significant disputes with its major suppliers.

SUBSIDIARIES

Please refer to note 33 to the consolidated financial statements.

Report of Directors

RESULTS

The results of the Group for the year ended 31 December 2021 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 five financial years are set out on page 4 of this annual report.

RESERVES

As at 31 December 2021, distributable reserves of the Group amounted to approximately RMB70.6 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 81 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 2021 (2020: Nil).

As at 31 December 2021, 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, 24 June 2022. 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, 20 June 2022
Closure of register of members	Tuesday, 21 June 2022 to Friday, 24 June 2022 (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 2021 are set out in note 12 to the consolidated financial statements.

SHARE CAPITAL AND SHARES ISSUED

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 2021, 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

No material events happened subsequent to the Report Period and up to the date of this report.

FINANCIAL ASSISTANCE AND GUARANTEES TO AFFILIATED COMPANIES

The Group had not provided any financial assistance and guarantee to affiliated companies during the Reporting Period.

FINANCIAL INSTRUMENTS FOR HEDGING PURPOSES

The Group did not use any financial instruments for hedging purposes during the Reporting Period.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

In connection with the Global Offering, 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, after deduction of the underwriting fees, commissions and expenses, were approximately HK$78.8 million (the "**Net Proceeds**"). The Group intended to use the Net Proceeds as follows: (i) approximately 58% will be used to broaden the Group's customer base, disease area coverage and patient base; (ii) approximately 25% will be used to complement the service capabilities through the Group's development of internet hospital services; (iii) approximately 12% will be used for the Group's working capital and general corporate purposes; and (iv) approximately 5% will be used to further expand the Group's CRO services. As of 31 December 2021, an analysis of the utilisation of Net Proceeds is as follows:

Use of Net Proceeds as stated in the Prospectus	Approximate % of Net Proceeds	Net Proceeds *(HK$ million)*	Actual amount utilized during the Reporting Period	Remaining unutilized balance as at 31 December 2021 *(HK$ million)*	Expected timeline for full utilization
To broaden the Group's customer base, disease area coverage and patient base	58%	45.7	12.9	32.8	By 31 December 2023
To complement the Group's service capabilities through the development of its internet hospital services	25%	19.7	3.3	16.4	By 31 December 2023
Working capital and general corporate purposes	12%	9.5	3.8	5.7	By 31 December 2023
To develop the Group's CRO services, including recruiting a team of experienced personnel	5%	3.9	0.8	3.1	By 31 December 2023
	100%	78.8	20.8	58.0	

USE OF PROCEEDS FROM THE GLOBAL OFFERING (Continued)

The unused Net Proceeds have been placed as interest-bearing deposits with licensed banks in Hong Kong and the PRC in accordance with the intention of the Board as disclosed in the Prospectus.

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 2021, 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 2021, 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 Mediwelcome Beijing and its subsidiaries (the "**Consolidated Affiliated Entities**"). 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

Qualification Requirements for Internet Hospital Service

According to Interim Measures for the Administration of Sino-foreign Joint Ventures and Cooperative Medical Institutions (《中外合資、合作醫療機構管理暫行辦法》) (the "**Interim Measures**"), foreign investors are not allowed to hold more than 70% of the equity interest of a sino-foreign joint venture medical institution. Furthermore, under the Interim Measures, the parties of the sino-foreign joint ventures medical institution shall have direct or indirect experience in medical or healthcare investments and management, and must satisfy certain requirements. Since the offshore companies of the Group, as newly-established entities, do not meet the said requirements, Ningxia Subsidiary could not be established in the form of sino-foreign joint venture company rather than a wholly domestic owned company as at the Listing Date. Furthermore, it is practically impossible to gain Practice License for Medical Institutions (醫療機構執業許可證) in Ningxia Autonomous Region if there is any foreign investor in Mediwelcome Beijing.

According to Administrative Measures for Internet Hospitals (for Trial Implementation) (《互聯網醫院管理辦法(試行)》) and the Implementing Measures for the Administration of Internet Hospitals in Ningxia Hui Autonomous Region (for Trial Implementation) (《寧夏回族自治區互聯網醫院管理實施辦法(試行)》) (together, the "**Relevant Measures for Internet Hospitals**") where a third-party institution relies on and cooperates with a physical hospital to establish an internet hospital, the third party institution shall provide the physical hospital with the resources and/or connections to physicians, pharmacists and other professionals services and information technology support services.

Qualification Requirements under FITE Regulations

According to the Regulations for the Administration of Foreign-Invested Telecommunication Enterprises (《外商投資電信企業管理規定》) (the "**FITE Regulations**"), 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.

CONTINUING CONNECTED TRANSACTIONS (Continued)

Efforts and Actions Taken to Comply with the Qualification Requirements

Qualification Requirements for Internet Hospital Service

The Group has been progressively building up its track record of overseas medical services for being qualified, as soon as possible, to acquire the maximum permissible equity interests in Ningxia Subsidiary should there be any relaxation or change in the relevant requirement in the future. The Group has taken the following measures to meet the said qualification requirements:

- the Group has incorporated a subsidiary in Hong Kong, namely Mediwelcome (HK) Investment Management Company Limited ("**Mediwelcome HK**");
- the Group has conducted feasibility study on providing conference and consulting services to medical institutions and medical associations through Mediwelcome HK, to help Mediwelcome HK accumulating management experience in medical industry; and
- Mediwelcome HK will seek cooperation opportunities from leading medical institutions to accumulate management experience and study leading management and service model in medical industry.

Qualification Requirements under FITE Regulations

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, 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 2021:

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
Joint Venture	65% by Mediwelcome Beijing and 35% by Tianjin Yunyi	Research and development of digital medical products

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 2021, (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, Ningxia Subsidiary and the Joint Venture 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 2021:

	Year ended 31 December 2021 *(RMB'000)*
Revenue	**488,764**
Total assets	**194,239**

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

Mediwelcome Beijing is owned as to, among others, approximately 31.27% by Mr. Shi Wei, 19.55% by Mr. Yang Weimin, 19.55% by Ms. Yan Jing and 8.86% by Mr. Wang Liang, respectively. Each of Mr. Shi Wei, Mr. Yang Weimin and Mr. Wang Liang is an executive Director and a controlling shareholder of the Company. Ms. Yan Jing is the close associate of Ms. Zhang Yitao, a non-executive Director and a controlling shareholder of the Company. Therefore, 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 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 of the Company 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 2021 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 2021 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 2021.

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 2021.

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 2021 are set out in note 30 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 30 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 2021.

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* *(resigned on 17 November 2021)*
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

* Mr. He Jiyong resigned as an executive Director and the chief financial officer of the Company with effect from 17 November 2021 due to his intention to concentrate on other business commitments.

DIRECTORS (Continued)

In accordance with the Articles of Association, Mr. Shi Wei, Mr. Yang Weimin, Mr. Wang Liang and Mr. Wang Wei will retire at the forthcoming AGM to be held on Friday, 24 June 2022 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 2021.

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 2021.

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 2021.

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

As at 31 December 2021, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code:

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

Long position in the Shares

Name of Director	Nature of Interest	Number of Shares[1]	Total Number of Shares[1]	Approximate Percentage of Shareholding[1]
Mr. Shi Wei	Beneficial owner	2,600,000 (L)	108,519,000[3]	54.26%
	Interest in a controlled corporation	40,651,000 (L)		
	Interest held jointly with another person	65,268,000 (L)[2]		
Mr. Yang Weimin	Interest in a controlled corporation	25,415,000 (L)	108,519,000[4]	54.26%
	Interest held jointly with another person	83,104,000 (L)[2]		
Mr. Wang Liang	Beneficial owner	2,400,000 (L)	108,519,000[5]	54.26%
	Interest in a controlled corporation	12,038,000 (L)		
	Interest held jointly with another person	94,081,000 (L)[2]		
Mr. Wang Wei	Beneficial owner	800,000 (L)	800,000	0.40%
Mr. Sui Huijun	Beneficial owner	2,000,000 (L)	2,000,000	1.00%
Ms. Zhang Yitao	Interest in a controlled corporation	25,415,000 (L)	108,519,000[6]	54.26%
	Interest held jointly with another person	83,104,000 (L)[2]		

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 31 December 2021.

(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 of them is deemed to be interested in the Shares beneficially owned by the other parties to such acting-in-concert arrangement.

(3) Mr. Shi Wei was deemed to be interested in 108,519,000 Shares, among which 40,651,000 Shares were held by Ji Ze Investment Management Company Limited ("**Ji Ze Investment**"), 2,600,000 Shares were held in his own capacity and 65,268,000 Shares were held jointly with another person as stated in Note (2).

(4) Mr. Yang Weimin was deemed to be interested in 108,519,000 Shares, among which 25,415,000 Shares were held by Shun Jia Investment Management Company Limited ("**Shun Jia Investment**") and 83,104,000 Shares were held jointly with another person as stated in Note (2).

