ClouDr Group Limited
智雲健康科技集團*

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 9955

Annual Report 2023

* For identification purpose only

Contents

Corporate Information

Executive Director

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

Non-Executive Director

Mr. Lee Kar Chung Felix (李家聰)

Independent Non-Executive Directors

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

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

Company Secretary

Ms. Liu Mengya (劉夢雅) *(resigned as a joint company secretary with effect from December 19, 2023)*
Ms. Fung Wai Sum (馮慧森) *(ACG, HKACG)*

Authorized Representatives

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

Principal Place of Business in PRC

Rooms 501, 5/F, Building 12
No. 998 Wenyi West Road (Haichuang Yuan)
Wuchang Street, Yuhang District, Hangzhou
Zhejiang Province, China

Principal Share Registrar and Transfer Office

Maples Fund Services (Cayman) Limited
PO Box 1093, Boundary Hall
Cricket Square
Grand Cayman KY1-1102, Cayman Islands

Principal Place of Business in Hong Kong

5/F, Manulife Place
348 Kwun Tong Road, Kowloon, Hong Kong

Registered Office

PO Box 309, Ugland House, Grand Cayman
KY1-1104, Cayman Islands

Auditor

KPMG
Public Interest Entity Auditor registered in accordance with the Accounting and Financial Reporting Council Ordinance
8th Floor, Prince's Building,
10 Chater Road
Central, Hong Kong

Corporate Information

Legal Advisers

As to Hong Kong and U.S. laws
Skadden, Arps, Slate, Meagher & Flom and affiliates
42/F, Edinburgh Tower, The Landmark
15 Queen's Road Central, Hong Kong

As to PRC law
Tian Yuan Law Firm
10/F, Tower B, China Pacific Insurance Plaza
28 Fengsheng Hutong, Xicheng District, Beijing,
PRC

As to Cayman Islands law
Maples and Calder (Hong Kong) LLP
26th Floor, Central Plaza
18 Harbour Road, Wan Chai, Hong Kong

Compliance Adviser

Anglo Chinese Corporate Finance, Limited
40th Floor
Two Exchange Square
8 Connaught Place
Central
Hong Kong

Hong Kong Share Registrar

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

Principal Banks

Xiamen International Bank (Beijing Branch)
11/F, China Commerce Tower
No. 5, Sanlihe East Road
Xicheng District
Beijing
PRC

Shanghai Pudong Development Bank Co., Ltd
(Xuhui sub-branch)
No. 589, Jianguoxi Road
Xuhui District
Shanghai
PRC

Hangzhou Bank (Keji sub-branch)
No. 3850, Jiangnan Dadao
Binjiang District, Hangzhou
Zhejiang Province
PRC

Stock code

9955

Company website

www.cloudr.cn

Financial Summary

	Year ended December 31		
	2023	2022	Change (%)
	RMB'000	RMB'000	
Revenue	**3,690,536**	2,988,056	23.5
Gross profit	**909,382**	792,100	14.8
Operating loss	**(314,242)**	(591,563)	(46.9)
Loss for the year	**(327,344)**	(1,692,221)	(80.7)
Adjusted net loss (non-IFRS measure)(1)	**(75,100)**	(332,781)	(77.4)

	Year ended December 31		
	2023	2022	Change (%)
	RMB'000	RMB'000	
Revenue by segment	**3,690,536**	2,988,056	23.5
— In-hospital Solution	**2,873,056**	2,184,477	31.5
Value Added Solution	**2,304,597**	1,645,086	40.1
P2M Solution(2)	**101,249**	—	N/A
Subscription Solution (i.e. Targeted Marketing)	**467,210**	539,391	(13.4)
— Pharmacy Solution	**658,583**	615,812	6.9
Subscription Solution	**59,095**	55,144	7.2
Value Added Solution	**599,488**	560,668	6.9
— Individual Chronic Condition Management Solution and others	**158,897**	187,767	(15.4)

Notes:

(1) We define "adjusted net loss (non-IFRS measure)" as loss for the year and adding back (i) change in fair value of financial liabilities, (ii) share-based compensation expenses, (iii) listing expenses, (iv) expense related to subsidiaries' equity financing activities, and (v) change in the carrying amounts of financial instruments issued to investors.

(2) We define P2M Solution as sales of proprietary products of which the Group has ownership or national distribution rights through strategic cooperation with pharmaceutical companies. As this is a new sub-segment recorded during the Reporting Period, there was no revenue recorded for the year ended December 31, 2022.

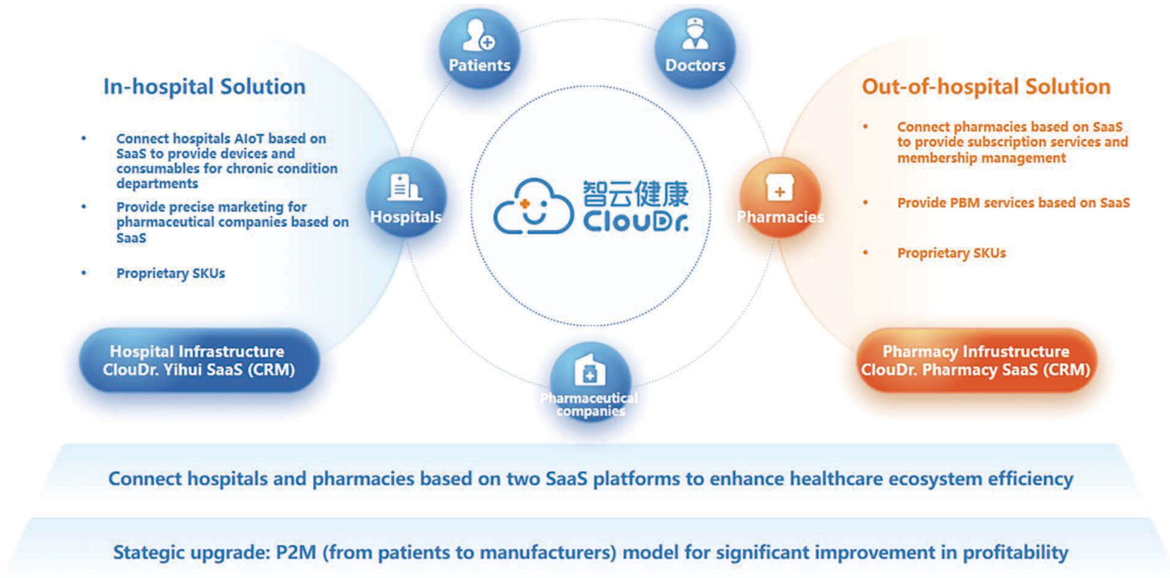
The Board does not recommend the distribution of a final dividend for the year ended December 31, 2023.

Business Review and Outlook

Overview

We are the largest digital chronic condition management solution provider in China, in terms of numbers of SaaS (Software as a Service) installations in hospitals and pharmacies, each as of December 31, 2023, and numbers of online prescriptions issued through our services in 2023. As an industry pioneer and leader, the Company has its roots in serving and digitizing major participants in the value chain, including hospitals, pharmacies, pharmaceutical companies, patients and doctors.

Our integrated in-and out-of-hospital solutions connect hospitals and pharmacies based on our hospital SaaS and pharmacy SaaS to enhance the efficiency of the healthcare ecosystem.



Our integrated in-hospital solution provides: 1) a comprehensive chronic condition management solution to hospitals, including hospital SaaS and proprietary AIoT (Artificial Intelligence of Things) devices, sales of medical devices and consumables which can be connected to our hospital SaaS through AIoT devices; 2) sales of proprietary stock keeping units (SKUs) by leveraging our extensive SaaS network in hospitals and our existing sales forces and 3) targeted marketing services to pharmaceutical companies.

Our integrated out-of-hospital solution consists of pharmacy solution and individual chronic condition management solution.

Our pharmacy solution includes 1) pharmacy SaaS; 2) pharmacy supplies and 3) sales of proprietary SKUs based on our SaaS network in pharmacies. The pharmacy SaaS enables in-store, real-time online consultation and prescription services, identifies pharmacy supplies sales opportunities based on the insights generated from prescription services, and provides new retail and inventory management functions to empower pharmacies to improve operational efficiencies.

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

Business Review and Outlook

In 2023, whilst staying committed to our "hospital first" strategy, we upgraded our strategy to "from patients to manufacturers" ("**P2M**") based on our solid infrastructure in both in-hospital scenarios and out-of-hospital scenarios. Under the P2M strategy, we are able to sell proprietary products of which the Company has ownership, sales rights or other exclusive rights through strategic cooperation with pharmaceutical companies, and we believe this strategy will lead us to the path of profitability. We have already become the gateway for industrial enterprises to enter into hospitals and pharmacies based on our broad and in-depth hospital network and pharmacy network. As a result, our digitization capability can connect industrial enterprises with end hospitals and pharmacies, and ultimately bring high-quality products with competitive pricing and high convenience to patients with chronic conditions.

With the fast development of artificial intelligence, the continuous innovation of artificial intelligence pushed forward far-reaching reforms in the healthcare industry in 2023. Multiple regulations and guidance were passed by the government to encourage "Internet + Healthcare" and the application and innovation of artificial intelligence in the healthcare sector. With an aim of enabling the chronic disease management industry through technologies and improving the efficiency of the healthcare ecosystem, the Company strives to fulfill its responsibilities to increase the accessibility of quality and affordable healthcare services and products to the stakeholders in the healthcare ecosystem, and continues to build digital infrastructure for the chronic condition management industry.

During the Reporting Period, led by our "hospital first" strategy and "P2M" strategy, our business has revealed a strong growth momentum despite a relatively weak consumption recovery. For the year ended December 31, 2023, our total revenue amounted to RMB3,690.5 million, representing a year-on-year increase of 23.5%. Our gross profit amounted to RMB909.4 million, representing a year-on-year increase of 14.8%. Our non-IFRS adjusted net loss narrowed down to RMB75.1 million, representing a year-on-year decrease of 77.4%, due to economies of scale.

In-hospital Solution

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

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

Business Review and Outlook

As of December 31, 2023, 2,719 hospitals had installed *ClouDr. Yihui* SaaS, including 815 Class III public hospitals and 1,134 Class II public hospitals. Additionally, 40 out of the 815 Class III public hospitals are China's top 100 hospitals.

For our in-hospital solution, we monetize through our value added solution, P2M solution and subscription solution.

The comprehensive value added solution include the SaaS system and hospital supplies, which are primarily related to chronic conditions and can be connected to our hospital SaaS through the proprietary AIoT devices. Whilst we expanded our hospital SaaS network, we also continued to strengthen our relationships with hospitals, such as including access to more hospital departments and increasing SKUs of medical supplies. We believe our monetization model is scalable and sustainable, given that we help hospitals fulfill their patient chronic condition management needs more efficiently and precisely.

Leveraging our hospital network and hospital SaaS, we offer pharmaceutical companies subscription services, i.e., targeted marketing services, primarily for medicines related to chronic condition management. Our subscription services can help pharmaceutical companies achieve more effective marketing in a cost-saving way. With the advancement of the national medical system reform, there is an increase of pharmaceutical and medical device companies are paying more attention to "cost reduction and efficiency improvement", thus targeted marketing has greater room to grow continuously.

Under the upgraded P2M strategy, we recorded P2M solution as a new sub-segment during the Reporting Period, which is sales of proprietary products that mainly include our proprietary Ischelium®, a drug widely recognized by doctors for treating mild vascular dementia and cerebrovascular disease. We believe that P2M solution is an upgraded version of targeted marketing, given that we have stronger relationships with pharmaceutical companies and more involvement in the process which includes but not limited to research and development, manufacturing, sales and marketing, etc..

As of December 31, 2023, we had contracted with 39 pharmaceutical companies to provide them with targeted marketing services, which represented an increase of 50.0% as compared to that as of December 31, 2022. The total partnered SKUs reached 59 as of December 31, 2023, which represented an increase of 73.5% as compared to that as of December 31, 2022. Despite sales of certain SKUs were negatively impacted by the Covid outbreak, especially in the first quarter, the trend of the adoption of targeted marketing of pharmaceutical companies is of high certainty, and thus our overall revenue from subscription solution and P2M solution amounted to RMB568.5 million, representing an increase of 5.4% as compared to our revenue from subscription solution as of December 31, 2022.

Hospital SaaS significantly improved our customer stickiness for monetization opportunities. Our in-hospital solution has allowed us to successfully build deep connections with hospitals and pharmaceutical companies, laying a solid foundation to extend our businesses to out-of-hospital settings. For the year ended December 31, 2023, the number of hospitals that installed our Yihui SaaS reached 2,719, representing an increase of 152 hospitals, or 5.9% as compared to the year ended December 31, 2022.

Business Review and Outlook

	Year ended December 31		
	2023	2022	Change (%)
	RMB'000	RMB'000	
Revenue			
In-hospital solution	**2,873,056**	2,184,477	31.5
Value Added Solution	**2,304,597**	1,645,086	40.1
P2M Solution(1)	**101,249**	—	N/A
Subscription Solution (i.e. Targeted Marketing)	**467,210**	539,391	(13.4)
Gross profit			
In-hospital solution	**793,635**	683,392	16.1
Value Added Solution	**283,536**	205,499	38.0
P2M Solution(1)	**82,369**	—	N/A
Subscription Solution (i.e. Targeted Marketing)	**427,730**	477,893	(10.5)
Gross margin			
In-hospital solution	**27.6%**	31.3%	(3.7)
Value Added Solution	**12.3%**	12.5%	(0.2)
P2M Solution(1)	**81.4%**	—	N/A
Subscription Solution (i.e. Targeted Marketing)	**91.5%**	88.6%	2.9

Note:

(1) As this is a new sub-segment recorded during the Reporting Period, there was no revenue, gross profit or gross margin recorded for the year ended December 31, 2022.

	Year ended December 31		
	2023	2022	Change (%)
Number of hospital that installed our hospital SaaS(1)	**2,719**	2,567	5.9
Subscription Solution — Number of partnered pharmaceutical companies(2)	**39**	26	50.0
Subscription Solution — Number of partnered SKUs(3)	**59**	34	73.5

Notes:

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

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

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

Business Review and Outlook

Pharmacy Solution

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

Our pharmacy SaaS, *ClouDr. Pharmacy*, was launched in the first half of 2019. It plays a critical role in our out-of-hospital medical services by empowering pharmacies with in-store, real-time consultation and prescription services for walk-in customers. We also provide advanced features, such as a new retail function that offers e-commerce solutions on private domain traffic management such as WeChat mini programs, public domain traffic management and inventory management services. As of December 31, 2023, 219,716 pharmacies had installed *ClouDr. Pharmacy*, representing an increase of 26,389 pharmacies from that as of December 31, 2022, covering approximately 35% of pharmacies in China.

Leveraging the data insights generated from the pharmacy SaaS prescription services, we effectively connect pharmaceutical companies and pharmacies for pharmacy supply purchases. The number of transacting customers for our pharmacy supplies amounted to 1,232 for the year ended December 31, 2023, representing an increase of 257 customers, or 26.4% as compared to that for the year ended December 31, 2022. Our pharmacy subscription solution and value-added solution segments sustained steady growth momentum, with revenue amounting to RMB59.1 million and RMB599.5 million, respectively, representing an increase of 7.2% and 6.9%, respectively, as compared to that for the year ended December 31, 2022.

	Year ended December 31		
	2023 RMB'000	2022 RMB'000	Change (%)
Revenue			
Pharmacy solution	**658,583**	615,812	6.9
Subscription Solution	**59,095**	55,144	7.2
Value Added Solution	**599,488**	560,668	6.9
Gross profit			
Pharmacy solution	**71,029**	69,921	1.6
Subscription Solution	**58,493**	52,522	11.4
Value Added Solution	**12,536**	17,399	(27.9)
Gross margin			
Pharmacy solution	**10.8%**	11.4%	(0.6)
Subscription Solution	**99.0%**	95.2%	3.8
Value Added Solution	**2.1%**	3.1%	(1.0)

Business Review and Outlook

	Year ended December 31		
	2023	2022	Change (%)
Number of pharmacy stores that installed our pharmacy SaaS[1]	**219,716**	193,327	13.6
Subscription Solution — Number of SaaS-paying pharmacy stores	**97,671**	90,801	7.6
Value Added Solution — Number of transacting customers	**1,232**	975	26.4
Value Added Solution — Average revenue per transacting customer (in thousands)	**487**	575	(15.3)

Note:

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

Individual Chronic Condition Management Solution

Our individual chronic condition management solution connects doctors and patients to enable out-of-hospital monitoring, consultation and prescription for chronic condition patients. We had approximately 102.6 million registered doctors and approximately 31.2 million registered users as of December 31, 2023. Through our omni-channel user acquisition, i.e. doctor referrals, patient walk in pharmacy stores using our online prescription services and patient referrals, over 95% new user acquisitions were organic.

In line with our emphasis in our interim report for the six months ended June 30, 2023, the Company continued to proactively optimize our revenue structure by focusing on providing high-quality and targeted healthcare services to our users and improving operational efficiency, rather than the monetization of the individual chronic condition management solution. We believe this strategy can address the long-term medical needs of chronic disease patients. We currently have three internet hospitals as part of our platform to deliver these services in compliance with relevant regulations. These internet hospitals allow us to provide online consultation and prescription services through our online applications to patients in different provinces across China. The number of online prescriptions provided through our services reached 184.9 million for the year ended December 31, 2023.

Business Review and Outlook

	Year ended December 31		
	2023	2022	Change (%)
	RMB'000	RMB'000	
Revenue			
Individual chronic condition management solution and others	**158,897**	187,767	(15.4)
Gross profit			
Individual chronic condition management solution and others	**44,718**	38,787	15.3
Gross margin			
Individual chronic condition management solution and others	**28.1%**	20.7%	7.4

	Year ended December 31		
	2023	2022	Change (%)
Number of registered users (in millions)[1]	**31.2**	28.5	9.5
Number of registered doctors (in thousands)[2]	**102.6**	98.7	4.0
Number of online prescriptions (in millions)	**184.9**	169.6	9.0

Notes:

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

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

Business Review and Outlook

Significant Events/Recent Developments after the Reporting Period

On January 12, 2024, the Group entered into a capital increase agreement and a shareholders' agreement with (among others) certain investors in respect of an injection of capital to its indirect non-wholly owned subsidiary, 安徽智醫慧雲科技有限公司 (Anhui Zhiyi Huiyun Technology Co., Ltd.*) ("**Anhui Zhiyi Huiyun**"), which is principally engaged in the provision of supplies and SaaS services, targeted marketing services to pharmaceutical companies, sale and marketing of products, and other businesses related to chronic condition management. The pre-investment valuation of the entire equity interest of Anhui Zhiyi Huiyun was approximately RMB4.5 billion as of May 31, 2023 based on a market approach. Pursuant to the capital increase agreement, the investors agreed to make capital contributions in the aggregate amount of RMB200,000,000 by way of cash contribution in return for approximately 4.26% equity interest in aggregate in the enlarged registered capital of Anhui Zhiyi Huiyun. The capital increase enhanced the cash position of Anhui Zhiyi Huiyun and provided additional source of funds required for the long-term growth of Anhui Zhiyi Huiyun and its subsidiaries. For further details, please refer to the announcement published by the Company on January 12, 2024. The capital increase pursuant to the aforementioned agreement has been completed as of the Latest Practicable Date.

Following our upgraded P2M strategy, we proactively selected high-quality products with large addressable market to sell as our proprietary products. The following two examples are strong evidence of the feasibility of the Company's P2M strategy and reflect the scalability of our SaaS infrastructure, which are expected to have a positive impact on the Company's financial performance and long-term development.

On January 26, 2024, the Company entered into a non-legally binding strategic cooperation agreement (the "**Strategic Cooperation Agreement**") with 杭州安元生物醫藥科技有限公司 (Hangzhou Anprime BioPharm Co. Ltd.*) ("**Anprime Bio**"). Pursuant to the Strategic Cooperation Agreement, the Group will become the exclusive distributor of Anprime Bio's Sevelamer Carbonate for Oral Suspension® products in China for a term of ten years. The applicable users of the drug require long-term medication, which largely overlap with the coverage of the Company's chronic disease management business and hospital SaaS. Based on the innovativeness and the clinical value of the drug, Anprime Bio chose to apply for approvals from both National Medical Products Administration of China ("**NMPA**") and the United States Food and Drug Administration ("**FDA**"). The drug has been approved by NMPA and FDA now, which opens up the possibility for the Group to develop overseas sales channels of the drug. For further details, please refer to the announcement published by the Company on January 26, 2024.

On March 11, 2024, Hetangjin®* (和唐淨) Dapagliflozin Tablets, a proprietary product of the Group of which the Group has sales rights, were launched, marking the commencement of the marketing and the sales of the product after it officially obtained the drug registration certificate (Guo Yao Zhun Zi No. H20234636) from the NMPA on December 13, 2023. Hetangjin® Dapagliflozin Tablets have broken through the patent restrictions on the crystalline form in the original research, and have been launched ahead of the original schedule in accordance with relevant laws and regulations as a generic product of Dapagliflozin Tablets in China. As the only basic drug in the sodium-glucose cotransporter 2 ("**SGLT-2**") inhibitor class and a first-line medication for improving glycemic control in adult patients with type 2 diabetes, Dapagliflozin Tablets' annual sales in China reached approximately RMB7 billion in 2023. Studies have shown that this type of SGLT-2 inhibitor achieved breakthroughs in body weight reduction and the prevention and treatment of cardiovascular and renal diseases, which have considerable cross-domain value. For further details, please refer to the announcement published by the Company on March 11, 2024.