(5) Mr. Wang Liang was deemed to be interested in 108,519,000 Shares, among which 12,038,000 Shares were held by Tai Zhi Feng Investment Management Company Limited ("**Tai Zhi Feng Investment**"), 2,400,000 Shares were held in his own capacity and 94,081,000 Shares were held jointly with another person as stated in Note (2).

(6) Ms. Zhang Yitao was deemed to be interested in 108,519,000 Shares, among which 25,415,000 Shares were held by He Hui Wan Yi Investment Management Company Limited ("**He Hui Wan Yi Investment**") and 83,104,000 Shares were held jointly with another person as stated in Note (2).

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

Long position in the Shares (Continued)

Save as disclosed above, as at 31 December 2021, none of the Directors or chief executive of the Company had interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to 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 2021 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

As at 31 December 2021, the following persons (other than the Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

(i) Long Position in the Share

Name of Shareholder	Nature of Interest	Number of Shares[1]	Approximate Percentage of Shareholding[1]
Ji Ze Investment	Beneficial interest/Interest held jointly with another person	103,519,000 (L)	51.76%
Shun Jia Investment	Beneficial interest/Interest held jointly with another person	103,519,000 (L)	51.76%
He Hui Wan Yi Investment	Beneficial interest/Interest held jointly with another person	103,519,000 (L)	51.76%
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)

(i) Long Position in the Share (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 31 December 2021.

(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 of them is deemed to be interested in the Shares beneficially owned by the other parties in such acting-in-concert arrangement.

(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 RSU Scheme 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, as at 31 December 2021, no person, other than the Directors and chief executive of the Company, whose interests are set out in the section "Directors' and Chief Executives' Interests and Short Positions in shares, underlying shares and debentures of the Company and its Associated Corporations" above, had interests or short positions in the Shares or underlying Shares as recorded in the register required to by kept by the Company pursuant to 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 2021.

RSU SCHEME

The Company has conditionally adopted 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.

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.

RSUs

The grant of RSUs under the RSU Scheme gives a Participant a conditional right when the RSU 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 RSUs

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. RSUs 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 Limit

The aggregate number of Shares underlying all grants made pursuant to the RSU Scheme (as amended) (excluding the awards that have lapsed or been cancelled in accordance with the rules of the RSU Scheme) shall be the aggregate number of Shares in issue held by or acquired by the trustee (or its nominee) for the purpose of the RSU Scheme.

RSU SCHEME (Continued)

Vesting

The Board has the sole discretion to determine the vesting schedule and vesting conditions (if any) for any grant of RSU(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 cancelled according to conditions as determined by the Board in its absolute discretion.

The RSU Scheme shall be valid and effective for a period of 10 years commencing from 18 September 2019. The remaining life of the RSU Scheme is approximately 7 years and 5 months.

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

On 25 June 2021, an aggregate of 15,170,000 RSUs were granted under the RSU Scheme. Among the 15,170,000 RSUs, 9,100,000 RSUs were granted to the Directors and 6,070,000 RSUs were granted to other employees of the Group, details of which are set out below:

Grantee	**Position held with the Company**	
Mr. Shi Wei	Executive Director, Chairman of the Board	2,600,000
Mr. Wang Liang	Executive Director, Chief Executive Officer	2,400,000
Mr. Sui Huijun	Executive Director, Vice President	2,000,000
Mr. He Jiyong	Executive Director, Chief Financial Officer *(resigned on 17 November 2021)*	1,300,000
Mr. Wang Wei	Executive Director, Vice President	800,000
Sub-total of RSUs granted to the Directors		9,100,000
Other employees of the Group		6,070,000
Total number of RSUs granted		15,170,000
Vested (Note)		5,801,530
Lapsed/cancelled		2,963,970
Number of unvested RSUs as at 31 December 2021		6,404,500

Note: On 25 June 2021, RSUs representing 5,154,030 Shares were vested, representing the first 34% of the total number of the RSUs granted on 25 June 2021. On 31 December 2021, RSUs representing 647,500 Shares were vested, representing the second 23% of the total number of RSUs granted on 25 June 2021, and RSUs representing 2,963,970 Shares were lapsed/cancelled during the year ended 31 December 2021.

Please refer to the announcement of the Company dated 30 June 2021 for further details in relation to the grant of RSUs.

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.

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**".

SHARE OPTION SCHEME (Continued)

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.

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.

SHARE OPTION SCHEME (Continued)

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.

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 2021, there were no outstanding Option and no Option has been granted, exercised, cancelled or lapsed under the Share Option Scheme. The total number of securities available for issue under the Share Option Scheme is 20,000,000 Shares, representing 10.00% of the issued Shares as at the date of this report.

The Share Option Scheme will remain in force for a period of 10 years commencing from 21 December 2020. The remaining life of the Share Option Scheme is approximately 8 years and 8 months.

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 2021 or subsisted as at 31 December 2021.

DONATION

During the year ended 31 December 2021, the Group did not make any charitable donations.

DEBENTURE ISSUED

The Group did not issue any debenture during the year ended 31 December 2021.

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.

PENSION SCHEME

The employees of the Group which operates in Mainland China are required to participate in a central pension scheme (the "**Central Pension Scheme**") operated by the local municipal government, which the Group is required to contribute a certain percentage, which was pre-determined by the local municipal government, of the sum of basic salary and allowance of employees to the Central Pension Scheme. The contributions by the Group for the Central Pension Scheme are charged to the statements of profit or loss as they become payable in accordance with the relevant rules of the respective schemes.

The Group's contributions to the Central Pension Scheme vest fully and immediately with the employees. Accordingly, (i) for each of the two years ended 31 December 2020 and 31 December 2021, there was no forfeiture of contributions under the Central Pension Scheme; and (ii) there were no forfeited contributions available for the Group to reduce its existing level of contributions to the Central Pension Scheme as at 31 December 2020 and 31 December 2021.

For each of the two years ended 31 December 2020 and 31 December 2021, the Group did not have any defined benefit plan.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2021, revenue attributable to the largest customer of the Group amounted to approximately 19% of the total revenue in the year and the five largest customers of the Group accounted for 48% of the Group's total revenue in the year.

For the year ended 31 December 2021, purchases attributable to the largest supplier of the Group amounted to approximately 20% of the total purchases in the year and the five largest suppliers of the Group accounted for 48% 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.

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 for the year ended 31 December 2021 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. The Company has not changed its auditor during the past three years.

On behalf of the Board
Shi Wei
Chairman

30 March 2022

MOORE

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大華馬施雲
會計師事務所有限公司

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

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 78 to 154, which comprise the consolidated statement of financial position as at 31 December 2021, 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 2021, 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

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 certain degree of the inability of the customers to make the required payment.

As disclosed in the Note 19 to the consolidated financial statements, the trade receivables net of impairment amounted to RMB84,246,000 as at 31 December 2021. Reversal of impairment losses amounting to RMB7,613,000 have been recognised for the year ended 31 December 2021.

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.

How our audit addressed the key audit matter

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
Revenue recognition of medical conference services and patient education and screening services	
We identified the revenue recognition of medical conference services and patient education and screening services as a key audit matter due to the significance of the revenue amount to the consolidated financial statements as a whole and it also involved multiple performance obligations. As disclosed in the Note 4 to the consolidated financial statements, the revenue of medical conference services and patient education and screening services for the year ended 31 December 2021 amounted to RMB576,292,000. There is a risk that revenue may be misstated because of fraud. Revenue as an important key performance indicator of how the Group measures its performance creates financial incentives and excessive pressures that entice management to falsify accounting records. Some contracts of medical conference services and patient education and screening services may include multiple performance obligations. The Group allocates revenue of medical conference services and patient education and screening services to each performance obligation based on its relative standalone selling price. If the standalone selling price is not directly observable, it is estimated based on expected cost plus a margin or adjusted market assessment approach, depending on the availability of observable information. Assumptions and estimations have been made in estimating the relative selling price of each distinct performance obligation, and changes in judgements on these assumptions and estimates may impact the revenue recognition.	Our procedures in relation to revenue recognition of medical conference services and patient education and screening services included: • Reviewing the key terms of major contracts with customers and assessing the accounting policy applied by the Group; • Performing walkthroughs to understand the design of the revenue cycle for all significant streams and testing controls in the revenue recognition; • Performing confirmation procedures to confirm revenue and balances of trade receivables for certain customers; • Checking and comparing the revenue recognised by the Group to the price allocation of respective performance obligations in the contracts, and tracing to respective supporting documents on sampling basis; • Testing revenue transactions close to the year end to verify whether they were recorded in the correct periods; • Performing substantive analytical reviews to understand how the revenue has trended over the year; • Testing the journal entries related to revenue recognition focusing on unusual or irregular transactions; and • Evaluating the adequacy of related disclosures in the consolidated financial statements.

KEY AUDIT MATTERS (Continued)

Key audit matters

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 to the consolidated financial statements as a whole and the significant judgement and estimation required in determining their fair values.