Business Review and Outlook

Business Outlook

We intend to focus on the following key strategies to solidify our leadership position in China's chronic condition management market: 1) continue to solidify our hospital SaaS and pharmacy SaaS infrastructure, 2) continue to build up a strong pipeline for proprietary products under the P2M strategy to drive monetization, 3) continue to invest in product and technology innovation with a focus on medical AI, 4) continue to grow our number of patient and doctor users, and 5) continue to invest in strategic partnership and acquisitions.

In respect of the in-hospital solution, we will continue our hospital first strategy with the AIM model approach. We will continue to strengthen our value proposition and SaaS network in hospitals by 1) investing in product capabilities and medical know-how to deepen our partnership with hospitals; 2) increasing sales professionals with medical background to expand hospital network and hospital SaaS installation base, and 3) focusing on partnerships with pharmaceutical companies to drive further monetization through in-hospital subscription solution for targeted marketing, and P2M solution, for sales of proprietary SKUs, both leveraging our existing hospital infrastructure.

In respect of the pharmacy solution, we will continue to expand our pharmacy network by increasing SaaS installation base, and enriching our pharmacy product portfolio and services to meet various needs of pharmacies such as offline and online operation, membership management, inventory management, and supply chain. We will also expand our P2M strategy to the pharmacy segment to improve segment profitability by leveraging our existing pharmacy infrastructure.

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

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

Management Discussion and Analysis

Revenues

Our revenues increased by 23.5% from approximately RMB2,988.1 million for the year ended December 31, 2022 to approximately RMB3,690.5 million for the year ended December 31, 2023. The increase was primarily attributable to the steady growth in both in-hospital solution and pharmacy solution.

In-hospital solution. Revenue from the in-hospital solution increased by 31.5% from approximately RMB2,184.5 million for the year ended December 31, 2022 to approximately RMB2,873.1 million for the year ended December 31, 2023, primarily due to further SaaS penetration in hospitals, and increased partnerships with pharmaceutical companies for subscription solution and P2M solution which primarily included our proprietary product Ischelium®.

Pharmacy solution. Revenue from the pharmacy solution increased by 6.9% from approximately RMB615.8 million for the year ended December 31, 2022 to approximately RMB658.6 million for the year ended December 31, 2023, primarily due to increased number of pharmacies that subscribed to our SaaS for prescription services and membership management services, and an increased number of transacting customers served by our enriched supply chain capabilities.

Individual chronic condition management solution and others. Revenue from individual chronic condition management solution and others decreased by 15.4% from approximately RMB187.8 million for the year ended December 31, 2022 to approximately RMB158.9 million for the year ended December 31, 2023, primarily due to the Company's proactive optimization of the revenue structure by focusing on providing high-quality and targeted healthcare services to our users and improving operational efficiency, rather than the monetization of the individual chronic condition management solution.

Cost of sales

Our cost of sales increased by 26.6% from approximately RMB2,196.0 million for the year ended December 31, 2022 to approximately RMB2,781.2 million for the year ended December 31, 2023. The increase was generally in line with the rapid growth of our business.

Gross profit and gross margin

As a result of the foregoing, our overall gross profit for the years ended December 31, 2022 and 2023 were approximately RMB792.1 million and approximately RMB909.4 million, respectively, and our overall gross margin for the same periods were 26.5% and 24.6%, respectively. The increase of our overall gross profit was primarily attributable to the steady growth of our in-hospital solution and pharmacy solution. The decrease of our overall gross margin was a result of the revenue mix between the higher gross margin business, such as the subscription solution, and comparatively lower gross margin business, such as the value added solution.

In-hospital solution. Our gross margin for the in-hospital solution decreased from 31.3% for the year ended December 31, 2022 to 27.6% for the year ended December 31, 2023, primarily attributable to the revenue mix between the in-hospital subscription solution and the in-hospital value added solution. Given that the number of paying hospitals grew fast, we were able to achieve 40.1% year-over-year revenue growth in the in-hospital value added solution, which was much higher than 5.4% year-over-year revenue growth in the aggregate in-hospital subscription solution and in-hospital P2M solution.

Management Discussion and Analysis

Pharmacy solution. Our gross margin for the pharmacy solution decreased from 11.4% for the year ended December 31, 2022 to 10.8% for the year ended December 31, 2023, primarily due to the revenue mix between the pharmacy subscription solution and the pharmacy value added solution, the pricing strategy on certain products in the pharmacy value added solutions and special discounts for certain inventories for working capital management purposes. Based on our existing pharmacy SaaS stores and enhanced insights into the supply chain demands of those stores through the pharmacy SaaS, we were able to achieve faster revenue growth in the pharmacy value added solution.

Individual chronic condition management solution and others. Our gross margin for the individual chronic condition management solution and others increased from 20.7% for the year ended December 31, 2022 to 28.1% for the year ended December 31, 2023, primarily driven by the higher revenue contribution from high gross margin services, given our proactive optimization of the business.

Selling and marketing expenses

Our selling and marketing expenses decreased by 11.2% from approximately RMB933.2 million for the year ended December 31, 2022 to approximately RMB828.8 million for the year ended December 31, 2023, primarily attributable to economies of scales and refined expense management. More than 80% of our selling and marketing expenses are people related costs (including share-based compensation).

We enjoyed significant operating leverage and customer stickiness with high recurring purchases. The selling and marketing expense to revenue ratio decreased from 29.2% for the year ended December 31, 2022 to 21.5% for the year ended December 31, 2023.

Administrative expenses

Our administrative expenses increased by 1.4% from RMB335.6 million for the year ended December 31, 2022 to RMB340.2 million for the year ended December 31, 2023.

The administrative expenses to revenue ratio decreased from 4.3% for the year ended December 31, 2022 to 3.7% for the year ended December 31, 2023.

Research and development expenses

Our research and development expenses decreased from approximately RMB114.8 million for the year ended December 31, 2022 to approximately RMB88.0 million for the year ended December 31, 2023. The decrease was primarily due to the continuous increased efficiency, enhanced industry know-how and shortened research and development cycles. Our hospital SaaS *ClouDr*. Yihui and pharmacy SaaS *ClouDr*. Pharmacy have both reached maturity and require less research and development efforts. Our key strategy for research and development will continue to focus on AI technologies and digital-therapy-related medical researches for the further delivery of high value online medical services.

The research and development expense to revenue ratio decreased from 3.7% for the year ended December 31, 2022 to 2.0% for the year ended December 31, 2023.

Management Discussion and Analysis

Loss from operations

As a result of the foregoing, our loss from operations decreased by 46.9% from approximately RMB591.6 million for the year ended December 31, 2022 to RMB314.2 million for the year ended December 31, 2023. The decrease was primarily due to significant revenue increase and improved operating leverage.

Finance costs

Our finance costs increased by 37.0% from approximately RMB8.4 million for the year ended December 31, 2022 to approximately RMB11.5 million for the year ended December 31, 2023, primarily attributable to higher interest expense resulting from an increase in bank and other loans to support our business expansion.

Change in fair value of financial liabilities

We recorded change in fair value of financial liabilities of a loss of approximately RMB1,087.9 million and nil for the years ended December 31, 2022 and 2023, respectively. The losses in 2022 were due to changes in the carrying amount of convertible redeemable preferred shares. Prior to the listing of our Shares on the Stock Exchange in July 2022, our convertible redeemable preferred shares were not traded in an active market and their value at each respective reporting date was determined using valuation techniques.

Income tax

We recorded income tax of approximately RMB1.4 million and negative RMB18,000 for the years ended December 31, 2022 and 2023, respectively. The change was primarily due to an increase in income tax arising from net profit from certain subsidiaries and consolidated affiliated entities of the Group and the changes of deferred tax liabilities.

Loss for the year

As a result of the foregoing, our loss decreased by 80.7% from RMB1,692.2 million for the year ended December 31, 2022 to RMB327.3 million for the year ended December 31, 2023. The decrease was primarily due to significant revenue increase, operating leverage and the change in fair value of financial liabilities.

Adjusted Net Loss (Non-IFRS Measure)

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

Management Discussion and Analysis

We define "adjusted net loss (non-IFRS measure)" as loss for the year and adding back 1) change in fair value of financial liabilities, 2) share-based compensation expenses, 3) listing expenses, 4) expense related to subsidiaries' equity financing activities, and 5) change in the carrying amounts of financial instruments issued to investors.

For the years ended December 31, 2022 and 2023, our adjusted net loss (non-IFRS measure) was approximately RMB332.8 million and RMB75.1 million, respectively.

The following table sets forth the reconciliations of our non-IFRS financial measure for the years ended December 31, 2022 and 2023 to the nearest measure prepared in accordance with IFRS:

	Year ended December 31	
	2023	2022
	RMB'000	RMB'000
Loss for the year	**(327,344)**	(1,692,221)
Add:		
Change in fair value of financial liabilities[1]	**—**	1,087,874
Share-based compensation related items[2]	**232,080**	201,336
Listing expenses[3]	**—**	70,230
Expense related to subsidiaries' equity financing activities[4]	**18,574**	—
Change in the carrying amounts of financial instruments issued to investors[5]	**1,590**	—
Adjusted net loss (non-IFRS measure)	**(75,100)**	(332,781)
Adjusted net loss margin (non-IFRS measure) (%)[6]	**(2.0)**	(11.1)

Notes:

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

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

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

(4) Expense related to subsidiaries' equity financing activities is commonly added back to IFRS measures in calculating similar non-IFRS financial measures, primarily because it represents the professional service expense in connection with the subsidiaries' equity financing with the redemption rights granted to investors and only relates to the scale of financing from investors.

(5) Change in the carrying amounts of financial instruments issued to investors represents the amortised interest expense on the redemption liability of our subsidiaries' equity financing with the redemption rights, which was recognized as financial instruments issued to investors. Such change is non-cash in nature.

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

Management Discussion and Analysis

Liquidity and capital resource

During the year ended December 31, 2023, we funded our cash requirements principally from capital contribution from shareholders and bank loans. We had cash and cash equivalents of approximately RMB249.7 million and RMB243.4 million as of December 31, 2022 and December 31, 2023, respectively. In addition, we had RMB346.7 million financial assets measured at fair value and RMB5.0 million time deposits with initial term over three months in current assets as of December 31, 2023, and those financial assets are short term and for treasury management purposes.

As of December 31, 2023, we had bank and other loans of RMB235.0 million (as of December 31, 2022: RMB192.5 million). Borrowings are classified as current liabilities and non-current liabilities. RMB220.0 million are repayable within one year and RMB15.0 million are payable over one year or on demand as of December 31, 2023. The effective annual interest rates of borrowings ranged from 3.1% to 5.5% as of December 31, 2023.

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

Significant investments

The Group did not make or hold any significant investments (including any investment in an investee company with a value of 5% or more of the Company's total assets as at December 31, 2023) during the year ended December 31, 2023.

Material acquisitions and disposals

The Group did not have any material acquisitions or disposals of subsidiaries, consolidated affiliated entities or associated companies for the year ended December 31, 2023.

Pledge of assets

As at December 31, 2023, approximately RMB21.8 million of plant and buildings were pledged as security for bank and other loans (which are payable over one year) granted to the Group.

Future plans for material investments or capital asset

As at December 31, 2023, the Group did not have detailed future plans for material investments or capital assets.

Gearing ratio

The Group monitors capital on the basis of the gearing ratio, which is calculated as dividing liabilities excluded financial instruments issued to investors by total assets. As at December 31, 2023, the gearing ratio was 33.2%, as compared with 33.6% as at December 31, 2022, which remained stable.

Management Discussion and Analysis

Foreign exchange exposure

During the year ended December 31, 2023, the Group mainly operated in China with most of the transactions settled in Renminbi ("**RMB**"). The functional currency of our Company and the subsidiaries and consolidated affiliated entities operating in China is RMB. Our management considers that the business is not exposed to any significant foreign exchange risk as there are no significant financial assets or liabilities denominated in the currencies other than the respective functional currencies of our group entities. As at December 31, 2023, we had currency translation gain of approximately RMB282 thousand, as compared with currency translation loss of RMB459 thousand as at December 31, 2022. We did not hedge against any fluctuation in foreign currency during the years ended December 31, 2022 and 2023.

Contingent liabilities

As at December 31, 2023, we did not have any material contingent liabilities (as at December 31, 2022: nil).

Indebtedness

As at December 31, 2023, the Group had bank and other loans of RMB235.0 million and lease liabilities of RMB32.0 million, as compared to RMB192.5 million and RMB30.8 million, respectively, as at December 31, 2022.

Employees and remuneration

As at December 31, 2023, the Group had a total of 1,522 employees, of which 469 employees are in Hangzhou, 144 employees are in Shanghai and 909 employees are in other offices in China. The Group also had over 3,000 flexible staffing as of December 31, 2023 to support business penetration into lower tier cities, and to access over 10,000 hospitals and over 210,000 pharmacies.

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

Function	Number of full-time employees
Selling and marketing	1,266
Research and development	124
General and administrative	63
Others[1]	69
Total	**1,522**

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

Management Discussion and Analysis

The total people related cost incurred by the Group for the year ended December 31, 2023 was approximately RMB1,007.9 million, as compared to approximately RMB990.3 million for the year ended December 31, 2022. The full-time staff cost incurred for the year ended December 31, 2023 was approximately RMB629.4 million as compared to approximately RMB610.2 million for the year ended December 31, 2022. The flexible staffing cost incurred for the year ended December 31, 2023 was approximately RMB378.5 million as compared to approximately RMB380.1 million for the year ended December 31, 2022.

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

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

Report of Directors

The Board of the Company is pleased to present this report of Directors together with the consolidated financial statements of the Group for the year ended December 31, 2023.

Directors

The Directors who held office during the Reporting Period and up to the date of this annual report are:

Executive Director

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

Non-Executive Director

Mr. Lee Kar Chung Felix (李家聰)

Independent Non-Executive Directors

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

Biographical details of the Directors are set out in the section headed "Directors and Senior Management" on pages 38 to 43 of this annual report.

General information

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

Principal activities

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

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

Results

The results of the Group for the Reporting Period are set out in the consolidated statement of profit or loss and other comprehensive income on page 76 of this annual report.

Report of Directors

Business review

A business review of the Group, as required by Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), including a fair review of the Company's business, a description of the principal risks and uncertainties facing the Company, particulars of important events affecting the Company that have occurred since the end of the fiscal year, an indication of likely future development in the Group's business, an analysis of the Group's financial performance and the Group's key relationships with its stakeholders who have a significant impact on the Group and on which the Group's success depends, is set out in the sections headed "Business Review" and "Management Discussion and Analysis" on pages 5 to 20 of this annual report. These discussions form part of this report of Directors. Events affecting the Company that have occurred since the end of the fiscal year are set out in the sections headed "Significant events/ Recent developments after the Reporting Period" in "Business Review and Outlook".

An account of the Company's key relationships with its employees, customers and suppliers and others that have a significant impact on the Company and on which the Company's success depends is set out in the "Environmental, Social and Governance Report", which will be published at the same time as the publication of this annual report.

Principal risks and uncertainties

Our operations involve certain risks and uncertainties, which are set out in the section headed "Risk Factors" of the Prospectus. Some of the major risks we face relate to:

- our ability to sustain our revenue growth rate in the future;
- our ability to achieve or maintain profitability;
- our ability to monetize our solutions;
- extensive and evolving legal and regulatory requirements;
- our ability to maintain industry participants' trust in our platform;
- our ability to continue to expand our hospital and pharmacy networks;
- our ability to manage our relationships with third-party suppliers and distributors;
- risks associated with our relationship with pharmaceutical and medical device companies in relation to our product sales and digital marketing services; and
- our ability to attract or retain sufficient users or medical professionals for our individual chronic condition management platform.

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

Report of Directors

Environmental policies and performance

The Group is committed to fulfilling social responsibility, promoting employee benefits and development, protecting the environment and giving back to community and achieving sustainable growth. In accordance with Rule 13.91 and the Environmental, Social and Governance Reporting Guide contained in Appendix C2 (formerly Appendix 27) to the Listing Rules applicable to the financial year ended December 31, 2023, the Company's "Environmental, Social and Governance Report" will be available on our website and the website of the Stock Exchange at the same time as the publication of this annual report.

Compliance with relevant laws and regulations

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

Connected transactions

During the Reporting Period, save as disclosed in this annual report, no related party transaction disclosed in Note 32 to the consolidated financial statements falls under the definition of "connected transaction" or "continuing connected transaction" in Chapter 14A of the Listing Rules for which disclosure is required. The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules for the Reporting Period.

Contractual Arrangements

Background to the Contractual Arrangements

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

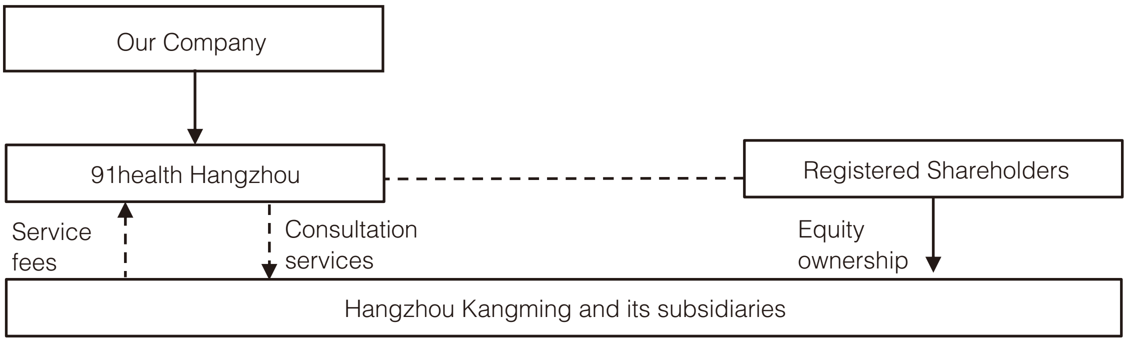
As a result of the restrictions imposed by the PRC laws, the Company is unable to own or hold the entire direct equity interest in our Consolidated Affiliated Entities. We control our Consolidated Affiliated Entities through the Contractual Arrangements entered into with the Consolidated Affiliated Entities and the Registered Shareholders on June 16, 2021. Hence, we do not directly own any equity interest in our Consolidated Affiliated Entities. Pursuant to the Contractual Arrangements, we have effective control over the financial and operational policies of our Consolidated Affiliated Entities and are entitled to all the economic benefits derived from the Consolidated Affiliated Entities' operations. During the Reporting Period, the revenue contribution of the Consolidated Affiliated Entities accounted for 2.1% of our Group's total revenue (2022: 2.9%). The total assets of the Consolidated Affiliated Entities accounted for 1.6% of our Group's total assets (2022: 3.8%).

Report of Directors

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

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

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



Notes:

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

(2) “→” denotes direct legal and beneficial ownership in the equity interest.

(3) “- - →” denotes contractual relationship.

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

Risks relating to the Contractual Arrangements

We believe the following risks are associated with the Contractual Arrangements. Further details of these risks are set out on pages 102 to 112 of the Prospectus.

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

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

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

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

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

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

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

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

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

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

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

Report of Directors

Our Group works closely with the Registered Shareholders and our external legal counsels and advisors to monitor the regulatory environment and developments in PRC laws and regulations to mitigate the risks associated with the Contractual Arrangements.

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

- major issues arising from the implementation and compliance with the Contractual Arrangements or any regulatory enquiries from government authorities will be submitted to our Board, if necessary, for review and discussion on an occurrence basis;
- our Board has reviewed the overall performance of and compliance with the Contractual Arrangements;
- our Company has disclosed the overall performance of and compliance with the Contractual Arrangements in our annual reports; and
- our Company has engaged external legal advisors or other professional advisors, if necessary, to assist the Board to review the implementation of the Contractual Arrangements, review the legal compliance of 91health Hangzhou and our Consolidated Affiliated Entities to deal with specific issues or matters arising from the Contractual Arrangements.

Summary of the material terms of the Contractual Arrangements

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

Exclusive Consulting Services Agreement

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

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

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

Report of Directors

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

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

Exclusive Purchase Option Agreements

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

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

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

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

Report of Directors

Equity Pledge Agreements

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

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

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

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

Report of Directors

Voting Proxy Agreements

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

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

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

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

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

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

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

Report of Directors

Loan Agreement

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

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

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

For the Reporting Period, none of the Contractual Arrangements had been unwound on the basis that none of the restrictions that led to the adoption of the Contractual Arrangements had been removed. As of December 31, 2023, we had not encountered interference or encumbrance from any PRC governing bodies in operating our businesses through our Consolidated Affiliated Entities under the Contractual Arrangements.

The extent to which the Contractual Arrangements relate to requirements other than the foreign ownership restriction

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

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

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

Report of Directors

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

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

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

(ii) no change without independent Shareholders' approval;

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

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

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

Report of Directors

Confirmation from independent non-executive Directors

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

(i) the transactions carried during the year ended December 31, 2023 have been entered into in accordance with the relevant provisions of the Contractual Arrangements;

(ii) no dividends or other distributions have been made by the Consolidated Affiliated Entities to the holders of its equity interests which are not otherwise subsequently assigned or transferred to the Group during the Reporting Period;

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

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

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

(vi) the Contractual Arrangements have been entered into according to the relevant agreement governing the Contractual Arrangements on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

Confirmations from the Company's Independent Auditor

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

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

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

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

Report of Directors

Major customers

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

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

During the Reporting Period, we generated revenue of RMB732.3 million from our largest customer, representing 19.8% of our total revenue during the Reporting Period. During the same period, we generated revenue of RMB1,158.1 million in aggregate from our five largest customers combined, representing 31.4% of our total revenue.