The equity instruments at FVTOCI of the Group mainly represent investment in unlisted equity securities. The fair value of equity instruments at FVTOCI amounted to RMB22,565,000 as at 31 December 2021, with the fair value gain (net of income tax) of RMB4,181,000 recognised in other comprehensive income for the year then ended.

As disclosed in Notes 3(b) and 14a 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.

How our audit addressed the key audit matter

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 reliability 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.

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 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 those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

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

Moore Stephens CPA Limited
Certified Public Accountants

Cheung Sai Kit
Practising Certificate Number: P05544

Hong Kong, 30 March 2022

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
Revenue	4	**708,358**	432,291
Cost of sales		**(614,762)**	(335,978)
Gross profit		**93,596**	96,313
Other income, gains and losses	5	**9,077**	3,337
Selling expenses		**(16,520)**	(10,380)
Administrative expenses		**(59,321)**	(41,950)
Research and development expenses		**(18,696)**	(14,012)
Listing expenses		**(8,904)**	(9,054)
Finance costs	6	**(1,257)**	(896)
Reversal of impairment losses/(impairment losses) on trade receivables	31.2(b)	**7,613**	(1,030)
Other expenses		**–**	(47)
Profit before taxation	7	**5,588**	22,281
Income tax expense	9	**(386)**	(302)
Profit for the year		**5,202**	21,979
Other comprehensive income			
Item that will not be reclassified to profit or loss:			
Fair value changes in equity instruments at fair value through other comprehensive income		**4,181**	4,212
Total comprehensive income for the year		**9,383**	26,191
Profit for the year attributable to:			
— Owners of the Company		**4,645**	21,042
— Non-controlling interests		**557**	937
		5,202	21,979
Total comprehensive income for the year attributable to:			
— Owners of the Company		**8,826**	25,254
— Non-controlling interests		**557**	937
		9,383	26,191
Earnings per share			
— Basic earnings per share (RMB cents)	11	**2.56**	14.03
— Diluted earnings per share (RMB cents)	11	**2.55**	14.03

Consolidated Statement of Financial Position

31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	*12*	**6,808**	7,763
Right-of-use assets	*13*	**17,623**	21,723
Equity instruments at fair value through other comprehensive income	*14a*	**22,565**	16,826
Goodwill	*15*	**3,115**	3,115
Intangible assets	*16*	**37,944**	23,159
Deferred tax assets	*17*	**619**	2,098
Prepayments, deposits and other receivables	*18*	**2,708**	2,808
		91,382	77,492
Current assets			
Trade receivables	*19*	**84,246**	78,447
Contract costs	*20*	**12,536**	11,086
Prepayments, deposits and other receivables	*18*	**3,707**	8,165
Financial assets at fair value through profit or loss	*14b*	**9,500**	15,900
Bank balances and cash	*21*	**165,329**	88,990
		275,318	202,588
Total assets		**366,700**	280,080
LIABILITIES			
Current liabilities			
Trade payables	*22*	**27,413**	26,153
Contract liabilities	*23*	**5,800**	28,713
Other payables and accruals	*24*	**14,436**	25,834
Lease liabilities	*25*	**9,525**	2,104
Tax payable		**96**	2,628
		57,270	85,432
Net current assets		**218,048**	117,156
Total assets less current liabilities		**309,430**	194,648
Non-current liabilities			
Deferred tax liabilities	*17*	**287**	329
Lease liabilities	*25*	**15,656**	23,323
		15,943	23,652
Net assets		**293,487**	170,996

Consolidated Statement of Financial Position

31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital	26	**1**	1
Reserves	27	**283,108**	161,174
		283,109	161,175
Non-controlling interests		**10,378**	9,821
Total equity		**293,487**	170,996

The consolidated financial statements were approved and authorised for issue by the board of directors on 30 March 2022.

Shi Wei	**Wang Liang**
Director	*Director*

Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

	Attributable to owners of the Company												
	Share capital *RMB'000* (Note 26)	Share premium *RMB'000* (Note 27(a))	Shares held for RSU Scheme *RMB'000*	Shareholder contribution *RMB'000*	Capital reserve *RMB'000* (Note 27(b))	Statutory reserve *RMB'000* (Note 27(c))	Fair value reserve *RMB'000* (Note 27(d))	Other reserve *RMB'000* (Note 27(e))	Share-based compensations *RMB'000*	Retained earnings *RMB'000*	Sub total *RMB'000*	Non-controlling interests *RMB'000*	Total *RMB'000*
As at 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

	Attributable to owners of the Company												
	Share capital ***RMB'000*** **(Note 26)**	**Share premium** ***RMB'000*** **(Note 27(a))**	**Shares held for RSU Scheme** ***RMB'000***	**Shareholder contribution** ***RMB'000***	**Capital reserve** ***RMB'000*** **(Note 27(b))**	**Statutory reserve** ***RMB'000*** **(Note 27(c))**	**Fair value reserve** ***RMB'000*** **(Note 27(d))**	**Other reserve** ***RMB'000*** **(Note 27(e))**	**Share-based compensations** ***RMB'000***	**Retained earnings** ***RMB'000***	**Sub total** ***RMB'000***	**Non-controlling interests** ***RMB'000***	**Total** ***RMB'000***
As at 1 January 2021	**1**	**–**	**–**	**–**	**37,878**	**14,604**	**4,651**	**54,216**	**–**	**49,825**	**161,175**	**9,821**	**170,996**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**4,645**	**4,645**	**557**	**5,202**
Other comprehensive income													
Fair value changes in equity instruments at FVTOCI	**–**	**–**	**–**	**–**	**–**	**–**	**4,181**	**–**	**–**	**–**	**4,181**	**–**	**4,181**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**–**	**4,181**	**–**	–	**4,645**	**8,826**	**557**	**9,383**
Appropriation to statutory reserve	**–**	**–**	**–**	**–**	**–**	**2,089**	**–**	**–**	**–**	**(2,089)**	**–**	**–**	**–**
Derecognition of a subsidiary	**–**	**–**	**–**	**–**	**–**	**(572)**	**–**	**–**	**–**	**572**	**–**	**–**	**–**
Derecognition upon disposal of equity instruments at FVTOCI	**–**	**–**	**–**	**–**	**–**	**–**	**(7,053)**	**–**	**–**	**7,053**	**–**	**–**	**–**
Issue of new shares through Global Offering (Note 26)	**–***	**98,602**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**98,602**	**–**	**98,602**
Shares held for restricted share units scheme ("**RSU Scheme**") (Note 28)	**–**	**–**	**–***	**–***	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Share-based compensation													
— Value of employee services (Notes 7 and 28)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**14,457**	**–**	**14,457**	**–**	**14,457**
— Vested (Note 28)	**–**	**–**	**–***	**–**	**–**	**–**	**–**	**–**	**(10,503)**	**10,552**	**49**	**–**	**49**
As at 31 December 2021	**1**	**98,602**	**–***	**–***	**37,878**	**16,121**	**1,779**	**54,216**	**3,954**	**70,558**	**283,109**	**10,378**	**293,487**

* Less than RMB1,000

Consolidated Statement of Cash Flows

For the year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
Operating activities			
Profit before taxation		**5,588**	22,281
Adjustments for:			
Depreciation of property, plant and equipment	*12*	**3,254**	3,173
Depreciation of right-of-use assets	*13*	**8,355**	7,457
Loss on disposal of property, plant and equipment	*5*	**16**	34
Amortisation of intangible assets	*16*	**7,890**	7,079
Share-based compensation expense	*28*	**14,457**	–
Gain on fair value changes in financial assets at fair value through profit or loss	*5*	**(1,031)**	(418)
(Reversal of impairment losses)/impairment losses on trade receivables	*31.2(b)*	**(7,613)**	1,030
Finance costs	*6*	**1,257**	896
Interest income	*5*	**(792)**	(304)
Operating cash flows before movements in working capital		**31,381**	41,228
Decrease/(increase) in trade receivables		**1,814**	(7,758)
Increase in contract costs		**(1,450)**	(6,665)
Decrease in prepayments, deposits and other receivables		**4,607**	1,887
Increase/(decrease) in trade payables		**1,260**	(1,204)
Decrease in contract liabilities		**(22,913)**	(1,633)
(Decrease)/increase in other payables and accruals		**(11,398)**	9,312
Cash generated from operations		**3,301**	35,167
Income tax paid		**(3,039)**	(4,045)
Net cash generated from operating activities		**262**	31,122
Investing activities			
Purchases of property, plant and equipment	*12*	**(2,317)**	(5,027)
Acquisition of intangible assets	*16*	**(22,675)**	(8,784)
Purchases of financial assets at fair value through profit or loss	*31.4*	**(162,000)**	(16,000)
Proceeds from disposal of financial assets at fair value through profit or loss	*31.4*	**169,431**	18,418
Purchases of equity instruments at fair value through other comprehensive income	*31.4*	**(10,000)**	–
Proceeds from disposal of equity instruments at fair value through other comprehensive income	*31.4*	**10,000**	–
Proceeds from disposal of property, plant and equipment		**2**	105
Interest received	*5*	**792**	304
Net cash used in investing activities		**(16,767)**	(10,984)

Consolidated Statement of Cash Flows

For the year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
Financing activities			
Issue of new shares through Global Offering		**98,602**	–
Payment for principal portion of lease liabilities	25	**(4,501)**	(3,894)
Payment for interest portion of lease liabilities	25	**(1,257)**	(896)
Net cash generated from/(used in) financing activities		**92,844**	(4,790)
Net increase in cash and cash equivalents		**76,339**	15,348
Cash and cash equivalents at beginning of the year		**88,990**	73,642
Cash and cash equivalents at end of the year, representing bank balances and cash	21	**165,329**	88,990

1. GENERAL INFORMATION, HISTORY OF THE GROUP AND REORGANISATION

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 2020. 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 28th Floor, AIA Central,1 Connaught Road Central, Central, 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 ("**Listing Date**").