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

Major suppliers

During the Reporting Period, the purchases we made from the largest supplier was RMB638.9 million, representing 22.4% of our total purchases during the Reporting Period. During the same period, the purchases we made from the five largest suppliers combined was RMB1,157.4 million, representing 40.5% of our total purchases.

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

Pre-emptive rights

There are no provisions for pre-emptive rights under the laws of the Cayman Islands which would oblige the Company to offer new Shares on a pro-rata basis to the existing Shareholders.

Tax relief and exemption of holders of listed securities

The Directors are not aware of any tax relief and exemption available to the Shareholders by reason of their holding of the Company's securities.

Subsidiaries

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

Report of Directors

Property, plant and equipment

Details of movements in the property, plant and equipment of the Group during the year ended December 31, 2023 are set out in Note 11 to the consolidated financial statements.

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

Share capital and shares issued

Details of movements in the share capital of the Company for the Reporting Period are set out in Note 29 to the consolidated financial statements.

Sufficiency of public float

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

Donation

During the Reporting Period, the Group made charitable donations of approximately RMB210,000.

Debenture issued

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

Equity-linked agreements

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

Dividend

The Board did not recommend the distribution of a final dividend for the year ended December 31, 2023.

Permitted indemnity

Pursuant to the Articles of Association of the Company and subject to the applicable laws and regulations, every Director shall be indemnified and secured harmless out of the assets of the Company against all actions, costs, charges, losses, damages and expenses which they or any of them may incur or sustain in or about the execution of their duty in their offices.

Such permitted indemnity provision has been in force for the Reporting Period. The Company has taken out liability insurance to provide appropriate coverage for the Directors since the Listing Date.

Report of Directors

Distributable reserves

As of December 31, 2023, the Company did not have any reserves available for distribution to Shareholders.

Details of movements in the reserves of the Group and the Company during the Reporting Period are set out in the consolidated statement of changes in equity on page 79 and in note 29 to the consolidated financial statements, respectively.

Loans and borrowings

As of December 31, 2023, the Company had bank loans and borrowings of RMB235.0 million. Please refer to the note 24 to the consolidated financial statements for details.

Directors' service contracts

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

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

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

None of the Directors proposed for re-election at the forthcoming annual general meeting of the Company has a service contract with any member of our Group that is not determinable by the employer within one year without the payment of compensation (other than statutory compensation).

Directors' interests in transactions, arrangements or contracts of significance

Save as disclosed in this annual report, none of the Directors nor any entity connected with the Directors had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party subsisting during or at the end of the Reporting Period.

Report of Directors

Emoluments of Directors and the five highest paid individuals

In compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code as set out in Appendix C1 (formerly Appendix 14) to the Listing Rules, the Company has established the Remuneration Committee of the Company to formulate remuneration policies.

The remuneration is determined and recommended based on each Director's and senior management personnel's qualification, position and seniority. As for the independent non-executive Directors, their remuneration is determined by the Board upon recommendation from the Remuneration Committee.

The Directors and the senior management personnel are eligible participants of the Pre-IPO Equity Incentive Scheme and the Post-IPO Share Award Scheme, details of which are set out in the Prospectus, note 28 to the consolidated financial statements and pages 44 to 52 under "Other Information" in this annual report.

Details of the remuneration of the Directors, senior management and the five highest paid individuals are set out in Note 8, Note 32 and Note 9, respectively to the consolidated financial statements.

None of the Directors waived or agreed to waive any remuneration and there were no emoluments paid by the Group to any of the Directors or the five highest paid individuals as an inducement to join, or upon joining the Group, or as compensation for loss of office.

For the Reporting Period, the aggregate amount of remuneration (including wages, salaries, bonuses, defined contribution plans, other social security costs, housing benefits and share-based compensation expenses) for our Directors was approximately RMB18.5 million (as set out in note 8 to the consolidated financial statements).

Directors' interests in competing business

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

Contracts with controlling shareholders

Save as disclosed in the Prospectus and in this annual report, to the best knowledge and belief of our Directors, no contract of significance or contract of significance for the provision of services has been entered into among the Company or any of its subsidiaries and the Controlling Shareholders or any of their subsidiaries during the Reporting Period.

Management contracts

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the Reporting Period.

Report of Directors

Auditor

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

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

Continuing disclosure obligations pursuant to the Listing Rules

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

Directors' rights to acquire shares or debentures

Save as disclosed in this annual report, at no time during the Reporting Period was the Company or any of its subsidiaries, fellow subsidiaries or its holdings companies a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of the Company or any other body corporate; and none of the Directors, or any of their spouse or children under the age of 18, had any right to subscribe for equity or debt securities of the Company or any other body corporate, or had exercised any such right.

Appreciation

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

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

Hong Kong
March 21, 2024

Directors and Senior Management

Members of our Board

Name	Age	Position(s)	Date of appointment as Director
Directors			
Mr. Kuang Ming (匡明)	43	Founder, executive Director, chairman and chief executive officer	August 24, 2015
Mr. Lee Kar Chung Felix (李家聰)	42	Non-executive Director	May 21, 2021
Dr. Hong Weili (洪偉力)	54	Independent Non-executive Director	July 6, 2022
Mr. Zhang Saiyin (張賽音)	44	Independent Non-executive Director	July 6, 2022
Mr. Ang Khai Meng	63	Independent Non-executive Director	July 6, 2022

Executive Director

Mr. Kuang Ming (匡明), aged 43, is the founder, executive Director, chairman, chief executive officer, chairperson of the Nomination Committee and a member of the Remuneration Committee of the Company. Mr. Kuang is primarily responsible for the overall strategic planning, business direction and research and development initiatives of our Group. Mr. Kuang is currently the legal representative and an executive director and/or general manager of certain subsidiaries of our Group, including Hangzhou Kangsheng, Hangzhou Kangming, 91health Shanghai, Shanghai Kangmeng Health Management Consultation Co., Ltd, Hangzhou Zhiyun Qikang Biomedical Co., Ltd, Shandong Guoyitang Pharmaceutical Chain Co., Ltd, Yinbang Insurance Brokerage, Shenzhen Yinsiubao Technology Co., Limited, 91health Hangzhou, Jiangsu Xinwange Medical Technology Co., Ltd and Guangxi Zhiyun Health Technology Co., Ltd..

Mr. Kuang has over 16 years of experience in healthcare and technology industries in the PRC and the United States. Prior to founding of our Company, Mr. Kuang was a senior strategic marketing manager in APAC at Johnson & Johnson (NYSE: JNJ) between July 2012 and January 2015. From October 2011 to April 2012, Mr. Kuang worked in the US division of Johnson & Johnson. From April 2006 to September 2010, Mr. Kuang served in various technical roles for APAC Business Development at Intel China.

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

Directors and Senior Management

Non-executive Director

Mr. Lee Kar Chung Felix (李家聰), aged 42, is a non-executive Director and a member of the Audit Committee. He is primarily responsible for supervising and providing guidance and independent judgement to the Board.

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

Mr. Lee is an independent non-executive director of Asymchem Laboratories (Tianjin) Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 002821, and the Stock Exchange, stock code: 6821) since June 2021 and a non-executive director of UMP Healthcare Holdings Limited (a company listed on the Stock Exchange, stock code: 722) since November 2023. Mr. Lee was also an executive director of UMP Healthcare Holdings Limited (a company listed on the Stock Exchange, stock code: 722), from August 2015 to September 2023 and an independent non-executive director of China Resources Medical Holdings Company Limited (a company listed on the Stock Exchange, stock code: 1515) from August 2015 to June 2023.

He has over 16 years of experience in law and finance. He served as a solicitor with the law firm Freshfields Bruckhaus Deringer from January 2005 to February 2008, an analyst in the investment banking department of UBS AG, Hong Kong branch from March 2008 to January 2009. He then joined Deutsche Bank AG, Hong Kong branch and last held the position of director in the Corporate Finance Division, where he worked from January 2009 to August 2014.

Mr. Lee obtained a bachelor's degree of Laws from the London School of Economics and Political Sciences and a postgraduate certificate in Laws from the University of Hong Kong in July 2003 and June 2004, respectively. He obtained a Doctor of Business Administration from the University of Wales Trinity Saint David in 2023. He is a solicitor of the High Court of Hong Kong since September 2007 and a solicitor (non-practising) in the Senior Courts of England and Wales since February 2013.

Independent Non-executive Directors

Dr. Hong Weili (洪偉力), aged 54, is an independent non-executive Director, the chairperson of the Remuneration Committee, a member of the Audit Committee and a member of the Nomination Committee. He is primarily responsible for supervising and providing independent judgement to the Board.

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

Dr. Hong also serves as an independent director for Dingdong (Cayman) Limited (a company listed on the New York Stock Exchange, stock symbol: DDL) and Chindata Group Holdings Limited (a company listed on the Nasdaq Stock Market, stock symbol: CD) and an independent non-executive director of Edianyun Limited (a company listed on the Hong Kong Stock Exchange, stock code: 2416).

Directors and Senior Management

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

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

Mr. Zhang Saiyin (張賽音), aged 44, is an independent non-executive Director, the chairperson of the Audit Committee, a member of the Remuneration Committee and a member of the Nomination Committee. He is primarily responsible for supervising and providing independent judgement to the Board.

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

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

Mr. Ang Khai Meng, aged 63, is an independent non-executive Director of the Company, primarily responsible for supervising and providing independent judgement to the Board.

Mr. Ang has extensive experience in innovative pharma, generics, biologics, devices, diagnostics, consumables, and consumer health in his 38 years of experience in healthcare industry. He is currently serving as advisor to several companies in China.

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

Mr. Ang received his bachelor's degree in Science from Australian National University in Australia, in 1984. Mr. Ang received his Master's degree in Business Administration from Ohio State University in the United States, in 1985.

Directors and Senior Management

Senior Management

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

Name	Age	Position(s)	Date of joining our Group
Xu Lili (徐黎黎)	42	Chief financial officer	October 2020
Wang Jingxu (王靜旭)	55	Vice president for Hospital Business & Development	August 2018
Li Gang (李剛)	43	Head of technology department	March 2016
Zuo Yinghui (左穎暉)	48	Vice president of supply chain and customer services department	January 2015

Ms. Xu Lili (徐黎黎), aged 42, has served as the chief financial officer of our Company since October 2020, primarily responsible for overseeing the corporate finance, handling investor relations, and overseeing all the investments and acquisitions of the group.

Ms. Xu has more than 17 years of experience in financial management. From March 2014 to September 2020, Ms. Xu was the chief financial officer and executive director of Tongdao Liepin Group (a company listed on the Stock Exchange, stock code: 6100). Prior to joining Tongdao Liepin Group, Ms. Xu held various leadership positions at General Electric Company (a company currently listed on the New York Stock Exchange, stock symbol: GE), with her last role as the chief financial officer of GE Power Generation Services China, from January 2005 to March 2014.

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

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

Directors and Senior Management

Mr. Wang Jingxu (王靜旭), aged 55, has served as our vice president for Hospital Business & Development of our Group since August 2018, primarily responsible for our in-hospital solution business.

Mr. Wang has 31 years of experience in life science & pharmaceutical industry. Prior to joining our Group, he worked at Chengdu Kanghong Pharmaceutical Group Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 002773) from March 2017 to August 2018 where he led generic drug business. He also served various senior roles in various of domestic and global pharmaceutical companies, including Luye Pharma Group Ltd. (a company listed on the Stock Exchange, stock code: 2186), Abbott Laboratories (a company currently listed on the New York Stock Exchange, stock symbol: ABT), and GlaxoSmithKline plc. (a company currently listed on the London Stock Exchange and the New York Stock Exchange, stock symbol: GSK).

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

Mr. Li Gang (李剛), aged 43, has served as the head of technology department of our Company since March 2016, primarily responsible for the research and development of products and technologies of our Company.

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

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

Ms. Zuo Yinghui (左穎暉), aged 48, has served as the vice president of supply chain and customer services department of our Company since January 2015, She is primarily responsible for supply chain management and business development of our Company.

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

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

Directors and Senior Management

Company Secretary

Ms. Fung Wai Sum (馮慧森), aged 41, is our company secretary and a senior manager of corporate services of Tricor Services Limited. She was appointed as the joint company secretary of the Company with effect from the Listing Date and acts as the sole company secretary of the Company with effect from December 19, 2023. She is a chartered secretary, a chartered governance professional and an associate of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom.

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

Ms. Fung has nearly 20 years of experience in the corporate secretarial field. She has been providing professional corporate services to Hong Kong listed companies as well as multinational, private and offshore companies. Ms. Fung is currently the company secretary of six listed companies on the Stock Exchange, namely our Company, Tongdao Liepin Group (stock code: 6100.HK), Friendtimes Inc. (stock code: 6820.HK), China ZhengTong Auto Services Holdings Limited (stock code: 1728.HK), Greenland Hong Kong Holdings Limited (stock code: 0337.HK) and Migao Group Holdings Limited (stock code: 9879.HK), and the joint company secretary of three listed companies on the Stock Exchange, namely Shenzhen Neptunus Interlong Bio-Technique Company Limited (stock code: 8329.HK), YSB Inc. (stock code: 9885.HK) and Sichuan Kelun-Biotech Biopharmaceutical Co., Ltd. (stock code: 6990.HK).

Changes to directors' information

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

Other Information

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

As far as our Directors are aware, as of December 31, 2023, the interests and short positions of the Directors and the chief executives in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), which were required (a) to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein, or (c) pursuant to the Model Code, to be notified to our Company and the Stock Exchange are set out below:

Name of Director	Nature of interest	Relevant entity	Number of Shares	Approximate % interest[(1)]
Mr. Kuang[(2)]	Interest in a controlled corporation/ Other/Beneficial owner	Company	130,684,385(L)[(3)]	22.26%

Notes:

1. The calculation is based on the total number of 587,038,219 Shares in issue as of December 31, 2023.

2. This includes (i) 89,414,780 Shares held by HaoYuan health Limited (formerly known as ClouDr Limited). The entire interest in HaoYuan health Limited is held through a trust which was established by Mr. Kuang (as settlor) and the beneficiaries of which are himself and his family members. Mr. Kuang is deemed to be interested in the Shares held by HaoYuan health Limited; (ii) various voting proxies granted to Mr. Kuang over the Shares of the Company, which in aggregate amount to 39,032,605 Shares. Each of SIG Global China Fund I, LLLP, FORTUNE SEEKER INVESTMENTS LIMITED, Treasure Harvest Investments Limited and Tembusu HZ II Limited (each a "**Proxy Grantor**") has entered into a voting agreement with Mr. Kuang before Listing, pursuant to which each Proxy Grantor granted Mr. Kuang, as their respective attorney, a voting proxy of 50% of the Shares that each Proxy Grantor holds, upon Listing, representing an aggregate of approximately 6.65% voting power in the Company; (iii) 2,000,000 restricted share units granted to Mr. Kuang under the Pre-IPO Equity Incentive Scheme on December 30, 2022 which have not vested yet; and (iv) 237,000 Shares held by Mr. Kuang directly.

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

Save as disclosed above, as of December 31, 2023, none of the Directors and chief executives of the Company has any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Model Code.

Other Information

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

As far as our Directors are aware, as of December 31, 2023, the following persons (other than the Directors and the chief executives of the Company whose interests have been disclosed in this annual report) had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to Section 336 of Part XV of the SFO::

Name of Substantial Shareholder	Capacity/Nature of interest	Number of shares	Approximate % of interest(1)
Trident Trust Company (HK) Limited(2)	Trustee	112,582,830 (L)	19.18%
Data Vantage Development Limited(3)(4)	Interest in controlled corporations	89,414,780 (L)	15.23%
HaoYuan health Limited(3)	Beneficial owner	89,414,780 (L)	15.23%
Jeffrey Steven Yass (5)	Interest in controlled corporations	31,570,783(L)	5.38%
Colombus International Holdings, Inc. (5)	Interest in controlled corporations	31,570,783(L)	5.38%
Explorer Partner Corp. (5)	Interest in controlled corporations	31,570,783(L)	5.38%
SIG Global Investments GP, LLC (6)	Interest in controlled corporations	31,570,783(L)	5.38%
SIG Pacific Holdings, LLLP (5)	Interest in controlled corporations	31,570,783(L)	5.38%
SIG Global China Fund I, LLLP (5)	Beneficial owner	31,570,783(L)	5.38%

Notes:

(1) The calculation is based on the total number of 587,038,219 Shares in issue as of December 31, 2023.

(2) Trident Trust Company (HK) Limited, as trustees of the Hao and Yuan Trust and 91health Incentive Trust, controls (i) (through Data Vantage Development Limited) HaoYuan health Limited, which holds 89,414,780 Shares and (ii) Prime Forest Assets Limited, which holds 23,168,050 Shares. Trident Trust Company (HK) Limited is therefore deemed to be interested in the Shares in which HaoYuan health Limited and Prime Forest Assets Limited respectively have interest. The interest of HaoYuan health Limited has also been disclosed as the interests of Mr. Kuang in the above section headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures".

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

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

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

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

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

Save as disclosed herein, as of December 31, 2023, no person, other than the Directors and chief executives whose interests are set out in this annual report, had any interests or short positions in the Shares or underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

Other Information

Share Schemes

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

0 new Share, representing approximately 0% of the weighted average of issued share capital of the Company, may be issued in respect of all options and awards granted during the Reporting Period to eligible participants pursuant to the Post-IPO Share Award Scheme.

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

Pre-IPO Equity Incentive Scheme

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

Purpose

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

Eligible participants

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

Maximum number of Shares available for grant and issue

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

The total number of Shares available for grant under the Pre-IPO Equity Incentive Scheme was 705,856 Shares as of January 1, 2023 and 1,075,894 Shares as of December 31, 2023.

Other Information

Limit for each participant

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

Option period

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

Vesting Period

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

Period of the Pre-IPO Equity Incentive Scheme

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

Purchase price

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

Exercise price

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

Payment for Shares

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

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

Other Information

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

Grantees in category	Role	Date of Grant	Vesting Period	Purchase price (per Share)	Unvested and undelivered RSUs as of January 1, 2023	Granted during the Reporting Period	Vested and delivered during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period	Unvested RSUs as of December 31, 2023	Weighted average closing price of the Shares immediately before the date of vesting and delivering during the Reporting Period
Director											
Mr. Kuang	Executive Director, Chief Executive Officer	January 1, 2020	4 years	HK$0.01 per Share	5,249,835	–	–	–	–	5,249,835	–
		December 30, 2022	4 years	HK$0.01 per Share	2,000,000	–	–	–	–	2,000,000	–
Four highest paid individual (excluding Mr. Kuang) during the Reporting Period in aggregate[(1)]		Between 2018 and 2020	4 years	HK$0.01 per Share	8,897,715	–	4,300,000	–	–	4,597,715	HK$7.70
		Between 2020 and 2021	4 years	HK$0.01 per Share	10,500,000	–	5,375,000	–	–	5,125,000	HK$7.38
		January 1, 2019	4 years	HK$0.01 per Share	4,900,000	–	4,900,000	–	–	–	HK$11.08
Other grantees in aggregate	Other employees	Between 2015 and 2021	Between immediately available and 4 years	HK$0.01 to HK$18.28	10,621,897	–	4,631,215	–	286,844	5,703,838	HK$7.10
		Between 2015 and 2021	Between immediately available and 4 years	HK$0.01	8,680,000	–	7,405,000	–	–	1,275,000	HK$7.38
		Between 2015 and 2021	Between immediately available and 4 years	HK$0.01 to HK$17.19	7,784,888	–	7,011,083	–	86,944	686,861	HK$7.59
		Between 2016 and 2018	Between 3 and 4 years	HK$0.08 to HK$0.55	1,850,000	–	1,850,000	–	–	–	HK$7.29
		September 1, 2022	4 years	HK$0.01 to HK$3.92	980,000	–	63,750	–	146,250	770,000	HK$7.10
		September 1, 2022	4 years	HK$3.92	20,000	–	5,000	–	–	15,000	HK$7.59
		December 15, 2022	4 years	HK$0.01	80,000	–	7,500	–	–	72,500	HK$7.10
Total					61,564,335	–	35,548,548	–	520,038	25,495,749	–

Note:

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

Other Information

Post-IPO Share Award Scheme

The Post-IPO Share Award Scheme was conditionally adopted by our Company on June 10, 2022. The following is a summary of the principal terms of the Post-IPO Share Award Scheme.

Purpose

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

Eligible Persons

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

Award

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

Granting of Awards

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

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

Other Information

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

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

As of January 1, 2023 and December 31, 2023, 45,611,321 Award Shares and 38,030,120 Award Shares were available for grant under the Post-IPO Share Award Scheme, respectively.

Maximum number of new Shares available for issue

The total number of new Shares issued and may be issued pursuant to the Post-IPO Share Award Scheme will not exceed 58,703,821 Shares, representing 10% of the Company's issued share capital upon the Listing (the "**Scheme Mandate**"). During the Reporting Period, no new Share was issued pursuant to the Post-IPO Share Award Scheme. It follows that, as of January 1, 2023, December 31, 2023 and the Latest Practicable Date, 58,703,821 new Shares (representing approximately 10% of the issued share capital of the Company as of the Latest Practicable Date) were available for issue under the Scheme Mandate.

Consideration and purchase price

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

Limit for each participant

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

Termination

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

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

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

Other Information

Remaining Life of the Post-IPO Share Award Scheme

The Post-IPO Share Award Scheme is valid and effective for a period of 10 years commencing from the Listing Date and up to July 6, 2032. The remaining life of the Post-IPO Share Award Scheme is approximately over 8 years.

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

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

Grantees in category	Date of Grant	Vesting Period	Purchase price (per Share)	Unvested and undelivered Award Shares as of January 1, 2023	Granted during the Reporting Period	Vested and delivered during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period	Unvested Award Shares as of December 31, 2023	Closing price of Shares immediately before the date of grant during the Reporting Period	Fair value of Awards Shares at the date of grant during the Reporting Period [1]	Weighted average closing price of the Shares immediately before the date of vesting and delivery during the Reporting Period
Employee Participants	December 30, 2022	2 or 4 years	HK$0.01	13,092,500[2]	–	2,400,000	–	183,799	10,508,701	N/A	N/A	HK$7.29
	July 1, 2023	0 to 4 years	HK$0.01	–	7,165,000	4,300,000	–	–	2,865,000	HK$7.79	HK$7.78	HK$6.80
	September 1, 2023	Immediately available	HK$0.01	–	600,000	600,000	–	–	–	HK$6.94	HK$6.93	HK$6.80
Total				13,092,500	7,765,000	7,300,000	–	183,799	13,373,701	–	–	–

Notes:

(1) The fair values of the Award Shares granted during the Reporting Period were determined based on the difference between the closing market price of the Company's shares that are publicly traded on the Stock Exchange at the grant date and the price of the RSUs payable by the grantee. For the relevant accounting standard and policy adopted, please refer to Note 28 to the consolidated financial statements.

(2) During the Reporting Period, due to administrative reasons, including change in personnel positions and costs reasons, the scheme administrator has resolved to make administrative adjustments (the "**Administrative Adjustments**") in relation to the type of Shares to be used to satisfy the unvested Award Shares granted on December 30, 2022 and to satisfy the 13,092,500 Award Shares with existing Shares (instead of new Shares as originally intended on the date of grant).

For the avoidance of doubt, (a) such Administrative Adjustments are allowed under the rules of the Post-IPO Share Award Scheme, (b) all the terms and conditions of the grant have not been amended, the updates are purely administrative adjustments and only in respect of how the awards shall be satisfied, and (c) all the awards subject to the Administrative Adjustments were granted before the effective date of the new Chapter 17 of the Listing Rules (i.e. January 1, 2023) and the Company has complied and will continue to comply with the Chapter 17 of the Listing Rules to the extent required by the transitional arrangements for the existing share schemes.

(3) There is no performance target attached to the Award Shares granted during the Reporting Period.

Other Information

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

During the Reporting Period, neither the Company nor any of its subsidiaries or Consolidated Affiliated Entities purchased, sold or redeemed any of the Company's listed securities.

Material litigation

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

Use of proceeds from the Global Offering

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

Set out below is the status of use of proceeds from the Global Offering as at December 31, 2023:

Purpose	% of use of proceeds	Net proceeds (HK$ million)	Unutilized amount as at December 31, 2022 (HK$ million)	Utilized during the year ended December 31, 2023 (HK$ million)	Unutilized amount as at December 31, 2023 (HK$ million)
Business expansion	60%	255.4	232.1	46.4	185.7
To advance our medical know-how and technology capabilities to reinforce our leadership in the digital healthcare industry	25%	106.4	97.2	27.6	69.6
To broaden our ecosystem through strategic partnerships, investments and acquisitions in other businesses that complement our organic growth strategies	5%	21.3	21.3	21.3	–
Working capital and general corporate purposes	10%	42.6	38.3	8.1	30.2
Total	**100%**	**425.7**	**388.9**	**103.4**	**285.5**

Corporate Governance Report

The Board is pleased to present the Corporate Governance Report of the Company during the Reporting Period.

Corporate Governance Practices

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

During the Reporting Period, the Company has adopted the principles and code provisions as set out in the Corporate Governance Code as a basis of our corporate governance practices and complied with the applicable code provisions, save for deviations from code provision C.2.1 as disclosed in the later part of this report..

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

Board of Directors

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

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

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

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

Corporate Governance Report

Board Composition

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

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

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

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

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

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

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

Chairman and Chief Executive Officer

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

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

Corporate Governance Report

Independent Non-executive Directors

During the Reporting Period, the Board has at all times met the requirements of Rules 3.10(1), 3.10(2) and 3.10A the Listing Rules relating to the appointment of at least three independent non-executive Directors, representing at least one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

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

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

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

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

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

During the year ended December 31, 2023, all Directors has completed the independence evaluation in the form of a questionnaire individually and supplemented by individual interviews. The Board Independence Evaluation Report was presented to the Board and the evaluation results were satisfactory.

During the year ended December 31, 2023, the Board reviewed the implementation and effectiveness of the Board Independence Evaluation Mechanism and the results were satisfactory.

Corporate Governance Report

Appointment and Re-election of Directors

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

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

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

Accordingly, Mr. Zhang Saiyin (張賽音先生) and Mr. Ang Khai Ming, shall retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company.

Responsibilities, accountabilities and contributions of the Board and management

The Board is responsible for leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. Directors of the Board take decisions objectively in the interests of the Company.

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

All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, 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. Independent non-executive Directors are invited to serve on the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company.

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

Corporate Governance Report

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

The Board reserves for its decision on all major matters relating to the approval and monitoring of policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and coordinating the daily operation and management of the Company are delegated to the management.

The Company has arranged appropriate insurance coverage on Directors' and officers' liabilities in respect of any legal actions taken against Directors and senior management arising out of corporate activities. The insurance coverage would be reviewed on an annual basis.

Continuous Professional Development of Directors

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

Every newly appointed Director will receive formal, comprehensive and tailored induction on the first occasion of his appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Directors are encouraged to participate in appropriate continuous professional development to develop and refresh their knowledge and skills. Internally-facilitated briefings for the Directors would be arranged and reading material on relevant topics would be provided to the Directors where appropriate. All Directors are encouraged to attend relevant training courses at the Company's expenses.

Corporate Governance Report

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

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

Board Committees

The Board has established three Board committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee for overseeing specific aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference. The terms of reference of each of these committees will be revised from time to time to ensure that they continue to meet the needs of the Company and to ensure compliance with the Corporate Governance Code where applicable. The terms of reference of the Board committees are posted on the Company's website and the Stock Exchange's website and are available to Shareholders upon request.

Audit Committee

The Company established the Audit Committee in compliance with Rules 3.21 and 3.22 of the Listing Rules with written terms of reference in compliance with the Corporate Governance Code and the roles and responsibilities delegated to the Audit Committee by the Board.

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

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

The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended December 31, 2023 and has discussed with the independent auditor, KPMG. The Audit Committee has also discussed matters with respect to the accounting policies and practices adopted by the Company and internal control and financial reporting matters with senior management members of the Company.

During the Reporting Period, the Audit Committee held two meeting(s), during which matters such as the audit plan for the Reporting Period, the interim and annual financial results and reports, effectiveness of the risk management, internal control systems and internal audit function, the implementation status of the internal control's rectification measures and appointment of external auditors and relevant scope of works were discussed.

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

Remuneration Committee

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

The terms of reference of the Remuneration Committee are of no less exacting terms than those set out in the Corporate Governance Code. The primary duties of the Remuneration Committee are to review and make recommendations to the Board on the terms of remuneration packages, bonuses and other compensation payable to our Directors and other senior management.

During the Reporting Period, the Remuneration Committee held one meeting, during which matters such as the review of the remuneration policy and the remuneration packages of the Directors and senior management of the Company, and making recommendations to the Board in this regard, reviewing and/or approving matters relating to share schemes under Chapter 17 of the Listing Rules and the review and recommendation of the grant of share awards to our executive Director and employees of the Company were discussed.

Corporate Governance Report

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

Remuneration bands	Number of individuals
Nil to RMB5,000,000	2
RMB5,000,001 to RMB10,000,000	0
RMB10,000,001 or above	3
Total	**5**

Nomination Committee

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

The terms of reference of the Nomination Committee are of no less exacting terms than those set out in the Corporate Governance Code. The primary duties of the Nomination Committee include making recommendations to our Board on the appointment of Directors and management of Board succession, reviewing the Board Diversity Policy, the Nomination Policy, and assessing the independence of the independent non-executive Directors.

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

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

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

Corporate Governance Report

Board Diversity Policy

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

Our Board has a balanced mix of knowledge, skills and experiences, including management, strategic planning, law, finance, investment, innovative pharma, generics, healthcare and technology industries. The Directors obtained degrees in various areas such as electrical engineering, law, economics, accounting and science. The Nomination Committee is responsible for ensuring the diversity of our Board members.

In order to enhance gender diversity of the Board, the Company will appoint at least one female director to join the Board by December 2024. The Nomination Committee will identify and recommend multiple suitable female candidates, including female representatives of our investors, to our Board for its consideration on appointment of a Director. Based on the Nomination Committee meeting in March 2024, the Directors will accelerate the process to recommend suitable female candidates, and there are two candidate as of the Last Practicable Date. The Company targets to hold another Nomination Committee meeting in the third quarter of 2024 to review and update on the progress.

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

Corporate Governance Report

The Nomination Committee will review the implementation of the Board Diversity Policy, from time to time and as appropriate but at least once a year, and ensure its effectiveness.

During the Reporting Period, the Nomination Committee has conducted an annual review of the implementation and effectiveness of the Board Diversity Policy, and believed that the experience and competence of the Directors in all aspects and areas could enable the Company to maintain operation at a high standard, and accordingly has not set other measurable objectives.

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

Employees' Diversity

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

As at December 31, 2023, female employees represented 49.4% of the total workforce (including senior management). The Company currently does not consider it appropriate to set any specific gender target for its workforce. As an equal opportunity employer, the Company also takes into account other relevant factors in its hiring decisions, and given it already maintains a close to 50% female representation in the Company's workforce, we consider that the gender ratio of the workforce of the Group is appropriate for its current business model and operational needs. The Company will continue to monitor and evaluate the diversity policy from time to time to ensure its continued effectiveness. The Company is not aware of any mitigating factor or circumstances which make achieving gender diversity across the workforce (including senior management) more challenging or less relevant.

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

Directors' Nomination Policy

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

Corporate Governance Report

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

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

During the Reporting Period, there was no change in the composition of the Board.

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

Directors' Remuneration Policy

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

It shall also make recommendations to the Board on the remuneration packages of individual executive Director and senior management. The remuneration of individual executive Director and senior management is determined with reference to factors such as the level of remuneration paid by comparable companies, the time commitment and responsibilities of directors and senior management, and the employment conditions of the Company and its subsidiaries, and to ensure that no director or any of their associates is involved in deciding that director's own remuneration.

Corporate Governance Functions

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

During the Reporting Period, the Board had reviewed the Company's corporate governance policies and practices, training and continuous professional development of the Directors and the senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code, and the Company's compliance with the Corporate Governance Code and disclosure in this Corporate Governance Report.

Board Meetings and Directors' Attendance Records

Pursuant to the code provision C.5.1 of the Corporate Governance Code, Board meetings should be held at least four times a year at approximately quarterly intervals with active participation of the majority of the Directors, either in person or through electronic means of communication. Four Board meetings and one general meeting were held during the Reporting Period. The Company expects to continue to convene at least four regular meetings in each financial year at approximately quarterly intervals in accordance with the code provision C.5.1 of the Corporate Governance Code.

Corporate Governance Report

The attendance records of each Director at the Board and Board committee meetings and general meeting of the Company held during the Reporting Period are set out below:

	Attendance/No. of Meeting(s)				
Name of Director	Board	Audit Committee	Remuneration Committee	Nomination Committee	General meeting
Mr. Kuang	4/4	—	1/1	1/1	1/1
Mr. Lee Kar Chung Felix	4/4	3/3	—	—	0/1
Dr. Hong Weili	4/4	3/3	1/1	1/1	1/1
Mr. Zhang Saiyin	4/4	3/3	1/1	1/1	1/1
Mr. Ang Khai Meng	4/4	—	—	—	1/1

Apart from the regular Board meetings, the chairman of the Board also held meetings with the independent non-executive Directors without the presence of other Director during the Reporting Period.

Risk management and internal control

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

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

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

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

Corporate Governance Report

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

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

The Board is responsible for the Group's risk management and internal control system and reviews the effectiveness of this system once every year. This system is designed to manage, though not entirely eliminate, the risk of failing to achieve business objectives, and provides a satisfactory, albeit not absolute, assurance against material misrepresentations or losses.

The Board has completed the annual review of the effectiveness of the Group's risk management and internal control system and believes that for the year ended December 31, 2023 (a) the Group has adequate and effective internal audit functions to continuously monitor the success of its risk management and internal control system; and (b) the Group's risk management and internal control systems are effective and adequate.

Whistleblowing and anti-corruption policies

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

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

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

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

Corporate Governance Report

Inside information

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

Dividend Policy

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

Compliance with the Model Code for Securities Transactions by Directors

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

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

Specific enquiry has been made of all the Directors and the relevant employees and they have confirmed that they have complied with the Model Code during the year ended December 31, 2023.

Directors' Responsibility in Respect of Financial Statements

The Directors acknowledge their responsibility for preparing the consolidated financial statements of the Company for the year ended December 31, 2023.

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

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

Auditor's Remuneration

Set out below is a breakdown of the remuneration paid and payable to the external auditor of the Company, KPMG, in respect of the audit services and non-audit service (tax consultation service) for the Reporting Period.

Service category	Fees paid/payable RMB'000
Audit services	4,500
Non-audit services	203
Total	**4,703**

Company Secretary

Ms. Fung Wai Sum ("**Ms. Fung**") of Tricor Services Limited (a company secretarial services provider), is the company secretary of the Company. Following Ms. Liu Mengya's resignation as a joint company secretary of the Company with effect from December 19, 2023, Ms. Fung, the remaining joint company secretary acts as the sole company secretary of the Company with effect from the same date. Ms. Fung's primary contact person at the Company is Ms. Li Zhiran, the Investor Relations Director of the Company.

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

Corporate Governance Report

Communications with Shareholders and Investors Relations

Shareholders' communication policy

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

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

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

During the Reporting Period, the Board reviewed the implementation and effectiveness of the Company's shareholder communication policy in respect of the year ended December 31, 2023, including taking into account the up-to-date information about the Company provided on various platforms such as the Company's website, the Company's financial reports published, and conducting of the Company's general meetings as well as announcements and other disclosures published by the Company during the year ended December 31, 2023, and considered all the communications being in-time, sufficient and accurate.

Shareholders' Rights

To safeguard Shareholders' interests and rights, a separate resolution is proposed for each substantially separate issue at general meetings, including the election of individual Directors.

All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each general meeting.

Procedures for Shareholders to Convene Extraordinary General Meeting

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

Corporate Governance Report

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

Putting Forward Proposals at General Meetings

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

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

Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board, Shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

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

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

Email: cloudrir@91jkys.com

For the avoidance of doubt, Shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. The information of the Shareholder(s) may be disclosed as required by law.

Change in Constitutional Documents

The Company adopted amended and restated Articles of Association on June 10, 2022, which have been effective from the Listing Date. During the Reporting Period, no other changes have been made to the said Articles of Association. The Articles of Association are available on the websites of the Company and the Stock Exchange.

Independent Auditor's Report

KPMG

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

OPINION

We have audited the consolidated financial statements of ClouDr Group Limited ("**the Company**") and its subsidiaries ("**the Group**") set out on pages 75 to 160, which comprise the consolidated statement of financial position as at 31 December 2023, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes, comprising material accounting policy information and other explanatory information.

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 2023 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards ("**IFRSs**") issued by the International Accounting Standards Board ("**IASB**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* ("**the Code**") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the Cayman Islands, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

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

KEY AUDIT MATTERS (continued)

Expected credit loss allowance for trade receivables

Refer to notes 18 and 30(a) to the consolidated financial statements and the accounting policies in note 2(k)(i).

The Key Audit Matter	How the matter was addressed in our audit
As at 31 December 2023, the Group's gross trade receivables amounted to RMB838 million, which represented approximately 28% of the total assets of the Group. Management assessed the expected credit loss ("**ECL**") of the trade receivables and an allowance of RMB35.1 million was made against the trade receivables as at 31 December 2023. According to the Group's past experience, the loss patterns for different customers are not significantly different. Therefore, the trade receivables are not segmented when calculating the loss allowance. The Group's loss allowance for trade receivables is measured at an amount equal to lifetime ECL based on management's estimated loss rates. The estimated loss rates take into account the aging of the trade receivables balances, historical default rates, current market conditions and forward-looking information. Such assessment involves management judgement and estimation. We identified the ECL allowance for trade receivables as a key audit matter because the assessment of the loss allowance requires the exercise of management judgement which is inherently subjective.	Our audit procedures to assess the ECL allowance for trade receivables included the following: • obtaining an understanding of and assessing the design, implementation and operating effectiveness of managements' key internal controls relating to credit control procedures and the estimation of the credit loss allowance; • evaluating the Group's policy for estimating the credit loss allowance with reference to the requirements of the prevailing accounting standards; • assessing whether items in the trade receivable ageing report were categorised in the appropriate ageing bracket by comparing the individual items in the trade receivable ageing report with the underlying goods delivery notes, on a sample basis; • obtaining an understanding of the key data and assumptions that management uses in its implementation of the ECL model, including the historical default data used in management's estimated loss rates; • assessing the appropriateness of management's assessment that no segmentation of the trade receivables is required and management's estimates of loss allowance by examining the information used by management to derive such assessment and estimates, including testing the accuracy of the historical default data and evaluating whether the historical loss rates are appropriately adjusted based on current market conditions and forward-looking information; and • re-performing the calculation of the loss allowance as at 31 December 2023 based on the Group's ECL allowance policies.

Independent Auditor's Report

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

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

Independent Auditor's Report

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

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

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

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

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

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

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

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

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

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

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

Independent Auditor's Report

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Yeung Ka Chun.

KPMG
Certified Public Accountants

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

21 March 2024

Consolidated Statement of Profit or Loss

For the year ended 31 December 2023
(Expressed in Renminbi ("**RMB**"))

	Note	2023 RMB'000	2022 RMB'000
Revenue	4	**3,690,536**	2,988,056
Cost of sales		**(2,781,154)**	(2,195,956)
Gross profit		**909,382**	792,100
Other net income	5	**43,559**	39,435
Selling and marketing expenses		**(828,760)**	(933,217)
Administrative expenses		**(340,200)**	(335,562)
Research and development expenses		**(88,042)**	(114,789)
Impairment loss on trade receivables and other receivables		**(10,181)**	(39,530)
Loss from operations		**(314,242)**	(591,563)
Finance costs	6(a)	**(11,494)**	(8,391)
Change in the carrying amounts of financial instruments issued to investors		**(1,590)**	—
Change in fair value of financial liabilities	26	**—**	(1,087,874)
Impairment loss on intangible assets		**—**	(3,562)
Impairment loss on goodwill		**—**	(2,253)
Loss before taxation		**(327,326)**	(1,693,643)
Income tax	7	**(18)**	1,422
Loss for the year		**(327,344)**	(1,692,221)
Attributable to:			
— Equity shareholders of the Company		**(323,065)**	(1,688,937)
— Non-controlling interests		**(4,279)**	(3,284)
Loss for the year		**(327,344)**	(1,692,221)
Loss per share	10		
Basic and diluted (RMB)		**(0.60)**	(5.62)

The notes on pages 82 to 160 form part of these financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2023
(Expressed in Renminbi)

	Note	2023 RMB'000	2022 RMB'000
Loss for the year		**(327,344)**	(1,692,221)
Other comprehensive income for the year (after tax)			
Item that may be reclassified subsequently to profit or loss:			
Exchange difference on translation of foreign operations		**5,880**	(466,551)
Total comprehensive income for the year		**(321,464)**	(2,158,772)
Attributable to:			
— Equity shareholders of the Company		**(317,185)**	(2,155,488)
— Non-controlling interests		**(4,279)**	(3,284)
Total comprehensive income for the year		**(321,464)**	(2,158,772)

The notes on pages 82 to 160 form part of these financial statements.