The Company acts as an investment holding company and the particulars of its subsidiaries are set out in Note 33 to the consolidated financial statements. The Company and its subsidiaries are collectively referred to as the "**Group**".

The immediate holding companies of the Company are Ji Ze Investment Management Company Limited ("**Ji Ze Investment**") (incorporated in British Virgin Islands ("**BVI**")), Shun Jia Investment Management Company Limited ("**Shun Jia Investment**") (incorporated in BVI), He Hui Wan Yi Investment Management Company Limited ("**He Hui Wan Yi Investment**") (incorporated in BVI) and Tai Zhi Feng Investment Management Company Limited ("**Tai Zhi Feng Investment**") (incorporated in BVI). 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. Mr. Shi Wei, Mr. Yang Weimin and Mr. Wang Liang are executive directors of the Company and Ms. Zhang Yitao is non-executive director of the Company.

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 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 and reorganisation

History of the Group

Prior to the Reorganisation (as defined below), the business of the Group was mainly carried out by 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 AND REORGANISATION (Continued)

1.2 *History of the Group and reorganisation* (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 2020, 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 2020.

Incorporation of the Company

On 21 February 2020, 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 2020, 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 2020, 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 2020, Mediwelcome Investment Management Company Limited ("**Mediwelcome BVI**") was established in BVI as a wholly-owned subsidiary of the Company.

On 8 March 2020, 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, WFOE.

Establishment of WFOE

On 16 May 2020, WFOE was established in the PRC as a wholly owned subsidiary of Mediwelcome HK.

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

1.2 History of the Group and reorganisation (Continued)

Reorganisation (Continued)

Contractual Arrangements

On 5 July 2020, WFOE entered into a series of agreements (as described in Note 33(f)) 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 2020. 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.

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 2021 are consistent with those adopted in the consolidated financial statements for the year ended 31 December 2020, 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 equity instruments at fair value through other comprehensive income which are carried at fair value at subsequent reporting dates.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

Adoption of new and revised HKFRSs

In the current year, the Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2

The Group has early applied the Amendment to HKFRS 16 "Covid-19-Related Rent Concessions" in prior year and the Amendment to HKFRS 16 "Covid-19-Related Rent Concessions beyond 30 June 2021" (the "**2021 Amendment**") in the current year. The 2021 Amendment extends the availability of the practical expedient set out in paragraph 46A of HKFRS 16 to rent concessions on or before 30 June 2022.

The early application of the 2021 Amendment has had no impact to the opening retained earnings at 1 January 2021 and the financial position and financial performance for the current year.

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 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 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	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 *Basis of consolidation*

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 *Basis of consolidation* (Continued)

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

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

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

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

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

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

Changes in the Group's interests in existing subsidiaries

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 *Basis of consolidation* (Continued)

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

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

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 3 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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 *Intangible assets* (Continued)

(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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Leases (Continued)

The Group as lessee (Continued)

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.

COVID-19 — related rent concessions

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

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

- any reduction in lease payments affects only payments originally due on or before 30 June 2022; and

- there is no substantive change to other terms and conditions of the lease.

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

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.

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

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;
- 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 *Investments and other financial assets* (Continued)

Financial instruments (Continued)

(b) Impairment of financial assets (Continued)

(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.

(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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Investments and other financial assets (Continued)

Financial instruments (Continued)

(b) Impairment of financial assets (Continued)

(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.

2.10 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Derecognition of financial assets (Continued)

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.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.13 Income tax (Continued)

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.

2.14 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.15 Share-based payments

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

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

When shares granted are vested, the amount previously recognised in share-based compensation reserve will be transferred to retained earnings.

2.16 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.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.16 Revenue recognition (Continued)

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)

2.16 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 employee 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)

2.16 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. However, 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. However, 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)

2.16 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)

2.17 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.

2.18 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.19 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

(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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.20 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.

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.

2.21 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.

3. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATION UNCERTAINTY (Continued)

(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 2.16, 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.

(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.

3. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATION UNCERTAINTY (Continued)

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

Principal versus agent consideration (Continued)

(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.

Performance obligation

In applying HKFRS 15, as explained in Note 2.16, the management of the Group assessed whether the services provided by the Group for medical conference services/patient education and screening services involve single performance obligation or multiple performance obligations.

The management of the Group assesses and concludes that sales of teaching materials and delivery of seminars/conferences involve two separate performance obligations as the sales of teaching material can be distinct, while the arranging of professors to deliver seminars, development and maintenance of platforms are highly interdependent and they are inputs to produce the combined service, which should be considered as another separate performance obligation (i.e. delivery of seminars/conferences).

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.

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated, which is the higher of the value in use or fair value less costs of disposal. It is difficult to precisely estimate fair value less costs of disposal because quoted market prices for the Group's assets are not readily available. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit (or a group of cash-generating units) and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash flows or upward revision of discount rate, a material impairment loss or further impairment loss may arise.

3. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATION UNCERTAINTY (Continued)

(b) Key sources of estimation uncertainty (Continued)

Estimated impairment of property, plant and equipment, right-of-use assets and intangible assets

Property, plant and equipment, right-of-use assets and intangible assets are stated at costs less accumulated depreciation/amortisation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgement and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset (including right-of-use assets), the Group estimates the recoverable amount of the cash generating unit to which the assets belongs, including allocation of corporate assets when a reasonable and consistent basis of allocation can be established, otherwise recoverable amount is determined at the smallest group of cash generating units, for which the relevant corporate assets have been allocated. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the recoverable amounts.

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.

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.

3. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATION UNCERTAINTY (Continued)

(b) Key sources of estimation uncertainty (Continued)

Fair value of financial assets

Fair value of financial assets, in the absence of an active market, is estimated based on significant unobservable inputs using valuation techniques. Judgement and estimation are required in establishing the relevant valuation techniques and relevant inputs thereof. Changes in assumptions relating to these factors could result in material adjustments to the fair value of these financial assets. Further details are included in Note 31.4.

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 31.2(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.

	2021	2020
	RMB'000	*RMB'000*
The Group's profit before taxation	**5,588**	22,281
Add: Listing expenses	**8,904**	9,054
Less: Other income, gains and losses	**(9,077)**	(3,337)
Operating profit presented to the CODM	**5,415**	27,998

Revenue by service type as follows:

	2021	2020
	RMB'000	*RMB'000*
Medical conference services	**424,183**	256,947
Patient education and screening services	**152,109**	80,905
Marketing strategy and consulting services	**121,182**	88,598
Contract research organisation services	**6,566**	5,403
Internet hospital services	**4,318**	438
Total revenue	**708,358**	432,291

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

	2021	2020
	RMB'000	*RMB'000*
Timing of revenue recognition		
At a point in time	**706,890**	431,473
Over time	**1,468**	818
Total revenue	**708,358**	432,291

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:

	2021	2020
Customer A (Note)	**19%**	N/A
Customer B	**10%**	16%

Note: The percentage of contribution is not applicable for Customer A in 2020 as it contributed less than 10% in the period.

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.

	2021	2020
	RMB'000	*RMB'000*
Within one year	**312,946**	329,479

5. OTHER INCOME, GAINS AND LOSSES

	2021	2020
	RMB'000	*RMB'000*
Foreign exchange loss, net	**(771)**	(7)
Loss on disposal of property, plant and equipment	**(16)**	(34)
Bank interest income	**792**	304
Gain on fair value changes of financial assets at FVTPL	**1,031**	418
Government subsidy (Note (a))	**5,088**	880
Value added tax refund	**2,802**	1,180
COVID-19 related rent concessions (Note (b))	**–**	474
Others	**151**	122
	9,077	3,337

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

	2021 RMB'000	2020 RMB'000
Interest expense on lease liabilities	**1,257**	896

7. PROFIT BEFORE TAXATION

	2021 RMB'000	2020 RMB'000
Profit before taxation has been carried at after charging:		
Auditor's remuneration		
— audit services	**1,308**	1,094
— non-audit services	**1,009**	2,996
	2,317	4,090
Depreciation of property, plant and equipment (Note 12)	**3,254**	3,173
Depreciation of right-of-use assets (Note 13)	**8,355**	7,457
Amortisation of intangible assets (included in cost of sales) (Note 16)	**7,890**	7,079
Short-term lease payments	**22**	570
Staff costs:		
— Fee and salaries (including directors' remuneration)	**53,196**	49,187
— Staff retirement benefit costs (including directors' retirement benefit scheme contributions)	**5,351**	526
— Social security costs, housing benefits and other employee benefits (including directors' social security costs, housing benefits and other benefits)	**8,180**	8,035
— Share-based compensation (Note 28)	**14,457**	–
	81,184	57,748

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 Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

Year ended 31 December 2021

	Fee	Salary, allowances and benefits in kind	Discretionary bonuses	Retirement benefits scheme contributions	Other social security costs, housing benefits and other employee benefits	Share-based compensation	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors							
Shi Wei	–	650	–	46	45	2,713	3,454
Yang Weimin	–	650	–	46	45	–	741
Wang Liang	–	650	–	46	45	2,504	3,245
He Jiyong (Note (i))	–	584	–	46	45	2,192	2,867
Wang Wei	–	318	–	44	44	521	927
Sui Huijun	–	349	–	46	52	1,303	1,750
	–	3,201	–	274	276	9,233	12,984
Non-executive directors							
Zhang Yitao	–	–	–	–	–	–	–
Liu Xia	–	–	–	–	–	–	–
	–	–	–	–	–	–	–
Independent non-executive directors							
Song Ruilin (Note (ii))	–	287	–	–	–	–	287
Fei John Xiang (Note (ii))	–	287	–	–	–	–	287
David Zheng Wang (Note (ii))	–	205	–	–	–	–	205
Yang Xiaoxi (Note (ii))	–	205	–	–	–	–	205
	–	984	–	–	–	–	984
	–	4,185	–	274	276	9,233	13,968

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 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*	Share-based compensation *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 (Note (i))	–	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 (Note (ii))	–	–	–	–	–	–	–
Fei John Xiang (Note (ii))	–	–	–	–	–	–	–
David Zheng Wang (Note (ii))	–	–	–	–	–	–	–
Yang Xiaoxi (Note (ii))	–	–	–	–	–	–	–
	–	–	–	–	–	–	–
	–	2,952	–	43	306	–	3,301

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.

Notes:

(i) Mr. He Jiyong resigned as the Company's executive director on 17 November 2021.

(ii) 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.

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

(b) *Five highest paid individuals*

Of the five individuals with the highest emoluments in the Group, four (2020: 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 (2020: one) individual during the year are as follows:

	2021 RMB'000	2020 RMB'000
Salary, allowances and benefits in kind	**600**	600
Discretionary bonuses	**–**	–
Retirement benefits contributions	**46**	8
Other social security costs, housing benefits and other employee benefits	**45**	54
Share-based compensation	**899**	–
	1,590	662

The number of highest paid employees (including the directors) whose emoluments fell within the following band:

	Number of individuals 2021	 2020
HK$nil to HK$1,000,000	**–**	5
HK$1,000,001 to HK$1,500,000	**–**	–
HK$1,500,001 to HK$2,000,000	**1**	–
HK$2,000,001 to HK$2,500,000	**1**	–
HK$2,500,001 to HK$3,000,000	**–**	–
HK$3,000,001 to HK$3,500,000	**1**	–
HK$3,500,001 to HK$4,000,000	**1**	–
HK$4,000,001 to HK$4,500,000	**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

	2021	2020
	RMB'000	*RMB'000*
Current tax	–	1,517
Over provision of taxation for previous years	**(737)**	(316)
	(737)	1,201
Deferred tax (Note 17)	**1,123**	(899)
	386	302

(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.

One of the entities comprising the Group was approved to be the High and New Technology Enterprise ("**HNTE**") on 31 October 2018 and renewed the certificate on 17 December 2021, and the entity enjoyed the preferential tax rate of 15% for HNTE from 2018 to 2024. Another entity comprising the Group was approved to be the HNTE on 2 December 2019 and is eligible to enjoy the preferential tax rate for HNTE of 15% from 2019 to 2022. The HNTE certificate needs to be renewed every three years so as to enable to enjoy the reduced tax rate of 15%.

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

For the year ended 31 December 2021, four (2020: five) 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 87.5% (2020: 75%) reduction and the income between RMB1 million and RMB3 million is eligible for 50% (2020: 50%) reduction at the applicable EIT tax rate of 20% (2020: 20%).

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%.

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 2021 and 2020.

9. INCOME TAX EXPENSE (Continued)

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

	2021	2020
	RMB'000	*RMB'000*
Profit before taxation	**5,588**	22,281
Tax calculated at PRC statutory tax rate of 25% (2020: 25%)	**1,397**	5,570
Tax effect of expenses that are not deductible for tax purposes	**1,447**	1,117
Tax effect of income exempted in the Horgos Economic Development Zone	**–**	(75)
Tax effect of recognition of temporary difference previously not recognised	**–**	(565)
Tax effect of tax losses and temporary difference not recognised	**1,621**	192
Tax effect of utilisation of tax losses previously not recognised	**(859)**	(1,180)
Tax effect of additional tax reduction for eligible research and development expenses	**(2,795)**	(2,424)
Tax effect of different tax rate of a subsidiary qualified as HNTE	**554**	(1,349)
Over provision of taxation for previous years	**(737)**	(316)
Tax effect of additional tax reduction for SMEs	**(242)**	(668)
Income tax expense	**386**	302

10. DIVIDEND

The directors of the Company do not recommend the payment of any dividend in respect of the year ended 31 December 2021 (2020: Nil).

11. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares during the year.

	2021	2020
	RMB'000	*RMB'000*
Profit attributable to owners of the Company	**4,645**	21,042
Weighted average number of ordinary shares in issue in the basic earnings per share calculation (in thousands)	**181,205**	150,000
Effect of conversion of unvested restricted share units ("**RSUs**") (in thousands)	**1,013**	–
Weighted average number of ordinary shares in issue in the diluted earnings per share calculation (in thousands)	**182,218**	150,000

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 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 and 1 January 2021	**8,625**	**938**	**9,475**	**4,613**	**23,651**
Additions	**959**	**–**	**1,358**	**–**	**2,317**
Disposal	**(238)**	**–**	**(113)**	**–**	**(351)**
At 31 December 2021	**9,346**	**938**	**10,720**	**4,613**	**25,617**
Accumulated depreciation					
At 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 and 1 January 2021	**5,409**	**460**	**8,489**	**1,530**	**15,888**
Depreciation provided for the year	**1,302**	**181**	**470**	**1,301**	**3,254**
Eliminated on disposal	**(226)**	**–**	**(107)**	**–**	**(333)**
At 31 December 2021	**6,485**	**641**	**8,852**	**2,831**	**18,809**
Carrying amount					
At 31 December 2021	**2,861**	**297**	**1,868**	**1,782**	**6,808**
At 31 December 2020	3,216	478	986	3,083	7,763

12. PROPERTY, PLANT AND EQUIPMENT (Continued)

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

	2021	2020
	RMB'000	*RMB'000*
Administrative expenses	**2,620**	2,704
Cost of sales	**9**	410
Research and development expenses	**625**	59
	3,254	3,173

13. RIGHT-OF-USE ASSETS

	2021	2020
	RMB'000	*RMB'000*
Leased premises for the Group to use as offices and warehouses	**17,623**	21,723

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 52 months (2020: 12 to 52 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 ended 31 December 2021 were RMB4,255,000 (2020: RMB25,157,000). Total cash outflow for leases (including short-term leases) during the year ended 31 December 2021 amounted to RMB5,780,000 (2020: RMB5,360,000).

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

	2021	2020
	RMB'000	*RMB'000*
Administrative expenses	**8,355**	7,457

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

	2021	2020
	RMB'000	*RMB'000*
Unlisted equity securities		
— Beijing Cezhiyi Consulting Co., Ltd. ("**Beijing Cezhiyi**") (Note (a))	**2,284**	2,807
— Shanghai Bohuikang Biological Technology Co., Ltd. ("**Shanghai Bohuikang**") (Note (b))	**17,045**	5,406
— Beijing Lingchuang Yigu Technology Development Co., Ltd. ("**Lingchuang Yigu**") (Note (c))	**3,236**	8,613
	22,565	16,826

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.

On 4 August 2021, the Group entered into an agreement with existing shareholders of Shanghai Bohuikang, independent third parties to the Group, for the acquisition for the capital contribution of RMB10,000,000 by the Group to Shanghai Bohuikang. Upon the completion of the capital contribution, the Group held 19.41% 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.