Consolidated Statement of Financial Position

(Expressed in Renminbi)

	Note	At 31 December 2023 RMB'000	2022 RMB'000
Non-current assets			
Property, plant and equipment	*11*	**207,962**	137,377
Intangible assets	*12*	**250,532**	327,290
Goodwill	*13*	**86,469**	85,980
Financial assets measured at fair value through profit or loss ("**FVPL**")	*16*	**40,000**	—
Other non-current assets	*14*	**56,798**	35,319
		641,761	585,966
Current assets			
Financial assets measured at FVPL	*16*	**346,721**	423,501
Inventories	*17*	**298,134**	224,809
Trade and bills receivables	*18*	**814,751**	758,533
Prepayments, deposits and other receivables	*19*	**571,623**	467,575
Restricted bank deposits	*20*	**23,700**	74,370
Time deposits with initial term over three months	*20*	**5,000**	50,000
Cash and cash equivalents	*20*	**243,375**	249,674
		2,303,304	2,248,462
Current liabilities			
Trade payables	*21*	**233,249**	120,800
Other payables and accrued expenses	*22*	**361,514**	459,870
Contract liabilities	*23*	**71,412**	99,576
Bank and other loans	*24*	**220,023**	192,543
Lease Liabilities	*25*	**13,679**	11,228
Financial instruments issued to investors	*27*	**201,590**	—
		1,101,467	884,017
Net current assets		**1,201,837**	1,364,445
Total assets less current liabilities		**1,843,598**	1,950,411

Consolidated Statement of Financial Position

(Expressed in Renminbi)

		At 31 December	
	Note	**2023** **RMB'000**	2022 RMB'000
Non-current liabilities			
Bank and other loans	*24*	**15,000**	—
Lease liabilities	*25*	**18,349**	19,611
Deferred tax liabilities		**44,943**	49,425
		78,292	69,036
NET ASSETS		**1,765,306**	1,881,375
CAPITAL AND RESERVES			
Share capital	*29(c)*	**391**	391
Reserves	*29(d)*	**1,824,939**	1,848,957
Total equity attributable to equity shareholders of the Company		**1,825,330**	1,849,348
Non-controlling interests		**(60,024)**	32,027
TOTAL EQUITY		**1,765,306**	1,881,375

Approved and authorised for issue by the board of directors on 21 March 2024.

Kuang Ming
Director

Lee Kar Chung Felix
Director

The notes on pages 82 to 160 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2023
(Expressed in Renminbi)

		Attributable to equity shareholders of the Company									
	Note	Share capital RMB'000 Note 29	Treasury share reserve RMB'000 Note 29	Capital reserve RMB'000 Note 29	Share-based payments reserve RMB'000 Note 28	Other reserve RMB'000 Note 29	Exchange reserve RMB'000	Accumulated losses RMB'000	Subtotal RMB'000	Non-controlling interests RMB'000	Total deficit RMB'000
Balance at 1 January 2022		110	(47)	202,982	290,607	2,546	268,829	(7,902,979)	(7,137,952)	(17,179)	(7,155,131)
Changes in equity for 2022:											
Loss for the year		–	–	–	–	–	–	(1,688,937)	(1,688,937)	(3,284)	(1,692,221)
Other comprehensive income		–	–	–	–	–	(466,551)	–	(466,551)	–	(466,551)
Total comprehensive income		–	–	–	–	–	(466,551)	(1,688,937)	(2,155,488)	(3,284)	(2,158,772)
Issuance of shares by initial public offering, net of transaction costs	*29(c)(i)*	13	–	472,020	–	–	–	–	472,033	–	472,033
Treasury shares	*29(d)(i)*	–	(40,288)	–	–	–	–	–	(40,288)	–	(40,288)
Conversion of convertible redeemable preferred shares	*26*	268	–	10,521,952	–	–	–	–	10,522,220	–	10,522,220
Non-controlling interests arising from acquisition of subsidiaries	*31*	–	–	–	–	–	–	–	–	10,221	10,221
Capital injection into a subsidiary by non-controlling interests		–	–	–	–	–	–	–	–	42,269	42,269
Equity-settled share-based payment	*6(b)*	–	–	–	188,722	–	–	–	188,722	–	188,722
Restricted share units vested and delivered	*28*	–	7	85,809	(85,715)	–	–	–	101	–	101
Balance at 31 December 2022		391	(40,328)	11,282,763	393,614	2,546	(197,722)	(9,591,916)	1,849,348	32,027	1,881,375
Balance at 1 January 2023		**391**	**(40,328)**	**11,282,763**	**393,614**	**2,546**	**(197,722)**	**(9,591,916)**	**1,849,348**	**32,027**	**1,881,375**
Changes in equity for 2023:											
Loss for the year		**–**	**–**	**–**	**–**	**–**	**–**	**(323,065)**	**(323,065)**	**(4,279)**	**(327,344)**
Other comprehensive income		**–**	**–**	**–**	**–**	**–**	**5,880**	**–**	**5,880**	**–**	**5,880**
Total comprehensive income		**–**	**–**	**–**	**–**	**–**	**5,880**	**(323,065)**	**(317,185)**	**(4,279)**	**(321,464)**
Acquisitions of non-controlling interests in a subsidiary	*29(d)(ii)*	**–**	**–**	**(19,735)**	**–**	**–**	**–**	**–**	**(19,735)**	**(5,265)**	**(25,000)**
Non-controlling interests arising from acquisition of subsidiaries	*31*	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**84**	**84**
Transfer of shares of subsidiaries to non-controlling interests	*29(d)(ii)*	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**6,382**	**6,382**
Issuance of shares of a subsidiary to non-controlling interests	*27*	**–**	**–**	**289,973**	**–**	**–**	**–**	**–**	**289,973**	**(89,973)**	**200,000**
Recognition of redemption liabilities for the redemption rights	*27*	**–**	**–**	**(200,000)**	**–**	**–**	**–**	**–**	**(200,000)**	**–**	**(200,000)**
Capital injection into a subsidiary by non-controlling interests		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1,000**	**1,000**
Equity-settled share-based payment	*6(b)*	**–**	**–**	**–**	**232,080**	**–**	**–**	**–**	**232,080**	**–**	**232,080**
Restricted share units vested and delivered	*28*	**–**	**26,165**	**201,156**	**(236,472)**	**–**	**–**	**–**	**(9,151)**	**–**	**(9,151)**
Balance at 31 December 2023		**391**	**(14,163)**	**11,554,157**	**389,222**	**2,546**	**(191,842)**	**(9,914,981)**	**1,825,330**	**(60,024)**	**1,765,306**

The notes on pages 82 to 160 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2023
(Expressed in Renminbi)

	Note	2023 RMB'000	2022 RMB'000
Operating activities			
Cash used in operations	*20(b)*	(137,489)	(638,632)
Income tax paid		(2,941)	(3,999)
Net cash used in operating activities		(140,430)	(642,631)
Investing activities			
Payment for the purchase of property, plant and equipment and intangible assets		(123,029)	(167,236)
Proceeds from disposal of property, plant and equipment and intangible assets		7,122	53
Acquisition of subsidiaries, net of cash acquired		(4,883)	(152,070)
Disposal of a subsidiary		—	1,307
Advances to third parties and staffs		(11,300)	(1,318)
Proceeds from repayment of advances to third parties and staffs		3,900	8,951
Acquisition of non-controlling interest		(3,500)	—
Net proceeds from sales/(payment for purchase) of financial assets measured at FVPL		55,349	(384,628)
Placement of time deposits with original maturity over three months		(5,000)	(50,000)
Proceeds from disposal of time deposits with original maturity over three months		50,000	—
Advances to non-controlling interest of the Group		(20,620)	—
Proceeds from repayment of advances to non-controlling interest of the Group		13,620	—
Net cash used in investing activities		(38,341)	(744,941)

Consolidated Cash Flow Statement

For the year ended 31 December 2023
(Expressed in Renminbi)

	Note	2023 RMB'000	2022 RMB'000
Financing activities			
Proceeds from issuance of shares by initial public offering		–	497,357
Proceeds from issuance of the financial instruments to investors		190,000	–
Proceeds of investment deposit from an investor		20,000	–
Capital injection from non-controlling interest in a subsidiary		1,000	42,269
Proceeds from bank and other loans	20(c)	392,313	178,507
Repayment of bank and other loans	20(c)	(352,955)	(160,268)
Advances from non-controlling interest of the Group	20(c)	–	4,291
Repayment of advance from non-controlling interest of the Group		(4,241)	–
Advance from third parties and staffs	20(c)	–	22,334
Repayment of advance from third parties and staffs	20(c)	(13,432)	–
Interest expense paid	20(c)	(9,083)	(7,028)
Payment of capital element of lease liabilities	20(c)	(14,217)	(13,061)
Payment of interest element of lease liabilities	20(c)	(1,077)	(993)
Payment for purchase of treasury shares	29(d)(i)	(7,083)	(40,288)
Issuance cost of convertible redeemable preferred shares, the listing of the Company's shares and the financial instruments issued to investors		(29,411)	(19,572)
Net cash generated from financing activities		171,814	503,548
Net decrease in cash and cash equivalents		(6,957)	(884,024)
Cash and cash equivalents at 1 January	20(a)	249,674	1,090,575
Effect of foreign exchange rate changes		658	43,123
Cash and cash equivalents at 31 December	20(a)	243,375	249,674

The notes on pages 82 to 160 form part of these financial statements.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

1 PRINCIPAL ACTIVITIES AND ORGANISATION

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

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

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

2 MATERIAL ACCOUNTING POLICIES

(a) Statement of compliance

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

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

(b) Basis for preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2023 comprise the Company and its subsidiaries and the Group's interest in associates.

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

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

— Convertible redeemable preferred shares and convertible loans (see note 2(q)); and

— derivative financial instruments (see note 2(g)).

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES (continued)

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

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

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

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

(c) Changes in accounting policies

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

- IFRS 17, *Insurance contracts*
- Amendments to IAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*
- Amendments to IAS 1, *Presentation of financial statements and IFRS Practice Statement 2, Making materiality judgements: Disclosure of accounting policies*
- Amendments to IAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*
- Amendments to IAS 12, *Income taxes: International tax reform — Pillar Two model rules*

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES (continued)

(c) Changes in accounting policies (continued)

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

IFRS 17, Insurance contracts

IFRS 17, which replaces IFRS 4, sets out the recognition, measurement, presentation and disclosure requirements applicable to issuers of insurance contracts. The standard does not have a material impact on these financial statements as the Group does not have contracts within the scope of IFRS 17.

Amendments to IAS 8, Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates

The amendments provide further guidance on the distinction between changes in accounting policies and changes in accounting estimates. The amendments do not have a material impact on these financial statements as the Group's approach in distinguishing changes in accounting policies and changes in accounting estimates is consistent with the amendments.

Amendments to IAS 1, Presentation of financial statements and IFRS Practice Statement 2, Making materiality judgements: Disclosure of accounting policies

The amendments require entities to disclose material accounting policy information and provide guidance on applying the concept of materiality to accounting policy disclosure. The Group has revisited the accounting policy information it has been disclosing and considered it is consistent with the amendments.

Amendments to IAS 12, Income taxes: Deferred tax related to assets and liabilities arising from a single transaction

The amendments narrow the scope of the initial recognition exemption such that it does not apply to transactions that give rise to equal and offsetting temporary differences on initial recognition such as leases. For leases, the associated deferred tax assets and liabilities are required to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments are applied to those transactions that occur after the beginning of the earliest period presented.

Prior to the amendments, the Group did not apply the initial recognition exemption to lease transactions and had recognised the related deferred tax, except that the Group previously determined the temporary difference arising from a right-of-use asset and the related lease liability on a net basis on the basis they arise from a single transaction. Following the amendments, the Group has determined the temporary differences in relation to right-of-use assets and lease liabilities separately. The change primarily does not impact the overall deferred tax balances presented in the consolidated statement of financial position as the related deferred tax balances qualify for offsetting under IAS 12.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES (continued)

(c) Changes in accounting policies (continued)

Amendments to IAS 12, Income taxes: International tax reform — Pillar Two model rules

The amendments introduce a temporary mandatory exception from deferred tax accounting for the income tax arising from tax laws enacted or substantively enacted to implement the Pillar Two model rules published by the Organization for Economic Co-operation and Development ("**OECD**") (income tax arising from such tax laws is hereafter referred to as "**Pillar Two income taxes**"), including tax laws that implement qualified domestic minimum top-up taxes described in those rules. The amendments also introduce disclosure requirements about such tax including the estimated tax exposure to Pillar Two income taxes. The amendments are immediately effective upon issuance and require retrospective application. The amendments do not have a material impact on these financial statements.

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Intra-group balances and transactions, and any unrealised income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions are eliminated. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

For each business combination, the Group can elect to measure any non-controlling interests ("**NCI**") either at fair value or at the NCI's proportionate share of the subsidiary's net identifiable assets.

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

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

When the Group loses control of a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in that former subsidiary is measured at fair value when control is lost.

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

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES (continued)

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

(i) Subsidiaries controlled through Contractual Arrangements

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

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

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

(ii) Business combinations

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

Acquisition-related costs are expensed as incurred.

2 MATERIAL ACCOUNTING POLICIES (continued)

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

(ii) Business combinations (continued)

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

(e) Goodwill

Goodwill arising on acquisition of businesses is measured at cost less accumulated impairment losses and is tested annually for impairment (see note 2(k)).

(f) Other investments in securities

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

Investments in securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss (FVPL) for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see note 30(d). These investments are subsequently accounted for as follows, depending on their classification.

(i) Non-equity investments

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

— amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Expected credit losses, interest income calculated using the effective interest method (see note 2(w)(ii)), foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

— fair value through other comprehensive income (FVOCI)-recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses are recognised in profit or loss and computed in the same manner as if the financial asset was measured at amortised cost. The difference between the fair value and the amortised cost is recognised in other comprehensive income (OCI). When the investment is derecognised, the amount accumulated in OCI is recycled from equity to profit or loss.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES (continued)

(f) Other investments in securities (continued)

(i) ***Non-equity investments*** (continued)

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

(ii) ***Equity investments***

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

(g) Derivative financial instruments

Derivative financial instruments are recognised at fair value. At the end of each reporting period, the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

(h) Property, plant and equipment

The following items of property, plant and equipment are stated at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses (see note 2(k)):

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

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

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components).

Any gain or loss on disposal of an item of property, plant and equipment recognised in profit or loss. Any related revaluation surplus is transferred from the revaluation reserve to retained profits and is not reclassified to profit or loss.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES (continued)

(h) Property, plant and equipment (continued)

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual values, if any, using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss.

The estimated useful lives for the current and comparative periods are as follows:

—	Plants and buildings	30–40 years
—	Electronic and production equipment	3–10 years
—	Office Equipment	3–6 years
—	Motor vehicles	3–5 years
—	Leasehold improvement	1–5 years
—	Right-of-use assets	Over the lease term

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(i) Intangible assets (other than goodwill)

Expenditure on research activities is recognised in profit or loss as incurred. Development expenditure is capitalised only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the resulting asset. Otherwise, it is recognised in profit or loss as incurred. Capitalised development expenditure is subsequently measured at cost less accumulated amortisation and any accumulated impairment losses.

Intangible assets, including patents and trademarks, that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses (see note 2(k)). Expenditure on internally generated goodwill and brands is recognised in profit or loss as incurred.

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, if any, and is generally recognised in profit or loss. The estimated useful lives for the current and comparative periods are as follows:

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

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES (continued)

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

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

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

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

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

(j) Leased assets

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

As a lessee

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for leases that have a short lease term of 12 months or less and leases of low-value items such as laptops and office furniture. When the Group enters into a lease in respect of a low-value item, the Group decides whether to capitalise the lease on a lease-by-lease basis. If not capitalised, the associated lease payments are recognised in profit or loss on a systematic basis over the lease term.

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

(Expressed in Renminbi unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES (continued)

(j) Leased assets (continued)

As a lessee (continued)

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

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

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

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

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES (continued)

(k) Credit losses and impairment of assets

(i) Credit losses from financial instruments

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

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Generally, credit losses are measured as the present value of all expected cash shortfalls between the contractual and expected amounts.

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

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

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

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

ECLs are measured on either of the following bases:

— 12-month ECLs: these are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months); and

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

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-months ECLs:

— financial instruments that are determined to have low credit risk at the reporting date; and

— other financial instruments (including loan commitments issued) for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs.

(Expressed in Renminbi unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES (continued)

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

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

Significant increases in credit risk

When determining whether the credit risk of a financial instrument has increased significantly since initial recognition and when measuring ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the group's historical experience and informed credit assessment, that includes forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

For loan commitments, the date of initial recognition for the purpose of assessing ECLs is considered to be the date that the Group becomes a party to the irrevocable commitment. In assessing whether there has been a significant increase in credit risk since initial recognition of a loan commitment, the Group considers changes in the risk of default occurring on the loan to which the loan commitment relates.

The Group considers a financial asset to be in default when:

— the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or

— the financial asset is 90 days past due.

The Group considers a financial instrument to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

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

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES (continued)

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

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

Credit-impaired financial assets

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

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

— significant financial difficulties of the debtor;

— a breach of contract, such as a default or being more than 90 days past due;

— the restructuring of a loan or advance by the group on terms that the group would not consider otherwise;

— it is probable that the debtor will enter bankruptcy or other financial reorganization; or

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

Write-off policy

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

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

(ii) ***Impairment of other non-current assets***

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than property carried at revalued amounts, investment property, inventories and other contract costs, contract assets and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest Group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units ("**CGU**"s). Goodwill arising from a business combination is allocated to CGUs or Groups of CGUs that are expected to benefit from the synergies of the combination.

(Expressed in Renminbi unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES (continued)

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

(ii) ***Impairment of other non-current assets*** (continued)

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs of disposal. Value in use is based on the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the resulting carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(l) Inventories

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

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

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

(m) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration and only the passage of time is required before payment of that consideration is due.

Trade receivables that do not contain a significant financing component are initially measured at their transaction price. Trade receivables that contain a significant financing component and other receivables are initially measured at fair value plus transaction costs. All receivables are subsequently stated at amortised cost (see note 2(k)(i)).

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES (continued)

(n) Cash and cash equivalents

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

(o) Contract liabilities

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

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

(p) Trade and other payables

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

(q) Convertible redeemable preferred shares and convertible loans

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

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

2 MATERIAL ACCOUNTING POLICIES (continued)

(r) Redemption liabilities

A contract that contains an obligation for the Group to purchase its own equity instruments for cash or another financial asset gives rise to a financial liability even if the Group's obligation to purchase is conditional on the counterparty exercising its right to redeem. The redemption liability is initially measured at the present value of the redemption amount and subsequently measured at amortised cost with interest expense being included in change in the carrying amounts of financial instruments issued to investors.

The then carrying amount of the redemption liability is reclassified to equity upon a termination of the counterparty's redemption right.

(s) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequently, these borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with note 2(y).

(t) Employee benefits

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

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Obligations for contributions to defined contribution retirement plans are expensed as the related service is provided.

(ii) Share-based payments

Restricted share units

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

(iii) Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES (continued)

(u) Income tax

Income tax expense comprises current tax and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

Current tax comprises the estimated tax payable or receivable on the taxable income or loss for the year and any adjustments to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects any uncertainty related to income taxes. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

— temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences;

— temporary differences related to investment in subsidiaries, associates and joint venture to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future;

— taxable temporary differences arising on the initial recognition of goodwill; and

— those related to the income taxes arising from tax laws enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development.

The Group recognised deferred tax assets and deferred tax liabilities separately in relation to its lease liabilities and right-of-use assets.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

2 MATERIAL ACCOUNTING POLICIES (continued)

(u) Income tax (continued)

Where investment properties are carried at their fair value, the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date, unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if certain criteria are met.

(v) Provisions and contingent liabilities

Generally provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability.

A provision for warranties is recognised when the underlying products or services are sold, based on historical warranty data and a weighting of possible outcomes against their associated probabilities.

A provision for onerous contracts is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract, which is determined based on the incremental costs of fulfilling the obligation under that contract and an allocation of other costs directly related to fulfilling that contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract (see note 2(k)(ii)).

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.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES (continued)

(w) Revenue and other income

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

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

(i) Revenue from contracts with customers

The Group is the principal for its revenue transactions and recognises revenue on a gross basis, including the sale of products that are sourced externally. In determining whether the Group acts as a principal or as an agent, it considers whether it obtains control of the products before they are transferred to the customers. Control refers to the Group's ability to direct the use of and obtain substantially all of the remaining benefits from the products.

Revenue is recognised when control over a product is transferred to the customer at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties such as value added tax or other sales taxes.

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

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

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

(b) Providing digital marketing services

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

(c) Providing hospital SaaS and pharmacy SaaS

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

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES (continued)

(w) Revenue and other income (continued)

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

(d) *Premium membership services*

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

(e) *Others*

Others includes rendering insurance brokerage service and advertisement agent services.

— Providing insurance brokerage service

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

— Providing advertisement agent services

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

(ii) ***Interest income***

Interest income is recognised using the effective interest method. The "effective interest rate" is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. In calculating interest income, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired). However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES (continued)

(w) Revenue and other income (continued)

(iii) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them.

Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred.

Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

(x) Translation of foreign currencies

Transactions in foreign currencies are translated into the respective functional currencies of group companies at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary assets and liabilities that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss.

However, foreign currency differences arising from the translation of the following items are recognised in OCI:

— an investment in equity securities designated as at FVOCI (except on impairment, in which case foreign currency differences that have been recognised in OCI are reclassified to profit or loss);

— a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; and

— qualifying cash flow hedges to the extent that the hedges are effective.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into Hong Kong dollars at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into Hong Kong dollars at the exchange rates at the dates of the transactions.

Foreign currency differences are recognised in OCI and accumulated in the exchange reserve, except to the extent that the translation difference is allocated to NCI.