On 2 July 2021, the Group entered into an agreement with the existing shareholders of Lingchuang Yigu and new investors, independent third parties to the Group, for the capital contribution of RMB45,000,000 to Lingchuang Yigu by certain of the existing shareholders Lingchuang Yigu and new investors for the new registered capital of RMB1,672,000 ("**Capital Contribution**") and disposal of share capital of RMB283,000 of Lingchuang Yigu by the Group to a new investor at a cash consideration of RMB10,000,000 ("**Disposal**"). The Disposal was due to the restructuring of shareholding of Lingchuang Yigu. The consideration was determined after arm's length negotiation between the Group and the independent third party with reference to the latest business and development for future prospects of Lingchuang Yigu. The consideration was received on 13 July 2021. Upon completion of the Capital Contribution and the Disposal, the Group holds 5.82% of equity interest in Lingchuang Yigu.

At the date of completion of the Disposal, the fair value of share capital of RMB283,000 of Lingchuang Yigu was RMB10,000,000 and fair value gain (net of income tax) amounting to RMB7,053,000 was recognised in other comprehensive income.

(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

	2021	2020
	RMB'000	*RMB'000*
Short term financial assets mandatorily measured at FVTPL		
— Financial products (Note)	**9,500**	15,900

Note: During the year ended 31 December 2021, the Group acquired some financial products at the aggregate consideration of RMB162,000,000 (2020: RMB16,000,000). Some of the financial products have been disposed of at total proceeds of RMB169,431,000 (2020: RMB18,418,000) for the year ended 31 December 2021 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 2020, 31 December 2020 and 31 December 2021	**3,115**

Impairment tests for goodwill

As at 31 December 2021, 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.

15. GOODWILL (Continued)

Beijing Haice

During the year ended 31 December 2021, 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 16.56% (2020: 17%). The revenue growth rate applied for the year ended 31 December 2021 are 6%, 4%, 3%, 2% and 2% (2020: 8%, 6%, 4%, 2% and 2%) for each of the 5 years from 2022 to 2026 (2020: 2021 to 2025), respectively. The cash flows beyond the five-year period are extrapolated using a 2% (2020: 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.

Beijing Baichuan

During the year ended 31 December 2021, 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 16.56% (2020: 17%). The revenue growth rate applied for the year ended 31 December 2021 are 15%, 12%, 10%, 5% and 2% (2020: 15%, 12%, 10%, 5% and 2%) for each of the 5 years from 2022 to 2026 (2020: 2021 to 2025), respectively. The cash flows beyond the five-year period are extrapolated using a 2% (2020: 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 2021, 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 14.71% (2020: 15%). The revenue growth rate applied for the year ended 31 December 2021 are 2%, 2%, 2%, 2% and 2% (2020: 2%, 2%, 2%, 2% and 3%) for each of the 5 years from 2022 to 2026 (2020: 2021 to 2025), respectively. The cash flows beyond the five-year period are extrapolated using a 2% (2020: 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 2020	18,946	5,565	24,511
Additions	8,784	–	8,784
At 31 December 2020 and 1 January 2021	**27,730**	**5,565**	**33,295**
Additions	**22,675**	**–**	**22,675**
Written off	**–**	**(5,565)**	**(5,565)**
At 31 December 2021	**50,405**	**–**	**50,405**
Accumulated amortisation			
At 1 January 2020	1,666	1,391	3,057
Charged for the year	4,296	2,783	7,079
At 31 December 2020 and 1 January 2021	**5,962**	**4,174**	**10,136**
Charged for the year	**6,499**	**1,391**	**7,890**
Written off	**–**	**(5,565)**	**(5,565)**
At 31 December 2021	**12,461**	**–**	**12,461**
Net carrying amount			
At 31 December 2021	**37,944**	**–**	**37,944**
At 31 December 2020	21,768	1,391	23,159

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:

	2021	2020
	RMB'000	*RMB'000*
Deferred tax assets	**619**	2,098
Deferred tax liabilities	**(287)**	(329)
	332	1,769

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

	Tax losses	Impairment on trade receivables and other receivables	Fair value change in intangible assets	Fair value change in equity instruments at FVTOCI	Share-based compensation	Total
	RMB'000	*RMB'000*	*RMB'000* (Note a)	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2020	–	1,685	(815)	–	–	870
Credited/(charged) to profit or loss for the year	565	(152)	486	–	–	899
At 31 December 2020 and 1 January 2021	**565**	**1,533**	**(329)**	**–**	**–**	**1,769**
(Charged)/credited to profit or loss for the year	**(565)**	**(1,193)**	**42**	**–**	**593**	**(1,123)**
Charged to other comprehensive income	**–**	**–**	**–**	**(314)**	**–**	**(314)**
At 31 December 2021	**–**	**340**	**(287)**	**(314)**	**593**	**332**

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 2021, in respect of unused tax losses amounting to RMB15,185,000 (2020: RMB10,881,000) 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 2022 and 2026 under PRC tax regulations.

18. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2021	2020
	RMB'000	*RMB'000*
Included in non-current assets		
Deposits and other receivables (Note (a))	**2,708**	2,808
Included in current assets		
Prepayments (Note (b))	**2,214**	2,484
Prepaid listing expenses	**–**	4,471
Other prepaid taxation (Note (c))	**334**	483
Other receivables (Note (d))	**1,159**	727
	3,707	8,165

Notes:

(a) As at 31 December 2021 and 2020, deposits and other receivables mainly represent non-current portion of rental deposits.

(b) As at 31 December 2021 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 2021, other receivables mainly represent current portion of rental deposit of RMB723,000 (2020: RMB620,000).

19. TRADE RECEIVABLES

	2021	2020
	RMB'000	*RMB'000*
Receivables from third parties	**87,590**	89,404
Less: allowance for credit losses	**(3,344)**	(10,957)
	84,246	78,447

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:

	2021	2020
	RMB'000	*RMB'000*
Within 90 days	**79,839**	68,466
91 days to 180 days	**4,007**	7,481
181 days to 365 days	**400**	2,500
	84,246	78,447

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

	2021	2020
	RMB'000	*RMB'000*
Neither past due nor impaired	**79,839**	68,466
0-90 days past due	**4,007**	7,481
Over 90 days	**400**	2,500
	84,246	78,447

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

	2021	2020
	RMB'000	*RMB'000*
Arising from costs to fulfill contracts	**12,536**	11,086

Contract costs capitalised as at 31 December 2021 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 2.16(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 ended 31 December 2021 were RMB9,638,000 (2020: RMB4,164,000). 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

	2021	2020
	RMB'000	*RMB'000*
Cash on hand	**558**	101
Cash at banks	**164,771**	88,889
Cash at banks and on hand	**165,329**	88,990

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

	2021	2020
	RMB'000	*RMB'000*
Payables to third parties	**27,413**	26,153

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

	2021	2020
	RMB'000	*RMB'000*
Up to 90 days	**21,721**	24,359
91 days to 180 days	**1,539**	510
181 days to 360 days	**1,873**	871
Over 360 days	**2,280**	413
	27,413	26,153

23. CONTRACT LIABILITIES

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

	2021	2020
	RMB'000	*RMB'000*
Contract liabilities	**5,800**	28,713

Movement of contract liabilities

	RMB'000
At 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 and 1 January 2021	**28,713**
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	**(28,713)**
Increase in contract liabilities as a result of receiving deposits for providing services	**5,800**
At 31 December 2021	**5,800**

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%–50% deposit on acceptance of service orders pursuant to contracts. 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

	2021	2020
	RMB'000	*RMB'000*
Reimbursement to staff	**879**	4,577
Accrued social security costs	**1,263**	913
Accrued listing expenses	**1,169**	7,057
Accrued audit fee	**1,308**	1,094
Other tax payables (Note)	**6,009**	6,560
Salary payable	**3,778**	5,278
Others	**30**	355
	14,436	25,834

Note: As at 31 December 2021, other tax payables mainly represent PRC Value Added Tax payable of RMB5,237,000 (2020: RMB5,742,000) and PRC Individual Income Tax payable (withholding tax) of RMB640,000 (2020: RMB592,000).

25. LEASE LIABILITIES

	2021	2020
	RMB'000	*RMB'000*
Lease liabilities payable:		
Within one year	**9,525**	2,104
Within a period of more than one year but not exceeding two years	**15,656**	8,132
Within a period of more than two years but not exceeding five years	**–**	15,191
	25,181	25,427
Less: Amount due for settlement with 12 months shown under current liabilities	**(9,525)**	(2,104)
Amount due for settlement after 12 months shown under non-current liabilities	**15,656**	23,323
Weighted average lessee's incremental borrowing rate	**4.75%**	4.75%

During the year ended 31 December 2021, cash outflow for interest paid on lease liabilities of RMB1,257,000 (2020: RMB896,000), was included in net cash in financing activities. During the year ended 31 December 2021, cash outflows for the reduction of the principal amount of the lease liabilities of RMB4,501,000 (2020: RMB3,894,000), was presented as cash flows under financing activities.