2 MATERIAL ACCOUNTING POLICIES (continued)

(x) Translation of foreign currencies (continued)

When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the exchange reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. On disposal of a subsidiary that includes a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation that have been attributed to the NCI shall be derecognised, but shall not be reclassified to profit or loss. If the group disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to NCI. When the group disposes of only part of an associate or joint venture while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

(y) Borrowing costs

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

(z) Related parties

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

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

(ii) has significant influence over the Group; or

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

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES (continued)

(z) Related parties (continued)

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

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

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

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

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

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

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

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

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

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

(aa) Segment reporting

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

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

3 ACCOUNTING JUDGEMENT AND ESTIMATES

(a) Expected credit losses for receivables

The credit losses for trade receivables and other receivables are based on assumptions about the expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. For details of the key assumptions and inputs used, see Note 30(a). Changes in these assumptions and estimates could materially affect the result of the assessment and the Group may make additional loss allowances in future periods.

(b) Impairment of goodwill

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

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

In connection with an acquisition of subsidiary which constitutes a business combination, the assets acquired and liabilities assumed were adjusted to their estimated fair values on the acquisition date. The determination of the fair values of assets acquired and liabilities assumed involves management's judgements and assumptions. The fair values of assets acquired and liabilities assumed were derived from a valuation report from an independent professional qualified valuer. Such valuations were based on certain assumptions, which were subject to uncertainty and might materially differ from the actual results. Any change in such judgements and assumptions would affect the fair value of assets acquired and liabilities assumed. Details of the fair value of identified assets and liabilities are disclosed in note 31.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

4 REVENUE AND SEGMENT REPORTING

(a) Revenue from contracts with customers

(i) Disaggregation of revenue

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

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

— Patient to manufacturer ("**P2M**") solutions include sales of pharmaceutical products to hospitals of which the Group had ownership or national distribution rights through strategic cooperation with pharmaceutical companies;

— Value added solutions include sales of hospital supplies excluding the sales of pharmaceutical products included in the P2M solutions, pharmacy supplies and providing hospital SaaS;

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

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

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

4 REVENUE AND SEGMENT REPORTING (continued)

(a) Revenue from contracts with customers (continued)

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

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

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Type of customer:		
In-hospital solution		
Value added solution	**2,304,597**	1,645,086
P2M solution	**101,249**	—
Subscription solution	**467,210**	539,391
Pharmacy solution		
Subscription solution	**59,095**	55,144
Value added solution	**599,488**	560,668
Individual chronic condition management solution and others	**158,897**	187,767
	3,690,536	2,988,056
Timing of revenue recognition:		
Point in time	**3,628,125**	2,924,504
Over time	**62,411**	63,552
	3,690,536	2,988,056

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

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Customer A	**732,283**	312,648

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

4 REVENUE AND SEGMENT REPORTING (continued)

(a) Revenue from contracts with customers (continued)

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

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

	At 31 December	
	2023	2022
	RMB'000	RMB'000
Pharmacy SaaS	**40,671**	47,939
Premium membership services	**–**	21,218
	40,671	69,157

(b) Segment reporting

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

5 OTHER NET INCOME

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Government grants	**29,871**	25,390
Interest income	**2,056**	3,637
Fair value gains on financial assets measured at FVPL	**11,450**	10,873
Foreign exchange gain/(loss)	**282**	(459)
Others	**(100)**	(6)
	43,559	39,435

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

6 LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

(a) Finance costs

		Year ended 31 December	
	Note	**2023 RMB'000**	2022 RMB'000
Interest expenses	*20(c)*	**9,705**	7,028
Interest on lease liabilities	*20(c)*	**1,077**	993
Other financial cost		**712**	370
		11,494	8,391

(b) Staff costs

		Year ended 31 December	
	Note	**2023 RMB'000**	2022 RMB'000
Salaries, wages and other benefits		**377,911**	400,920
Contributions to defined contribution retirement plan *(note (i))*		**19,390**	20,532
Equity-settled share-based payment expenses	28	**232,080**	188,722
		629,381	610,174

Note:

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

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

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

6 LOSS BEFORE TAXATION (continued)

(c) Other items

	Note	Year ended 31 December 2023 RMB'000	2022 RMB'000
Amortisation of intangible assets	*12*	**67,250**	75,507
Depreciation expenses	*11*	**40,929**	26,435
Write down of inventories	*17*	**1,487**	1,078
Costs incurred in connection with the listing of the Company's shares		**–**	70,230
Auditors' remuneration			
— audit services		**4,500**	4,500
— non-audit services		**203**	—
Issuance cost of the financial instruments issued to investors		**18,574**	—
Cost of inventories	*17*	**2,659,854**	2,044,758

7 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

	Year ended 31 December 2023 RMB'000	2022 RMB'000
Current tax expense		
Provision for PRC income tax for the year	**4,500**	3,630
Deferred tax expense		
Reversal of temporary differences	**(4,482)**	(5,052)
	18	(1,422)

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

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

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Loss before taxation	**(327,326)**	(1,693,643)
Notional tax calculated *(note (i))*	**(81,831)**	(423,411)
Different tax rates in foreign tax jurisdictions *(notes (ii) and (iii))*	**14,250**	309,848
Tax effect of non-deductible expenses	**35,636**	6,095
Tax effect of additional deduction from qualified research and development costs *(note (iv))*	**(11,569)**	(18,040)
Tax effect of utilisation of tax losses previously unrecognised	**(15,812)**	(983)
Tax effect of deductible temporary differences not recognized	**3,771**	8,389
Tax effect of unrecognized tax losses	**55,573**	116,680
	18	(1,422)

Notes:

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

According to the PRC income tax law and its relevant regulations, entities that qualified as small and low profit enterprise are entitled to a preferential income tax rate of 5% (for taxable income less than RMB3,000,000) in 2023, and a preferential income tax rate of 5% (for taxable income less than RMB1,000,000) or 10% (for taxable income range from RMB1,000,000 to RMB3,000,000) in 2022. Certain subsidiaries of the Group were qualified as small and low profit enterprise and entitled preferential income tax rate for the years ended 31 December 2023 and 2022.

Hangzhou Kangsheng Health Management Consultant Co., Ltd. ("**Kangsheng**"), Polifarma (Nanjing) Co., Ltd. ("**Baolihua**") and Jiangsu Chengsheng Gene Precision Medical Technology Co., Ltd ("**Jiangsuchengsheng**") obtained the qualification as a high-tech enterprise. Kangsheng was entitled to a preferential income tax rate of 15% from 2021 to 2023, Baolihua and Jiangsuchengsheng were entitled to a preferential income tax rate of 15% from 2023 to 2026.

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

(iii) The Company's subsidiary incorporated in Hong Kong is subject to Hong Kong profit tax at 16.5% of the estimated assessable profit. No provision for Hong Kong Profits Tax has been made, as the subsidiary of the Group incorporated in Hong Kong did not have assessable profits which are subject to Hong Kong Profits Tax during the years ended 31 December 2023 and 2022.

(iv) Effective from 1 January 2023, an additional 100% of qualified research and development expenses incurred by the Group is allowed to be deducted from taxable income under the PRC income tax law and its relevant regulations (2022: 75%).

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

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

(c) Deferred tax assets not recognised

As at 31 December 2023, the Group has unused tax losses of approximately RMB1,894 million (2022: RMB2,185 million) available for offset against future profits. No deferred tax assets have been recognised in respect of the tax losses due to the unpredictability of future profits streams.

As at 31 December 2023, Kangsheng, Baolihua and Jiangsuchengsheng's tax losses of approximately RMB1,197 million (2022: RMB1,526 million) will expire in 10 years from the dates they were incurred, if unused. The tax losses of the other companies in the Group of approximately RMB697 million (2022: RMB659 million) will expire in five years from the dates they were incurred, if unused.

8 DIRECTORS' EMOLUMENTS

	Year ended 31 December 2023						
	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Sub-Total RMB'000	Equity-settled share-based payments (note (a)) RMB'000	Total RMB'000
Executive director							
Kuang Ming	–	1,471	800	51	2,322	15,135	17,457
Non-executive director							
Lee Kar Chung Felix *(note (b))*	–	–	–	–	–	–	–
Independent non-executive directors							
Hong Weili *(note (b))*	360	–	–	–	360	–	360
Zhang Saiyin *(note (b))*	360	–	–	–	360	–	360
Ang Khai Meng *(note (b))*	360	–	–	–	360	–	360
	1,080	1,471	800	51	3,402	15,135	18,537

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

8 DIRECTORS' EMOLUMENTS (continued)

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

Notes:

(a) These represent the estimated value of restricted share units granted to the directors under the Pre-IPO Equity Incentive Plan or Post-IPO Share Award Scheme. The value of these restricted share units are measured according to the Group's accounting policies for share-based payment transactions and, in accordance with that policy, includes adjustments to reverse amounts accrued in previous years where grants of restricted share units are forfeited prior to vesting. The details of these benefits in kind, including the principal terms and number of restricted share units granted, are disclosed in note 28.

(b) Lee Kar Chung Felix was appointed as non-executive director of the Company on 21 May 2021. Hong Weili, Zhang Saiyin and Ang Khai Meng were appointed as independent non-executive director of the Company on 6 July 2022.

For the years ended 31 December 2023 and 2022, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, one (2022: one) is a director of the Company for the year ended 31 December 2023, whose emoluments are disclosed in note 8. The aggregate of the emoluments in respect of the remaining highest paid individuals are as follows:

	Year ended 31 December	
	2023 RMB'000	2022 RMB'000
Salaries, allowance and benefit in kind	**4,708**	4,783
Discretionary bonuses	**2,697**	18,244
Retirement scheme contributions	**281**	312
Share based payment expenses	**140,053**	154,305
	147,739	177,644

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

	Year ended 31 December	
	2023 Number of individuals	2022 Number of individuals
HKD0 — HKD1,000,000	**—**	—
HKD15,000,001 — HKD15,500,000	**—**	1
HKD33,000,001 — HKD33,500,000	**1**	—
HKD35,000,001 — HKD35,500,000	**—**	1
HKD38,500,001 — HKD39,000,000	**1**	—
HKD42,000,001 — HKD42,500,000	**1**	1
HKD49,000,001 — HKD49,500,000	**1**	—
HKD113,000,001 — HKD113,500,000	**—**	1

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

10 LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to ordinary equity shareholders of the Company of RMB323,065,000 (2022: RMB1,688,937,000) divided by the weighted average number of ordinary shares in issue of 540,820,000 during the year (2022: 300,298,000).

The calculation of the weighted average number of ordinary shares for the years ended 31 December 2023 and 2022 is as follows:

	Year ended 31 December	
	2023 Number of shares ’000	2022 Number of shares ’000
Issued ordinary shares at 1 January	**523,126**	96,756
Effect of shares issued by initial public offering on the Listing Date *(note 29(c))*	**–**	9,266
Effect of conversion of convertible redeemable preferred shares *(note 29(c))*	**–**	194,070
Effect of equity instruments vested and delivered *(note 28)*	**18,846**	1,007
Effect of treasury shares repurchased *(note 29(d)(iii))*	**(1,152)**	(801)
Weighted average number of ordinary shares for the year	**540,820**	300,298

(b) Diluted loss per share

The restricted share units (note 28) were excluded from the calculation of diluted loss per share because their effect would have been anti-dilutive. The diluted loss per share is the same as the basic loss per share for the years ended 31 December 2023 and 2022.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

11 PROPERTY, PLANT AND EQUIPMENT

(a) Reconciliation of carrying amount

	Plant and Buildings RMB'000	Electronic and production equipment RMB'000	Office Equipment RMB'000	Motor vehicles RMB'000	Leasehold improvement RMB'000	Construction in progress RMB'000	Right-of-use assets RMB'000	Total RMB'000
Cost:								
At 1 January 2022	–	21,633	3,185	4,240	7,005	1,018	20,264	57,345
Additions	–	38,925	657	1,482	4,389	–	24,363	69,816
Addition through acquisition of subsidiaries *(note 31)*	13,367	18,590	715	272	1,924	–	25,272	60,140
Transfer from CIP	–	119	–	–	899	(1,018)	–	–
Disposals	–	(1,326)	(614)	(931)	–	–	(11,399)	(14,270)
At 31 December 2022 and 1 January 2023	13,367	77,941	3,943	5,063	14,217	–	58,500	173,031
Additions	28,861	58,078	317	1,085	7,083	1,752	17,952	115,128
Addition through acquisition of subsidiaries *(note 31)*	–	251	79	–	234	–	398	962
Transfer from CIP	–	–	–	–	632	(632)	–	–
Disposals	–	(3,692)	(103)	(535)	–	–	(9,766)	(14,096)
At 31 December 2023	42,228	132,578	4,236	5,613	22,166	1,120	67,084	275,025
Accumulated depreciation:								
At 1 January 2022	–	(5,752)	(1,142)	(865)	(2,980)	–	(10,393)	(21,132)
Charge for the year	–	(6,079)	(749)	(1,231)	(7,680)	–	(10,696)	(26,435)
Written back on disposals	–	346	456	301	–	–	10,810	11,913
At 31 December 2022 and 1 January 2023	–	(11,485)	(1,435)	(1,795)	(10,660)	–	(10,279)	(35,654)
Charge for the year	(427)	(17,427)	(569)	(1,217)	(6,826)	–	(14,463)	(40,929)
Written back on disposals	–	2,179	97	422	–	–	6,822	9,520
At 31 December 2023	(427)	(26,733)	(1,907)	(2,590)	(17,486)	–	(17,920)	(67,063)
Net book value:								
At 31 December 2023	41,801	105,845	2,329	3,023	4,680	1,120	49,164	207,962
At 31 December 2022	13,367	66,456	2,508	3,268	3,557	–	48,221	137,377

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

11 PROPERTY, PLANT AND EQUIPMENT (continued)

(a) Reconciliation of carrying amount (continued)

Additions to right-of-use assets were RMB18,350,000 (31 December 2022: RMB49,635,000) for the year ended 31 December 2023. This amount primarily related to the capitalised lease payments payable under new tenancy agreements and the fair value of land use rights acquired through acquisition of a subsidiary.

As of 31 December 2023, certain of the Group's property, plant and equipment are pledged as collaterals for the Group's bank and other loans. Further details are set out in note 24.

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

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Depreciation charge of right-of-use assets	**14,463**	10,696
Interest on lease liabilities *(note 6(a))*	**1,077**	993

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

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

12 INTANGIBLE ASSETS

	Patent RMB'000	Software RMB'000	Exclusive right RMB'000	License RMB'000	Customer relationship RMB'000	Pharmaceutical distribution rights RMB'000	Technology and know-how RMB'000	Total RMB'000
Cost:								
At 1 January 2022	418	11,599	178,281	35,365	43,640	–	–	269,303
Additions *(note (i))*	–	818	99,935	–	–	–	–	100,753
Addition through acquisition of subsidiaries *(note 31)*	–	276	447	–	29,400	74,500	36,400	141,023
At 31 December 2022 and 1 January 2023	418	12,693	278,663	35,365	73,040	74,500	36,400	511,079
Additions	–	2,419	–	–	–	–	–	2,419
Addition through acquisition of subsidiaries *(note 31)*	–	96	–	–	–	–	–	96
Disposal	–	(134)	(12,000)	(5,126)	–	–	–	(17,260)
At 31 December 2023	418	15,074	266,663	30,239	73,040	74,500	36,400	496,334
Accumulated amortisation and impairment:								
At 1 January 2022	(132)	(2,387)	(81,971)	(15,289)	(4,941)	–	–	(104,720)
Charge for the year	(42)	(2,907)	(52,577)	(11,583)	(7,958)	(288)	(152)	(75,507)
Impairment loss *(note (ii))*	–	(999)	–	(2,563)	–	–	–	(3,562)
At 31 December 2022 and 1 January 2023	(174)	(6,293)	(134,548)	(29,435)	(12,899)	(288)	(152)	(183,789)
Charge for the year	(42)	(3,780)	(43,773)	(5,930)	(8,448)	(3,457)	(1,820)	(67,250)
Disposal	–	111	–	5,126	–	–	–	5,237
At 31 December 2023	(216)	(9,962)	(178,321)	(30,239)	(21,347)	(3,745)	(1,972)	(245,802)
Net book value:								
At 31 December 2023	202	5,112	88,342	–	51,693	70,755	34,428	250,532
At 31 December 2022	244	6,400	144,115	5,930	60,141	74,212	36,248	327,290

(Expressed in Renminbi unless otherwise indicated)

12 INTANGIBLE ASSETS (continued)

Note:

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

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

13 GOODWILL

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Cost:		
At 1 January	**88,233**	25,625
Acquisitions through business combinations *(note 31)*	**489**	62,608
At 31 December	**88,722**	88,233
Accumulated impairment loss:		
At 1 January	**(2,253)**	—
Impairment loss	**—**	(2,253)
At 31 December	**(2,253)**	(2,253)
Carrying amount:		
At 31 December	**86,469**	85,980

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

13 GOODWILL (continued)

Impairment tests for goodwill

For purpose of impairment testing, goodwill acquired through business combination (note 31) was allocated to respective cash-generating units (CGUs) representing the lowest level within the Group at which the relevant goodwill is monitored for internal management purpose and not larger than operating segment. The significant CGUs and allocated goodwill are set out as follows:

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Polifarma (Nanjing) Co., Ltd. ("**Polifarma**")	**37,870**	37,870
Hangzhou Zhimin Pharmaceutical Chain Co., Ltd. ("**Hangzhou Zhimin**")	**18,692**	18,692
Jiangsu Xinwange Medical Technology Co., Ltd. ("**Jiangsu Xinwange**")	**8,337**	8,337
Yinbang Insurance Brokerage Co., Ltd. ("**Yinbang Insurance**")	**8,033**	8,033
Zhejiang Qilian Medicine Co., Ltd. ("**Zhejiang Qilian**")	**6,015**	6,015
Zhejiang Xiening Medicine Co., Ltd. ("**Zhejiang Xiening**")	**5,650**	5,650
Shanghai Yitong Culture Media Co., Ltd. ("**Shanghai Yitong**")	**—**	2,253

Impairment tests based on fair value less costs of disposal calculations

As at 31 December 2023 and 2022, the recoverable amounts of the CGU of Hangzhou Zhimin were determined based on fair value less costs of disposal calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period, and pre-tax discount rate of 15.5% and 15.5% respectively.

As at 31 December 2022, the recoverable amounts of the CGU of Shanghai Yitong was determined based on fair value less costs of disposal calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period, and pre-tax discount rate of 22.5%.

Cash flows beyond the five-year period are extrapolated using an estimated weighted average growth rate at 2% in 2023 (2022: 2%). The cash flows and discount rate reflect assumptions that market participants would use when pricing the relevant CGUs. Key assumptions include estimated sales growth rate and discount rate. The management determined these key assumptions based on past performance and expectation on market development.

As at 31 December 2022, the managements of the Group determined that the advertising business scale of Shangahi Yitong will be reduced in the foreseeable future and the Group will principally focus on the provision of hospitals and pharmacies supplies, digital marketing services and online consultation and prescriptions, etc. Accordingly, an impairment loss of RMB2,253,000 was recognized in 2022.

The sensitivity analysis on the CGU, Hangzhou Zhimin demonstrates no goodwill impairment required. If estimated sales growth rate decreased 7.19% or discount rate increased 1.35% and all the other variables were held constant, the CGU remaining headroom will be removed.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

13 GOODWILL (continued)

Impairment tests based on value-in-use calculations

As at 31 December 2023 and 2022, the recoverable amounts of the CGUs, Jiangsu Xinwange, Yinbang Insurance, Zhejiang Qilian, Zhejiang Xiening and Polifarma were determined based on value-in-use calculations ("**VIU**"). These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using an estimated weighted average growth rate. The growth rates used do not exceed the long-term average growth rates for the business in which the CGU operates.

Key assumptions in the value-in-use calculations of the above CGUs as at 31 December 2023 and 2022 are set out as follows:

	At 31 December 2023				
	Jiangsu Xinwange	Yinbang Insurance	Zhejiang Qilian	Zhejiang Xiening	Polifarma
Long-term growth rate	**2.0%**	**2.0%**	**2.0%**	**2.0%**	**2.0%**
Pre-tax discount rate	**13.2%**	**22.2%**	**12.8%**	**13.0%**	**15.5%**

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

With regard to the assessment of the VIU of the above CGUs, the directors of the Company believe that any reasonably possible change in any of the above key assumptions would not cause the carrying value, including goodwill, of the CGUs to exceed the recoverable amounts as at 31 December 2023 and 2022.