26. SHARE CAPITAL

	Par value	Number of ordinary shares	Amount
		'000	*RMB'000*
Authorised:			
At 1 January 2020 and 31 December 2020 and 31 December 2021	**HK$0.00001**	**38,000,000**	**334**
Issued and fully paid:			
At 1 January 2020 and 31 December 2020		150,000	1
Global Offering (Note (a))		50,000	–*
At 31 December 2021		**200,000**	**1**

* Less than RMB1,000

Notes:

(a) On 19 January 2021, the Company issued a total of 50,000,000 new shares of HK$0.00001 each at an issue price of HK$3.00 per share pursuant to its prospectus dated 31 December 2020 (the "**Global Offering**"). The gross listing proceeds were HK$150,000,000 (approximately RMB124,812,000).

(b) As at 31 December 2021, 14,198,000 shares held by a designated trustee for the purpose of providing existing and future RSUs grants under the restricted share units scheme ("**RSU Scheme**") (effective from Listing Date) were considered as treasury shares of the Company (Note 28).

27. RESERVES

	Share premium RMB'000 (Note (a))	Shares held for RSU Scheme RMB'000	Shareholder contribution RMB'000	Capital reserve RMB'000 (Note (b))	Statutory reserve RMB'000 (Note (c))	Fair value reserve RMB'000 (Note (d))	Other reserve RMB'000 (Note (e))	Share-based compensations RMB'000	Retained earnings RMB'000	Total RMB'000
At 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 31.4)	–	–	–	–	–	4,212	–	–	–	4,212
Appropriation to Statutory reserve from Retained earnings	–	–	–	–	3,264	–	–	–	(3,264)	–
At 31 December 2020 and 1 January 2021	**–**	**–**	**–**	**37,878**	**14,604**	**4,651**	**54,216**	**–**	**49,825**	**161,174**
Profit for the year	–	–	–	–	–	–	–	–	4,645	4,645
Fair value changes in equity instruments at FVTOCI (Note 31.4)	–	–	–	–	–	4,181	–	–	–	4,181
Appropriation to Statutory reserve from retained earnings	–	–	–	–	2,089	–	–	–	(2,089)	–
Derecognition of a subsidiary	–	–	–	–	(572)	–	–	–	572	–
Derecognition upon disposal of equity instruments at FVTOCI	–	–	–	–	–	(7,053)	–	–	7,053	–
Issue of new shares through Global Offering (Note 26)	98,602	–	–	–	–	–	–	–	–	98,602
Shares held for RSU Scheme (Note 28)	–	–*	–*	–	–	–	–	–	–	–
Share-based compensation										
— Value of employee services (Notes 7 and 28)	–	–	–	–	–	–	–	14,457	–	14,457
— Vested (Note 28)	–	–*	–	–	–	–	–	(10,503)	10,552	49
At 31 December 2021	**98,602**	**–***	**–***	**37,878**	**16,121**	**1,779**	**54,216**	**3,954**	**70,558**	**283,108**

* Less than RMB1,000

Notes:

(a) Share premium

The share premium reserve represents the premium arising from the Global Offering.

(b) Capital reserve

The capital reserve represents the amount arising from (i) difference between the net assets value of Mediwelcome Beijing and the nominal value of the issued shares upon the completion of Mediwelcome Beijing converted into a joint stock company on 13 March 2016, (ii) issue of 2,500,000 shares of Mediwelcome Beijing by way of private placement at RMB2 per share on 18 May 2016, (iii) issue of 1,250,000 shares of Mediwelcome Beijing by way of private placement at RMB29.6 per share in October 2017 and (iv) settlement of dividend by shares of Mediwelcome Beijing based on 10 existing shares for 2.430109 new shares at RMB1 per share was transferred from capital reserve to share capital in 2018.

27. RESERVES (Continued)

Notes: (Continued)

(c) Statutory reserve

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.

(d) Fair value reserve

The fair value reserve (non-recycling) comprises the cumulative net change in the fair value of equity instruments designated at FVTOCI under HKFRS 9 that are held at the end of the reporting period (Note 2.9(a)(iii)).

(e) Other reserve

The amount represents 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 upon the completion of the Reorganisation.

28. EQUITY-SETTLED SHARE-BASED COMPENSATION

Share option scheme

On 21 December 2020, the Company has adopted a share option scheme under which eligible persons, including directors of the Group may be granted options to subscribe for shares in the Company.

No share option has been granted as at 31 December 2021 and 2020.

RSU Scheme

On 18 September 2019, the Company conditionally adopted the RSU Scheme by a resolution of shareholders and a resolution of board of directors. 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. The RSU Scheme became effective since 19 January 2021, the Listing Date.

Under the RSU Scheme, the directors of the Company may grant award of RSUs to any directors, employees, consultants and any persons contribute to the Company, its subsidiaries or PRC operating entities a conditional right when the award vests to obtain shares of the Company on the date of vesting, as determined by the board of directors of the Company in its absolute discretion.

The RSU Scheme will remain in force for a period of 10 years commencing from 18 September 2019.

On 25 June 2021, in exchange for employee services to the Group, 15,170,000 RSUs (equivalent to 15,170,000 ordinary shares of the Company) were granted to certain eligible persons selected by the board of directors. Under the terms of the grant letter, the RSUs shall be vested as to 34%, 23%, 38% and 5% on 25 June 2021, 31 December 2021, 31 December 2022 and 31 December 2023, respectively, of which certain designated grantees also required to fulfil certain service conditions and non-market performance conditions, except for the aforesaid first 34% of the RSUs.

28. EQUITY-SETTLED SHARE-BASED COMPENSATION (Continued)

The fair values of the RSUs have been arrived with reference to a valuation carried out on grant date by Norton Appraisals Holdings Limited, an independent professional valuer not connected with the Group, with reference to the grant date share price. As at 25 June 2021, the fair value of the RSUs was HK$2.19.

Movement of the RSU Scheme for the year ended 31 December 2021 and 2020 is as follows:

	2021	2020
	'000	*'000*
At 1 January	**–**	–
Granted during the year	**15,170**	–
Vested (Note)	**(5,802)**	–
Lapsed/cancelled (Note)	**(2,964)**	–
At 31 December	**6,404**	–

Note: On 25 June 2021, RSUs representing 5,154,030 underlying shares were vested, representing the first 34% of the underlying shares of the RSUs. On 31 December 2021, RSUs of 647,500 underlying shares and 2,963,970 underlying shares were vested and lapsed/cancelled respectively, representing the second 23% of the granted RSUs. The amount of RSUs vested approximately RMB10,503,000 during the year ended 31 December 2021.

Expenses arising from the share-based compensation have been charged to the consolidated statement of comprehensive income as follows:

	2021	2020
	RMB'000	*RMB'000*
Share-based compensation (Note 7)	**14,457**	–

29. 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 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 and 1 January 2021	25,427
Financing cash flows	**(5,758)**
Non-cash changes	
Additions to lease liabilities	**4,255**
Finance costs for lease liabilities	**1,257**
At 31 December 2021	**25,181**

30. RELATED PARTY TRANSACTIONS

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:

	2021	2020
	RMB'000	*RMB'000*
Wages salaries and bonuses	**7,324**	5,733
Retirement benefits contributions	**589**	100
Other social security costs, housing benefits and other employee benefits	**620**	575
Share-based compensation	**12,088**	–
	20,621	6,408

31. FINANCIAL RISK MANAGEMENT

31.1 Financial instruments by category

	2021 RMB'000	2020 RMB'000
Assets as per consolidated statement of financial position		
Equity instruments at FVTOCI (Note 14a)	**22,565**	16,826
Financial assets at FVTPL (Note 14b)	**9,500**	15,900
Financial assets at amortised cost:		
— Trade receivables (Note 19)	**84,246**	78,447
— Other receivables (Note 18)	**3,867**	3,535
— Bank balances and cash (Note 21)	**165,329**	88,990
	285,507	203,698
Liabilities as per consolidated statement of financial position		
Financial liabilities at amortised cost:		
— Trade payables (Note 22)	**27,413**	26,153
Liabilities at amortised cost:		
— Lease liabilities (Note 25)	**25,181**	25,427
	52,594	51,580

31.2 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.

31. FINANCIAL RISK MANAGEMENT (Continued)

31.2 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 41% (2020: 40%) 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 2021. 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 2021 and 2020:

	2021				2020			
	Expected loss rate	**Gross carrying amount**	**Loss allowance**	**Net amount**	Expected loss rate	Gross carrying amount	Loss allowance	Net amount
		RMB'000	***RMB'000***	***RMB'000***		*RMB'000*	*RMB'000*	*RMB'000*
Current (not past due)	**1.94%**	**81,421**	**1,582**	**79,839**	3.81%	71,179	2,713	68,466
0-90 days past due	**2.29%**	**4,101**	**94**	**4,007**	3.85%	7,781	300	7,481
Over 91 days past due	**80.66%**	**2,068**	**1,668**	**400**	76.06%	10,444	7,944	2,500
		87,590	**3,344**	**84,246**		89,404	10,957	78,447

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.