14 OTHER NON-CURRENT ASSETS

The other non-current assets mainly represent prepayments for the amounts already paid to acquire the property, plant and equipment and intangible assets as at 31 December 2023.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

15 INVESTMENTS IN SUBSIDIARIES

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

Company name	Place of incorporation and business/ Date of Incorporation/ Kind of legal entity	Particulars of issued/ paid-up capital	Proportion of ownership interest		Principal activities
			Held by the Company	Held by the subsidiaries	
Directly held					
ClouDr Group HK Limited	Hong Kong 4 September 2015 Limited liability company	HKD1	100%	–	Investment holding
Indirectly held					
91health Shanghai Limited 上海運臻網絡科技有限公司*	PRC 24 November 2015 Limited liability company	USD6,500,000	–	100%	Sale of products
Hangzhou Kangsheng Health Management Consultant Co., Ltd. 杭州康晟健康管理諮詢有限公司*	PRC 9 December 2014 Limited liability company	RMB10,100,000	–	100%	Provision of SaaS services, digital marketing services, sale and marketing of products
Shandong Guoyitang Pharmaceutical Chain Co., Ltd. 山東國一堂大藥房連鎖有限公司*	PRC 1 August 2014 Limited liability company	RMB10,000,000	–	100%	Sales of pharmaceutical products and medical devices
Shanghai Kangmeng Health Management Consultation Co., Ltd. 上海康檬健康管理諮詢有限公司*	PRC 22 January 2015 Limited liability company	RMB5,000,000	–	100%	Rendering of digital marketing services
Jiangsu Xinwange Medical Technology Co., Ltd. 江蘇新萬格醫療科技有限公司*	PRC 11 October 2018 Limited liability company	RMB30,000,000	–	70%	Sales of pharmaceutical products and medical devices
Chongqing Medical Public Creditability Medicine Wholesale Co., Ltd. 重慶醫藥公信網藥品批發有限公司*	PRC 13 July 2015 Limited liability company	RMB12,650,000	–	51%	Sales of pharmaceutical products and medical devices
Zhejiang Qilian Medicine Co., Ltd. 浙江啟聯醫藥有限公司*	PRC 8 May 2003 Limited liability company	RMB20,000,000	–	55%	Sales of pharmaceutical products and medical devices

(Expressed in Renminbi unless otherwise indicated)

15 INVESTMENTS IN SUBSIDIARIES (continued)

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

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

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

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

16 FINANCIAL ASSETS MEASURED AT FAIR VALUE THOUGH PROFIT OR LOSS

The Group

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Non-current		
Unlisted equity instrument *(note (i))*	**40,000**	—
Current		
Financial products issued by financial institutions		
— Wealth management products *(note (ii))*	**46,650**	45,399
— Fund management products *(note (iii))*	**300,071**	378,102
	346,721	423,501

The Company

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Financial products issued by financial institutions		
— Wealth management products *(note (ii))*	**46,650**	45,399
— Fund management products *(note (iii))*	**149,078**	210,795
	195,728	256,194

Note:

(i) In November 2023, the Group acquired 20% equity interest in Wuhu Jingxin Digital Creative Industry Investment Fund ("**Wuhu Jingxin**"), for the consideration of RMB40 million. The directors consider the investment is for financing purpose and designated as a financial asset at fair value through profit or loss.

The fair value of the unlisted equity instrument is determined by reference to the latest round of financing. Its fair values are within level 3 of the fair value hierarchy.

(ii) The Group and the Company invested in the wealth management products from a trust management company registered in Hong Kong. As of 31 December 2023, the investment objectives were mainly to invest in cash and cash equivalents, government bonds and related financial instruments and other money market instruments.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

16 FINANCIAL ASSETS MEASURED AT FAIR VALUE THOUGH PROFIT OR LOSS (continued)

The Company (continued)

Note: (continued)

(iii) The investments represented the Group's and the Company's investment in two fund portfolios issued by two fund companies registered in Cayman Islands, and the Group's investment in a fund portfolio issued by a fund company registered in British Virgin Islands. As of 31 December 2023, the investment objectives of these funds were mainly to invest in cash and cash equivalents, government bonds, notes, monetary fund, structured deposits and other money market instruments.

During the period ended 21 March 2024 post to the financial statements date, the Group has redeemed its partial investments in three fund management products and the cash proceeds as received amounted to approximately USD4.9 million (equivalent to approximately RMB34.7 million), HKD17.0 million (equivalent to approximately RMB15.4 million) and approximately USD10.2 million (equivalent to approximately RMB72.2 million), respectively.

The financial products have expected annual rates of return ranging from 1.14% to 5.71% (2022: from 1.21% to 6.23%). Considering the contractual cash flows do not qualify for solely payments of principal and interest due to the variable returns, the investment has been accounted for as financial assets measured at fair value through profit or loss. The analysis on the fair value measurement of the above financial assets is disclosed in note 30(d).

17 INVENTORIES

	At 31 December	
	2023	2022
	RMB'000	RMB'000
Finished goods	**298,134**	224,809

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

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Carrying amount of inventories sold	**2,659,854**	2,044,758
Write down of inventories	**1,487**	1,078
	2,661,341	2,045,836

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

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

18 TRADE AND BILLS RECEIVABLES

	At 31 December	
	2023 RMB'000	2022 RMB'000
Trade receivables	838,304	797,023
Less: Loss allowance	(35,053)	(43,463)
	803,251	753,560
Bills receivables	11,500	4,973
	814,751	758,533

(a) Ageing analyses

At the year ended 31 December 2023 and 2022, the ageing analysis of trade and bills receivable, based on the date revenue is recognised and net of loss allowance, of the Group are as follows:

	At 31 December	
	2023 RMB'000	2022 RMB'000
Within 3 months	609,653	503,809
4 to 6 months	103,080	131,925
7 to 12 months	85,282	98,378
Over 12 months	16,736	24,421
	814,751	758,533

All the trade and bills receivables are expected to be recovered within one year. Further details on the Group's credit policy and credit risk are set out in note 30(a).

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

18 TRADE AND BILLS RECEIVABLES (continued)

(b) Impairment of trade receivables

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

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Balance at 1 January	**43,463**	15,800
Impairment losses recognised	**12,720**	27,663
Write-off	**(21,130)**	—
At the end of the year	**35,053**	43,463

19 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

The Group

	At 31 December	
	2023	2022
	RMB'000	RMB'000
Prepayments for inventories and services	**262,185**	230,690
Deposits	**157,865**	142,168
Amounts due from third parties *(note (i))*	**49,379**	25,968
Purchase rebate with suppliers	**24,372**	29,004
Value-added tax recoverable	**42,152**	35,380
Amounts due from staffs	**8,283**	9,699
Investment receivable from an investor in a subsidiary financing	**10,000**	—
Prepayment for the repurchase of the Company's shares	**7,083**	—
Amounts due from non-controlling interest of the Group	**7,000**	—
Others	**12,632**	6,533
	580,951	479,442
Less: loss allowance *(note (ii))*	**(9,328)**	(11,867)
	571,623	467,575

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

19 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (continued)

The Group (continued)

Notes:

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

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

(ii) The Group determines the expected credit losses for other receivables by assessment of probability of default, loss given default and exposure at default. As at 31 December 2023, in view of the nature of these balances and historical settlement record, the Group considers that the provision of ECL allowance for these assets was RMB9.3 million (2022: RMB11.9 million).

20 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents comprise:

	At 31 December	
	2023	2022
	RMB'000	RMB'000
The Group		
Cash at bank and on hand	**272,075**	374,044
Less: Time deposits with initial term over three months	**5,000**	50,000
Less: restricted bank deposits	**23,700**	74,370
Cash and cash equivalent	**243,375**	249,674
The Company		
Cash at bank and on hand	**27**	2,629

The restricted bank deposits mainly consist of payable for insurance premium and frozen bank deposits as of 31 December 2023 and 2022.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

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

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

	Note	**2023** **RMB'000**	2022 RMB'000
Loss before taxation		**(327,326)**	(1,693,643)
Adjustments for:			
Impairment loss on trade receivables and other receivables under expected credit loss model		**10,181**	39,530
Write down of inventories	*6(c)*	**1,487**	1,078
Depreciation	*6(c)*	**40,929**	26,435
Amortisation	*6(c)*	**67,250**	75,507
Loss on disposal of property, plant and equipment		**67**	1,715
Impairment loss of goodwill		**—**	2,253
Impairment loss of intangible assets		**—**	3,562
Changes in fair value of financial liabilities		**—**	1,087,874
Change in the carrying amount of financial instruments issued to investors		**1,590**	—
Issuance cost of the financial instruments issued to investors	*6(c)*	**18,574**	—
Interest expense	*6(a)*	**9,705**	7,028
Interest on lease liabilities	*6(a)*	**1,077**	993
Fair value gains on financial assets measured at FVPL	*5*	**(11,450)**	(10,873)
Equity-settled share-based payment expenses	*6(b)*	**232,080**	188,722
Changes in working capital:			
Increase in inventories		**(73,641)**	(85,459)
Increase in trade and bills receivables and other receivables		**(119,766)**	(309,973)
Decrease in trade and other payables and accrued expenses		**(10,752)**	(39,914)
(Decrease)/increase in contract liabilities		**(28,164)**	5,981
Decrease in restricted bank deposits	*20(a)*	**50,670**	60,552
Cash used in operations		**(137,489)**	(638,632)

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

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

(c) Reconciliation of liabilities arising from financing activities

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

	Bank and other loans RMB'000 *(note 24)*	Lease Liabilities RMB'000 *(note 25)*	Other payables and accrued expenses RMB'000 *(note 22)*	Financial instruments issued to investors RMB'000 *(note 27)*	Total RMB'000
At 1 January 2023	192,543	30,839	27,625	–	251,007
Changes from financing cash flows:					
Proceeds from bank and other loans	392,313	–	–	–	392,313
Advances from a non-controlling shareholder of the Group	–	–	–	–	–
Repayment of advance from a non-controlling shareholder of the Group	–	–	(4,241)	–	(4,241)
Repayment of advances from third parties and staffs	–	–	(13,432)	–	(13,432)
Proceeds from the issuance of financial instruments to investors	–	–	–	190,000	190,000
Repayment of bank and other loans	(352,955)	–	–	–	(352,955)
Interest expenses paid	(9,083)	–	–	–	(9,083)
Payment of capital element of lease liabilities	–	(14,217)	–	–	(14,217)
Payment of interest element of lease liabilities	–	(1,077)	–	–	(1,077)
Total changes from financing cash flows	30,275	(15,294)	(17,673)	190,000	187,308
Other changes:					
Increase in lease liabilities from entering into new leases during the year	–	17,952	–	–	17,952
Investment receivable from an investor in a subsidiary financing	–	–	–	10,000	10,000
Changes in the carrying amount of financial instruments issued to investors	–	–	–	1,590	1,590
Interest expenses *(note 6(a))*	9,705	1,077	–	–	10,782
Addition through acquisition of subsidiaries *(note 31)*	2,500	398	–	–	2,898
Disposal	–	(2,944)	–	–	(2,944)
Total other changes	12,205	16,483	–	11,590	40,278
At 31 December 2023	235,023	32,028	9,952	201,590	478,593

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

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

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

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

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

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

(d) Total cash outflow for leases

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

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Lease rentals paid in operating cash flows	**2,974**	5,212
Lease rentals paid in financing cash flows	**15,294**	14,054

21 TRADE PAYABLES

	At 31 December	
	2023	2022
	RMB'000	RMB'000
Payables for inventories and services	**233,249**	120,800

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

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

	At 31 December	
	2023	2022
	RMB'000	RMB'000
Within 1 year	**228,721**	114,309
More than 1 year	**4,528**	6,491
	233,249	120,800

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

22 OTHER PAYABLES AND ACCRUED EXPENSES

The Group

	At 31 December	
	2023	2022
	RMB'000	RMB'000
Salary and welfare payables	**72,104**	81,202
Payables for flexible staffs	**156,276**	183,858
VAT payable and other tax payables	**16,087**	6,844
Payables for acquiring of subsidiaries, non-controlling interest and exclusive rights	**21,500**	18,888
Investment deposits received from an investor	**20,000**	—
Refund liabilities	**16,570**	21,024
Payables for listing expenses	**—**	2,042
Amounts due to non-controlling interest of the Group	**1,050**	5,291
Amounts due to third parties and staffs	**8,902**	22,334
Payables for issuance cost of convertible redeemable preferred shares and financial instruments issued to investors	**3,741**	12,536
Payables for Insurance premium	**2**	74,370
Payables for property, plant and equipment	**6,514**	—
Deposits and others	**38,768**	31,481
	361,514	459,870

The Company

	At 31 December	
	2023	2022
	RMB'000	RMB'000
Payables for issuance cost of convertible redeemable preferred shares and financial instruments issued to investors	**3,541**	12,536
Payables for listing expenses	**—**	2,042
Deposits and others	**2,234**	—
	5,775	14,578

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

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

23 CONTRACT LIABILITIES

	At 31 December	
	2023	2022
	RMB'000	RMB'000
Sales of pharmaceuticals, consumables, medical devices and miscellaneous	**30,741**	30,419
Providing services	**40,671**	69,157
	71,412	99,576

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

24 BANK AND OTHER LOANS

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

	At 31 December	
	2023	2022
	RMB'000	RMB'000
Bank loans		
— Guaranteed by a subsidiary of the Group and related parties *(note (i))*	**34,900**	5,000
— Guaranteed by a subsidiary of the Group	**145,191**	132,278
— Guaranteed by related parties *(note (ii))*	**5,000**	—
— Secured by bills receivables	**—**	50,000
— Guaranteed by a subsidiary of the Group, related parties and trade receivables *(note (iii))*	**30,059**	—
— Guaranteed by plant *(note (iv))*	**10,000**	—
	225,150	187,278
Other loans from third parties:		
— Secured by the Group's manufacturing equipment *(note (v))*	**4,481**	5,265
— Secured by trade receivables *(note (vi))*	**5,392**	—
Total	**235,023**	192,543

Notes:

(i) These bank loans were guaranteed by Hangzhou Kangsheng Health Management Consulting Co., Ltd., Jiangsu Xinwange Medical Technology Co., Ltd, Mr. Kuang Ming or the ultimate beneficial owners of the Group's non-controlling shareholder.

(ii) As at 31 December 2023, these bank loans were guaranteed by the ultimate beneficial owners of the Group's non-controlling shareholder.

(iii) As at 31 December 2023, these bank loans were guaranteed by 91health Shanghai Limited, Mr. Kuang Ming and trade receivables.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

24 BANK AND OTHER LOANS (continued)

Notes: (continued)

(iv) As at 31 December 2023, these bank loans were guaranteed by the plant of Polifarma (Nanjing) Co., Ltd.

(v) As at 31 December 2023, these loans were secured by the Group's manufacturing equipment with an aggregating amount of RMB5,146,371.

(vi) As at 31 December 2023, these loans were guaranteed by trade receivables of Zhejiang Qilian Pharmaceutical Co., Ltd. with an aggregating amount of RMB8,024,169.

25 LEASE LIABILITIES

As at 31 December 2023 and 2022, the lease liabilities were repayable as follows:

	At 31 December			
	2023		2022	
	Present value of the minimum lease payments RMB'000	**Total minimum lease payments RMB'000**	Present value of the minimum lease payments RMB'000	Total minimum lease payments RMB'000
Within 1 year	**13,679**	**15,058**	11,228	12,299
After 1 year but within 2 years	**9,095**	**9,967**	9,226	10,145
After 2 years but within 5 years	**9,254**	**9,995**	10,385	11,020
	18,349	**19,962**	19,611	21,165
	32,028	**35,020**	30,839	33,464
Less: total future interest expenses		**(2,992)**		(2,625)
Present value of lease liabilities		**32,028**		30,839

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

26 FINANCIAL LIABILITIES AT FVTPL

Convertible redeemable preferred shares (the "Preferred Shares")

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

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

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

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

	Preferred Shares issued to investors RMB'000
At 1 January 2022	8,907,708
Changes in fair value through profit or loss	1,087,874
Exchange realignment	526,638
Conversion of convertible redeemable preferred shares	(10,522,220)
At 31 December 2022 and 2023	–

All the convertible redeemable preferred shares were automatically converted into ordinary shares on a one-to-one ratio upon the Company's listing on the Stock Exchange on 6 July 2022. The difference between the fair value of the convertible redeemable preferred shares as at 31 December 2021 and the listing offer price of HKD30.50 per share is accounted for as fair value changes of convertible redeemable preferred shares in the consolidated statement of profit or loss in 2022.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

27 FINANCIAL INSTRUMENTS ISSUED TO INVESTORS

The Group

	At 31 December	
	2023	2022
	RMB'000	RMB'000
Redemption liabilities	**201,590**	—

The movements of the redemption liabilities during the year ended 31 December 2023 are set out below:

	Redemption liabilities
	RMB'000
At 1 January 2023	—
Grant of redemption right in a subsidiary financing	200,000
Changes in the carrying amount of redemption liabilities	1,590
At 31 December 2023	201,590

The Group's subsidiary, Anhui Zhiyi Huiyun Technology Co., Ltd. ("**Anhui Zhiyi Huiyun**"), conducted a round of financing by issuing registered capital to investors and the investors were granted a right to put back to the Group the registered capital acquired upon specified contingent events including but not limited to failure to complete the qualified initial public offerings before 31 December 2028, and material breach of terms of the agreements entered into with the financing investors, which is beyond the control of the Group.

The redemption price is the investment amount paid by the investors with redemption rights, plus an annual simple interest rate of 6.5% on the investment amount for the period commencing from the relevant payment date of investment amount to the date on which the investors receive payments for redemption, and deducting any dividends distributed.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

28 EQUITY-SETTLED SHARE-BASED PAYMENT

(a) Pre-IPO equity Incentive plans

The Group granted share-based awards to qualified directors and employees pursuant to the 2015 Global Share Plan ("**the Plan**"), which was adopted in August 2015. The qualified participants of the Plan are required to satisfy certain vesting service for the entitlement. The share options granted are generally vested on the grant date or over a one-year period on condition that employees remain in service without any performance requirements or four-year period on condition that employees remain in service without any performance requirements, under which an employee is entitled to vest in 25% of his option grants annually thereafter of completed service. Options granted typically expire in 10 years from the respective grant dates.

In July 2021, the Company appointed Prime Forest Assets Limited ("**Prime Forest**") as the holding company to hold the ordinary shares of the Company on trust for "the Plan", according to which the options previously granted to relevant employees and directors that are not cancelled and forfeited as of 6 August 2021 were replaced by Restricted Share Units ("**RSUs**", collectively with options as "**equity instruments**"). There were no modification of terms or conditions when converted to RSUs which had increased the fair value of the equity instruments granted and such arrangement was accounted for as the continuance of the original share options. Accordingly, there were no financial impact as a result of such replacement.

The Group recognise share-based payments expenses in its consolidated statements of profit or loss based on RSUs ultimately expected to vest.

The number and weighted average exercise prices movements of RSUs during 2023 are as follows:

	Year ended 31 December 2023	
	Weighted average exercise price RMB	Number of equity instruments '000
Outstanding at the beginning of the year	0.23	61,565
Vested and delivered during the year	0.25	(35,549)
Forfeited during the year	1.65	(520)
Outstanding at the end of the year	0.17	25,496

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

28 EQUITY-SETTLED SHARE-BASED PAYMENT (continued)

(a) Pre-IPO equity Incentive plans (continued)

The number and weighted average exercise prices movements of RSUs during 2022 are as follows:

	Year ended 31 December 2022	
	Weighted average exercise price RMB	Number of equity instruments '000
Outstanding at the beginning of the year	1.63	70,368
Vested and delivered during the year	0.01	(11,059)
Forfeited during the year	3.42	(867)
Granted during the year	1.13	3,123
Outstanding at the end of the year	0.23	61,565

The grant date fair value of the share-based payment was determined based on the difference between the closing market price of the Company's shares that are publicly traded on the Stock Exchange at the grant date and the price of the RSUs payable by the grantee. The weighted average grant date fair value of these RSUs granted during 2022 is RMB11.70 per share unit.

Pursuant to a board resolution in October 2022 and an announcement to employees in December 2022, certain level employees' exercise price of RSUs were waived which resulted in an incremental fair value of RSUs. The incremental fair value is the difference between the fair values as measured immediately before and after the modification. The Group recognise the incremental fair value over the remaining modified vesting period, of which RMB11.7 million was recognised in 2023 (2022: RMB52.9 million).

The RSUs outstanding as at 31 December 2023 and 2022 had weighted average remaining contractual life of 6.92 years (2022: 6.67 years), respectively.

(b) Post-IPO share award scheme

The Post-IPO share award scheme was adopted on 10 June 2022. Under the Post-IPO share award scheme, the restricted share units ("**RSUs**") granted by the Company are subject to pro rata vesting over a four-year period, with one-fourth of such RSUs vesting on each anniversary of the date of the grant, or two-year period, with one-second of such RSUs vesting on each anniversary of the date of the grant, subject to the grantees continuing to be employed by, or continuing to provide services to, the Group on the applicable vesting date or vested on the grant date.

The expiration date for subscription of the RSUs is 10 years from the grant date.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

28 EQUITY-SETTLED SHARE-BASED PAYMENT (continued)

(b) Post-IPO share award scheme (continued)

The number and weighted average exercise prices movements of RSUs during 2023 are as follows:

	Year ended 31 December 2023	
	Weighted average exercise price RMB	Number of RSUs '000
Outstanding at the beginning of the year	0.01	13,093
Vested and delivered during the year	0.01	(7,300)
Forfeited during the year	0.01	(184)
Granted during the year	0.01	7,765
Outstanding at the end of the year	0.01	13,374

The number and weighted average exercise prices movements of RSUs during 2022 are as follows:

	Year ended 31 December 2022	
	Weighted average exercise price RMB	Number of RSUs '000
Outstanding at the beginning of the year	—	—
Granted during the year	0.01	13,093
Outstanding at the end of the year	0.01	13,093

The grant date fair value of the share-based payment was determined based on the difference between the closing market price of the Company's shares that are publicly traded on the Stock Exchange of Hong Kong at the grant date and the price of the RSUs payable by the grantee. The weighted average grant date fair value of these RSUs granted in 2023 is RMB6.95 per share unit (2022: RMB11.98). The remaining contract life of these RSUs are 9.02 years (2022:10 years).