31. FINANCIAL RISK MANAGEMENT (Continued)

31.2 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 2020	4,657	5,270	9,927
(Reversal of impairment losses)/ impairment losses recognised	(1,643)	2,673	1,030
At 31 December 2020 and 1 January 2021	**3,014**	**7,943**	**10,957**
Reversal of impairment losses recognised	**(1,338)**	**(6,275)**	**(7,613)**
At 31 December 2021	**1,676**	**1,668**	**3,344**

The reversal of the impairment losses is due to the settlement of the trade receivables.

As at 31 December 2021, the Group's other receivables included in current assets mainly represented rental deposits of RMB723,000 (2020: RMB620,000) which are refundable upon expiration of respective lease terms within 12 months from the end of the reporting period.

As at 31 December 2021, the Group's other receivables included in non-current assets mainly represented rental deposits of RMB2,708,000 (2020: RMB2,808,000) which are refundable when the tenancy agreements expired.

The directors of the Company consider the probability of default is minimal after assessing the counter-parties' historical settlement pattern, creditability and forward looking information at the end of the reporting period.

The credit risk on bank balances is limited because the majority of the counterparties are banks with good reputation.

31. FINANCIAL RISK MANAGEMENT (Continued)

31.2 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	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual undiscounted cash flow	Total carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2021						
Trade payables	**27,413**	**–**	**–**	**–**	**27,413**	**27,413**
Lease liabilities	**10,663**	**16,332**	**–**	**–**	**26,995**	**25,181**
	38,076	**16,332**	**–**	**–**	**54,408**	**52,594**
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

31.3 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.

31. FINANCIAL RISK MANAGEMENT (Continued)

31.4 Fair value estimation

The table below analyses the Group's financial instruments carried at fair value as at 31 December 2021 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 2021	
Assets	
— Long-term equity instruments at FVTOCI (Note 14a)	**22,565**
— Short-term financial assets at FVTPL (Note 14b)	**9,500**
	32,065
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

The following table presents the changes in level 3 instruments of financial assets at FVTPL and equity instruments at FVTOCI during the years indicated.

31. FINANCIAL RISK MANAGEMENT (Continued)

31.4 Fair value estimation (Continued)

	2021	2020
	RMB'000	*RMB'000*
Equity instruments at FVTOCI (Notes (i) and (iii))		
At the beginning of the year	**16,826**	12,614
Additions	**10,000**	–
Disposals	**(10,000)**	–
Changes in fair value	**5,739**	4,212
At the end of the year	**22,565**	16,826
Financial assets at FVTPL (Notes (ii) and (iii))		
At the beginning of the year	**15,900**	17,900
Additions	**162,000**	16,000
Disposals	**(169,431)**	(18,418)
Changes in fair value	**1,031**	418
At the end of the year	**9,500**	15,900
Total	**32,065**	32,726

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 2021 and 2020.

31. FINANCIAL RISK MANAGEMENT (Continued)

31.4 Fair value estimation (Continued)

Notes: (Continued)

(i) (Continued)

Description	Fair value As at 31 December 2021 *RMB'000*	2020 *RMB'000*	Valuation techniques	Price to sales ratio As at 31 December 2021	2020	Relationship of unobservable inputs to fair value
Unlisted equity securities						
Beijing Cezhiyi	**2,284**	2,807	Market comparison	**1.49**	2.49	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	**17,045**	5,406	Market comparison	**3.35**	2.91	
Lingchuang Yigu	**3,236**	8,613	Market comparison	**13.09**	15.64	
	22,565	16,826				

The fair values of the above equity instruments at FVTOCI have been arrived with reference to a valuation carried out on 31 December 2021 by 北京立信東華資產評估有限公司 (2020: 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.

(ii) As at 31 December 2021, the fair value of financial assets at FVTPL amounting to RMB9,500,000 (2020: RMB15,900,000), 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% (2020: 10%) higher/lower, the profit before taxation for the year ended 31 December 2021 would have been approximately RMB950,000 (2020: RMB1,590,000) 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 2021 would have been approximately RMB1,918,000 (2020: RMB1,430,000) higher/lower.

There were no transfers between level 1, 2 and 3 of fair value hierarchy classifications during both years.

32. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2021 RMB'000	2020 RMB'000
Asset		
Non-current asset		
Investment in a subsidiary	**14,457**	–
Current asset		
Other receivables	**125**	–
Amounts due from shareholders	**–**	1
Amounts due from subsidiaries	**57,233**	–
Bank balances and cash	**30,838**	–
	88,196	1
Total assets	**102,653**	1
Liability		
Current liability		
Amount due to a subsidiary	**22,835**	22,659
Current assets/(liabilities)	**65,361**	(22,658)
Net assets/(liabilities)	**79,818**	(22,658)
Equity		
Share capital	**1**	1
Reserves	**79,817**	(22,659)
Total equity/(deficit)	**79,818**	(22,658)

The Company's statement of financial position was approved and authorised for issue by the board of directors on 30 March 2022 and are signed on its behalf by:

Shi Wei
Director

Wang Liang
Director

32. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (Continued)

Note: Movements of the Company's reserves during the current year and prior period are as follows:

	Share premium *RMB'000*	Shares held for RSU Scheme *RMB'000*	Shareholder contribution *RMB'000*	Share-based compensations *RMB'000*	Accumulated losses *RMB'000*	Total *RMB'000*
At 1 January 2020	–	–	–	–	(13,605)	(13,605)
Loss for the year	–	–	–	–	(9,054)	(9,054)
At 31 December 2020 and 1 January 2021	**–**	**–**	**–**	**–**	**(22,659)**	**(22,659)**
Loss for the year	**–**	**–**	**–**	**–**	**(10,632)**	**(10,632)**
Issue of new shares through Global Offering (Note 26)	**98,602**	**–**	**–**	**–**	**–**	**98,602**
Shares held for RSU Scheme (Note 28)	**–**	**–***	**–***	**–**	**–**	**–**
Share-based compensation						
— Value of employee services (Note 28)	**–**	**–**	**–**	**14,457**	**–**	**14,457**
— Vested (Note 28)	**–**	**–***	**–**	**(10,503)**	**10,552**	**49**
At 31 December 2021	**98,602**	**–***	**–***	**3,954**	**(22,739)**	**79,817**

* Less than RMB1,000

33. 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 incorporation/ establishment and date thereof	Normal value of issued ordinary/ registered share capital ('000)	Normal value of issued ordinary/ share capital paid-up ('000)	Attributable equity interest indirectly held by the Company 2021	2020	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 ("**HKD**") 0.1	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)*
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)*

33. PARTICULARS OF SUBSIDIARIES (Continued)

Name of subsidiary	Country of operation and incorporation/ establishment and date thereof	Normal value of issued ordinary/ registered share capital ('000)	Normal value of issued ordinary/ share capital paid-up ('000)	Attributable equity interest indirectly held by the Company 2021	2020	Principal activities	Form of company	Notes
Indirectly held by the Company								
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%	Marketing and strategic Consulting services	Limited liability entity	*(a), (d)*
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), (c)*
Ningxia Subsidiary^ 銀川麥迪衛康互聯網醫院有限公司	PRC 21 May 2019	RMB10,000	RMB8,000	**80%**	80%	Internet hospital service	Limited liability entity	*(a), (c)*
Beijing Zetta-Yotta Health Technology Co., Ltd. ^ 北京智煜健康科技有限公司	PRC 25 November 2021	RMB60,000	RMB10,000	**65%**	–	Provision of digital therapy service	Limited liability entity	*(a), (c), (e)*

^ Registered as a limited liability company under PRC law.

* Registered as wholly-foreign-owned enterprises under PRC law.

(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.

(d) This company was deregistered on 14 May 2021.

33. PARTICULARS OF SUBSIDIARIES (Continued)

(e) This company was established on 25 November 2021.

(f) 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.

33. PARTICULARS OF SUBSIDIARIES (Continued)

(f) 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.

33. 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 subsidiaries 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	
		2021	2020	**2021**	2020	**2021**	2020
				RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Beijing Haice	PRC	**49%**	49%	**438**	1,179	**9,210**	8,772

Summarised financial information in respect of the Group's subsidiaries 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

	2021	2020
	RMB'000	*RMB'000*
Non-current assets	**1,538**	585
Current assets	**24,574**	25,914
Current liabilities	**6,942**	8,592
Non-current liabilities	**373**	–
Equity		
— Equity attributable to owners of the Company	**9,587**	9,135
— Non-controlling interests	**9,210**	8,772
	18,797	17,907
Revenue	**71,976**	48,664
Profit for the year		
— Attributable to owners of the Company	**452**	1,228
— Attributable to the non-controlling interests	**438**	1,179
	890	2,407
Net cash inflow/(outflow) from operating activities	**13,062**	(649)
Net cash outflow from investing activities	**(8,046)**	(86)
Net cash outflow from financing activities	**(933)**	(913)
Net increase/(decrease) in bank balances and cash	**4,083**	(1,648)