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

29 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity for the years ended 31 December 2023 and 2022 are set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual component of equity are set out below:

The Company

	Share capital RMB'000	Treasury share reserve RMB'000	Capital reserve RMB'000	Share-based payments reserve RMB'000	Other reserve RMB'000	Exchange reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
Balance at 1 January 2022	110	(47)	201,982	290,607	2,546	173,185	(5,965,037)	(5,296,654)
Changes in equity for 2022:								
Total comprehensive income for the year	–	–	–	–	–	(220,767)	(1,125,509)	(1,346,276)
Issuance of shares by initial public offering, net of transaction costs *(note 29(c)(i))*	13	–	472,020	–	–	–	–	472,033
Treasury shares *(note 29(d)(i))*	–	(40,288)	–	–	–	–	–	(40,288)
Conversion of convertible redeemable preferred shares *(note 26)*	268	–	10,521,952	–	–	–	–	10,522,220
Equity-settled share-based payment *(note 6(b))*	–	–	–	188,722	–	–	–	188,722
Restricted share units vested and delivered *(note 28)*	–	7	85,809	(85,715)	–	–	–	101
Balance at 31 December 2022	**391**	**(40,328)**	**11,281,763**	**393,614**	**2,546**	**(47,582)**	**(7,090,546)**	**4,499,858**
Changes in equity for 2023:								
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**145,324**	**3,690**	**149,014**
Equity-settled share-based payment *(note 6(b))*	**–**	**–**	**–**	**232,080**	**–**	**–**	**–**	**232,080**
Restricted share units vested and delivered *(note 28)*	**–**	**26,165**	**201,156**	**(236,472)**	**–**	**–**	**–**	**(9,151)**
Balance at 31 December 2023	**391**	**(14,163)**	**11,482,919**	**389,222**	**2,546**	**97,742**	**(7,086,856)**	**4,871,801**

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

29 CAPITAL, RESERVES AND DIVIDENDS (continued)

(b) Dividends

The directors of the Company did not propose any declaration of dividend for the years ended 31 December 2023 and 2022.

(c) Share capital

Authorized

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

As of 31 December 2023 and 2022, the authorized share capital of the Company was USD100,000 divided into 1,000,000,000 ordinary shares of a nominal or par value of US$0.0001 each.

(i) Issued share capital

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

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

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

29 CAPITAL, RESERVES AND DIVIDENDS (continued)

(d) Nature and purpose of reserves

(i) Treasury share reserve

The treasury share reserve represents the shares held by employee share trust, Prime Forest Assets Limited ("**Prime Forest**"), controlled by the Company for the equity settled share-based payment plan (note 28). As the Company has power to govern the relevant activities of Prime Forest and can derive benefits from the contributions of the eligible employees who are awarded with the shares under the equity settled share-based payment plan, the directors of the Company consider that it is appropriate to regard Prime Forest as a branch of the Company.

(ii) Capital reserve

The capital reserve comprises: a) the capital contribution from the equity holders of the Group's subsidiaries; b) the excess of the total proceeds received from the Company share issuance over the total par value of shares issued; c) the reserve resulted from transactions with the Group's non-controlling interests and d) amounts in relation to the initial recognition of the redemption liabilities.

During the year ended 31 December 2023, the Group acquired an additional 15% equity interest of Jiangsu Xinwange from their non-controlling shareholder at a consideration of RMB25 million. The difference between the consideration paid and acquired proportionate interest in identifiable net assets of RMB19,735,000 was recognized as a deduction from capital reserve.

(iii) Share-based payments reserve

The share-based payments reserve represents the portion of the grant date fair value of share option and the difference between the granted price and the fair value of the restricted share units (note 28) granted to the directors and employees of the Group that has been recognised in accordance with the accounting policy adopted for share-based payments in note 2(t)(ii).

(iv) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations of the Company and certain subsidiaries within the Group. The reserve is dealt with in accordance with the accounting policies set out in note 2(x).

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

29 CAPITAL, RESERVES AND DIVIDENDS (continued)

(e) Capital management (continued)

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade receivables.

The Group's exposure to credit risk arising from cash and cash equivalents and bills receivables is limited because the counterparties are banks and financial institutions with good credit standing, for which the Group considers having low credit risk. Deposits, amounts due from third parties and non-controlling interest of the Group, purchase rebate with suppliers, amounts due from staffs of the Group, investment receivable from an investor in a subsidiary financing and others have been classified as other receivables. For the purposes of internal credit risk management, the Group has applied the general approach in IFRS 9 to measure the loss allowance at 12-month ECLs unless there is a significant increase in credit risk since initial recognition. The Group determines the expected credit losses for these assets by assessment of probability of default, loss given default and exposure at default. As at 31 December 2023 and 2022, in view of the nature of these balances and historical settlement record, the Group considers that the provision of ECL allowance for these assets was appropriate.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. The receivables from the five largest debtors at 31 December 2023 and 2022 represented 26% and 30% of the total trade receivables respectively, while 10% and 10% of the total trade receivables were due from the largest single debtor respectively.

Individual credit evaluations are performed on all customers who have high credit risk such as litigation issues. These evaluations focus on the customers' past history of making payments when due and current ability to pay and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases. The Group will normally grant credit term of 0–270 days to its customers.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(a) Credit risk (continued)

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables:

	At 31 December 2023					
	Gross carrying amount RMB'000	Provision on individual basis RMB'000	Carrying amount after individual provision	ECL rates	ECLs RMB'000	Loss allowance RMB'000
Current (not past due)	665,838	—	665,837	0.9%	(5,780)	(5,780)
0 — 3 months past due	126,223	—	126,223	4.9%	(6,223)	(6,223)
4 — 6 months past due	25,113	(220)	24,893	17.8%	(4,433)	(4,653)
7 — 9 months past due	7,619	(268)	7,351	64.1%	(4,714)	(4,982)
10 — 12 months past due	2,660	(81)	2,579	96.3%	(2,483)	(2,564)
More than 1 year past due	10,851	(1,208)	9,643	100.0%	(9,643)	(10,851)
	838,304	(1,777)	836,526		(33,276)	(35,053)

	At 31 December 2022					
	Gross carrying amount RMB'000	Provision on individual basis RMB'000	Carrying amount after individual provision	ECL rates	ECLs RMB'000	Loss allowance RMB'000
Current (not past due)	627,547	—	627,547	0.7%	(4,356)	(4,356)
0 — 3 months past due	113,177	—	113,177	5.1%	(5,721)	(5,721)
4 — 6 months past due	18,777	—	18,777	18.1%	(3,395)	(3,395)
7 — 9 months past due	6,286	(11)	6,275	32.5%	(2,037)	(2,048)
10 — 12 months past due	17,347	(11,680)	5,667	41.9%	(2,374)	(14,054)
More than 1 year past due	13,889	(4,557)	9,332	100%	(9,332)	(13,889)
	797,023	(16,248)	780,775		(27,215)	(43,463)

Expected loss rates are based on actual loss experience over the past 12 months. These rates are adjusted to reflect differences between economic conditions during the year over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(b) Liquidity risk

The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities of the Group's non-derivative financial liabilities as at 31 December 2023 and 2022, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay:

	As at 31 December 2023					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand RMB'000	**More than 1 year but less than 2 years RMB'000**	**More than 2 years but less than 5 years RMB'000**	**More than 5 years RMB'000**	**Total RMB'000**	**Carrying amount at 31 December RMB'000**
Bank and other loans	**224,795**	**5,340**	**10,032**	**–**	**240,167**	**235,023**
Trade payables	**233,249**	**–**	**–**	**–**	**233,249**	**233,249**
Other payables and accrued expenses	**361,514**	**–**	**–**	**–**	**361,514**	**361,514**
Lease liabilities *(note 25)*	**15,058**	**9,967**	**9,995**	**–**	**35,020**	**32,028**
	834,616	**15,307**	**20,027**	**–**	**869,950**	**861,814**

	As at 31 December 2022					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Carrying amount at 31 December RMB'000
Bank and other loans	194,213	–	–	–	194,213	192,543
Trade payables	120,800	–	–	–	120,800	120,800
Other payables and accrued expenses	459,870	–	–	–	459,870	459,870
Lease liabilities *(note 25)*	12,299	10,145	11,020	–	33,464	30,839
	787,182	10,145	11,020	–	808,347	804,052

In addition to the above, the Group was also exposed to liquidity risk arising from The financial instruments issued to investors at 31 December 2023, the payment terms of which are further disclosed in Note 27.

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from cash at banks, financial products issued by financial institutions, bank and other loans and lease liabilities. Instruments bearing interest at variable rates and fixed rates expose the Group to cashflow interest rate risk and fair value interest rate risk respectively. The Group regularly reviews its strategy on interest rate risk management in the light of the prevailing market condition. The Group's interest rate risk profile as monitored by management is set out in below.

The following table details the interest rate profile of the Group's financial assets and liabilities as at 31 December 2023 and 2022.

(i) Interest rate risk profile

	31 December 2023		31 December 2022	
	Weighted average interest rate		Weighted average interest rate	
	%	**RMB'000**	%	RMB'000
Fix rate borrowings:				
Lease liabilities	**4.80%**	**(32,028)**	4.45%	(30,839)
Bank and other loans	**4.15%**	**(235,023)**	4.10%	(192,543)
		(267,051)		(223,382)
Variable rate instruments:				
Cash at bank		**243,375**		249,674
Restricted bank deposits		**23,700**		74,370
Financial assets measured at FVPL		**346,721**		423,501
		613,796		747,545
Net exposure		**346,745**		524,163

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(c) Interest rate risk (continued)

(ii) Sensitivity analysis

At 31 December 2023, it is estimated that a general increase/decrease of 100 basis points (2022: 100 basis points) in interest rates, with all other variables held constant, would have decreased/increased the Group's loss after tax and accumulated losses by approximately RMB4,641,000 (2022: decreased/increased RMB5,607,000).

The sensitivity analysis above indicates the instantaneous change in the Group's loss after tax (and accumulated losses) and other components of consolidated equity that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of the reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the reporting period, the impact on the Group's loss after tax (and accumulated losses) and other components of consolidated equity is estimated as an annualised impact on interest expense or income of such a change in interest rates.

(d) Fair value measurement

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured as at 31 December 2023 and 2022 on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(d) Fair value measurement (continued)

(i) ***Financial assets and liabilities measured at fair value*** (continued)

Fair value hierarchy (continued)

The following table presents the Group's financial assets that are measured at fair value at the year ended 31 December 2023 and 2022:

	Fair value at 31 December 2023	Fair value measurements as at 31 December 2023 categorised into		
		Level 1	Level 2	Level 3
	RMB'000	RMB'000	RMB'000	RMB'000
Recurring fair value measurements				
Financial assets:				
Unlisted equity instrument	**40,000**	**–**	**–**	**40,000**
Wealth management products	**46,650**	**–**	**–**	**46,650**
Fund management products	**300,071**	**–**	**–**	**300,071**

	Fair value at 31 December 2022	Fair value measurements as at 31 December 2022 categorised into		
		Level 1	Level 2	Level 3
	RMB'000	RMB'000	RMB'000	RMB'000
Recurring fair value measurements				
Financial assets:				
Wealth management products	45,399	–	–	45,399
Fund management products	378,102	–	–	378,102

For the years ended 31 December 2023 and 2022, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(d) Fair value measurement (continued)

(i) ***Financial assets and liabilities measured at fair value*** (continued)

Information about Level 3 fair value measurements

(aa) Financial assets at FVPL

The Group has a team headed by the finance manager performing valuation for the equity instrument and financial products issued by financial institutions which are categorized into Level 3 of the fair value hierarchy. The team reports directly to the head of finance department. A valuation analysis of changes in fair value measurement is prepared by the team periodically, and is reviewed and approved by the head of finance department. External valuation experts will be involved when necessary.

Below is a summary of significant unobservable inputs to the valuation of the equity instrument and financial products issued by financial institutions together with a quantitative sensitivity analysis as at 31 December 2023 and 2022:

	Valuation techniques	Significant unobservable inputs
Unlisted equity instrument	Market method	latest round of financing
Financial products issued by financial institutions	Discounted cash flow method	expected return rate

If the fair value of the Group's unlisted equity instrument had been 10% higher/lower, profit before income tax for the year ended 31 December 2023 would have been approximately RMB4,000,000 higher/lower.

The other financial assets measured at FVPL were investment in wealth management products and investment in fund management products that usually held from several days up to one year. The increase of estimated weighted average expected return rates will lead to the higher fair value of the financial products. If the estimated weighted expected average return rates had increased/ decreased by 0.5% with all other variables held constant, the Group's loss before income tax for the years ended 31 December 2023, would have been approximately RMB1,877,032 and RMB1,877,032 lower/higher respectively (2022: RMB894,397 and RMB445,082).

(Expressed in Renminbi unless otherwise indicated)

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(d) Fair value measurement (continued)

(i) ***Financial assets and liabilities measured at fair value*** (continued)

Information about Level 3 fair value measurements (continued)

(aa) Financial assets at FVPL (continued)

The movements for the years ended 31 December 2023 and 2022 in the balance of Level 3 fair value measurements are as follows:

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Unlisted equity instrument and financial products issued by financial institutions *(note 16)*:		
At January 1	**423,501**	28,000
Additions in investments	**60,603**	419,911
Redemptions of investments	**(115,952)**	(35,283)
Effect of foreign exchange rate changes	**7,119**	—
Net realised and unrealised gains or losses recognised in profit or loss during the year *(note 5)*	**11,450**	10,873
At 31 December	**386,721**	423,501

(ii) ***Fair value of financial assets and liabilities carried at other than fair value***

The carrying amounts of the Group's financial instruments carried at cost were not materially different from their fair values as at 31 December 2023 and 2022.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

31 ACQUISITION OF SUBSIDIARIES

(a) Business combination

(i) 2023 business combination

In 2023, the Company complete two acquisitions, including 70% equity interest of Jiangsu Jiutai Pharmaceutical Co., Ltd. ("**Jiangsu Jiutai**") and 60% equity interest of Zhejiang Xiesheng Traditional Chinese Medicine Co., Ltd. ("**Zhejiang Xiesheng**"). The two acquisitions expanded the Group's medicines distribution business and pharmaceutical business.

The following table summarises the total consideration transferred, and the total fair value of assets acquired, and liabilities assumed for the two business acquisitions at related acquisition dates in 2023:

	Identifiable assets acquired and liabilities assumed RMB'000
Intangible assets *(note 12)*	96
Property, plant and equipment *(note 11)*	962
Cash and cash equivalents	337
Trade receivables	4,164
Inventories	1,171
Prepayments and other receivables	1,410
Trade payables	(4,003)
Other payables and accrued expenses	(1,044)
Lease liabilities	(398)
Bank and other loans	(2,500)
Net identifiable assets and liabilities	195
Less: Non-controlling interests	84
Add: Goodwill arising from the acquisition *(note 13)*	489
Total consideration	600
Satisfied by:	
Cash consideration	600

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

31 ACQUISITION OF SUBSIDIARIES (continued)

(a) Business combination (continued)

(i) ***2023 business combination*** (continued)

Analysis of the cash flows in respect of the acquisitions is as follows:

	Year ended 31 December 2023 RMB'000
Cash paid by the Group	600
Less: Cash and cash equivalents acquired	337
Net cash outflow in respect of the acquisition	263

Since the acquisition dates in 2023, the two subsidiaries contributed RMB72,457,487 to the Group's revenue and RMB482,267 to the consolidated profit for the year ended 31 December 2023. If the acquisitions had occurred on 1 January 2023, consolidated revenue and consolidated loss for the year ended 31 December 2023 would have been RMB3,901,068,949 and RMB274,050,253 respectively.

(ii) ***2022 business combination***

In 2022, the Company complete six acquisitions, including 100% equity interest of Polifarma (Nanjing) Co., Ltd. ("**Polifarma**"), 60% equity interest of Zhejiang Xiening Medicine Co., Ltd. ("**Zhejiang Xiening**"), 80% equity interest of Hefei Mingxiang Biotechnology Co., Ltd. ("**Hefei Mingxiang**"), 100% equity interest of Hangzhou Zhimin Medicine Co., Ltd. ("**Hangzhou Zhimin**"), 100% equity interest of Nanjing Xinlu Trading Co., Ltd. ("**Nanjing Xinlu**") and 100% equity interest of Xuzhou Hailin Medical Instruments Co., Ltd. ("**Xuzhou Hailin**"). The six acquisitions expanded the Group's retail pharmacy business, medicines distribution business and pharmaceutical business.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

31 ACQUISITION OF SUBSIDIARIES (continued)

(a) Business combination (continued)

(ii) 2022 business combination (continued)

The following table summarises the total consideration transferred, and the total fair value of assets acquired, and liabilities assumed at the Polifarma acquisition date in December 2022:

	Identifiable assets acquired and liabilities assumed RMB'000
Intangible assets *(note 12)*	110,900
Property, plant and equipment *(note 11)*	45,830
Cash and cash equivalents	8,631
Trade receivables	17,957
Inventories	11,844
Prepayments and other receivables	32,910
Trade payables	(2,049)
Other payables and accrued expenses	(74,251)
Bank and other loans	(55,265)
Deferred tax liabilities	(32,678)
Net identifiable assets and liabilities	63,829
Add: Goodwill arising from the acquisition *(note 13)*	37,870
Total consideration	101,699
Satisfied by:	
Cash consideration	101,699

Analysis of the cash flows in respect of the Polifarma acquisitions is as follows:

	Year ended 31 December 2022 RMB'000
Cash paid by the Group	101,699
Less: Cash and cash equivalents acquired	8,631
Net cash outflow in respect of the acquisition	93,068

(Expressed in Renminbi unless otherwise indicated)

31 ACQUISITION OF SUBSIDIARIES (continued)

(a) Business combination (continued)

(ii) ***2022 business combination*** (continued)

The following table summarises the total consideration transferred, and the total fair value of assets acquired and liabilities assumed for other business acquisition at related acquisition dates in 2022:

	Identifiable assets acquired and liabilities assumed RMB'000
Intangible assets *(note 12)*	30,123
Property, plant and equipment *(note 11)*	14,310
Cash and cash equivalents	2,876
Trade receivables	39,430
Inventories	17,660
Prepayments and other receivables	3,999
Trade payables	(26,705)
Other payables and accrued expenses	(19,833)
Contract liabilities	—
Bank and other loans	(4,656)
Deferred tax liabilities	(7,440)
Lease liabilities	(11,203)
Net identifiable assets and liabilities	38,561
Less: Non-controlling interests	10,221
Add: Goodwill arising from the acquisition *(note 13)*	24,738
Total consideration	53,078
Satisfied by:	
Cash consideration	53,078

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

31 ACQUISITION OF SUBSIDIARIES (continued)

(a) Business combination (continued)

(ii) *2022 business combination* (continued)

Analysis of the cash flows in respect of the other business acquisitions for the year ended 31 December 2022 is as follows:

	Year ended 31 December 2022 RMB'000
Cash paid by the Group	53,078
Less: Cash and cash equivalents acquired	2,876
Net cash outflow in respect of the acquisition	50,202

Since the acquisition dates in 2022, the five subsidiaries except Polifarma contributed RMB167,132,130 to the Group's revenue and RMB1,638,094 to the consolidated profit for the year ended 31 December 2022. If the acquisitions had occurred on 1 January 2022, consolidated revenue and consolidated loss for the year ended 31 December 2022 would have been RMB3,045,353,428 and RMB1,694,385,572 respectively.

Since the acquisition dates in 2022, Polifarma contributed RMB0 to the Group's revenue and RMB365,767 to the consolidated loss for the year ended 31 December 2022. If the acquisitions had occurred on 1 January 2022, consolidated revenue and consolidated loss for the year ended 31 December 2022 would have been RMB3,005,878,024 and RMB1,707,481,520 respectively.

The acquisition-related costs were not significant and had been charged to general and administrative expenses in the consolidated statements of comprehensive income for the year ended 31 December 2023 and 2022.

The material assets in this transaction include customer relationship, license and exclusive right, pharmaceutical distribution rights, technology and know-how. The valuation technique used for measuring the fair value of technology and know-how acquired is relief-from-royalty, which is based on the discounted estimated royalty payments that are expected to be avoided as a result of the technology and know-how being owned. The valuation technique used for measuring the fair value of the other intangible assets are multi-period excess earnings method ("**MEEM**"), which is based on the present value of net cash flows expected to be generated by the underlying intangible assets, by excluding any cash flows related to contributory assets.

The fair value measurement of customer relationship, license and exclusive right fall into level 3 of the fair value hierarchy.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

32 MATERIAL RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 8 and certain of the highest paid employees as disclosed in note 9, is as follows:

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Salaries and other emoluments	**5,096**	18,131
Discretionary bonuses	**3,147**	18,422
Retirement scheme contributions	**272**	228
Share based payment expenses	**94,968**	130,781
	103,483	167,562

Total remuneration is included in "staff costs" (see note 6(b)).

(b) Transaction with related parties

In addition to the transactions disclosed elsewhere in the consolidated financial statements, the Group has entered into the following material related party transactions during the years ended 31 December 2023 and 2022:

	At 31 December	
	2023	2022
	RMB'000	RMB'000
Sales to a subsidiary of a non-controlling shareholder of the Group	**25,585**	—
Purchase from a subsidiary of a non-controlling shareholder of the Group	**1,872**	—
Acquisitions of non-controlling interests in a subsidiary	**25,000**	—
Advance from non-controlling interest of the Group	**13,620**	4,291
Advance to key management personnel	**950**	—
Advance and repayment to non-controlling interest of the Group	**24,861**	—

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

32 MATERIAL RELATED PARTY TRANSACTIONS (continued)

(c) Balances with related parties

The outstanding balances arising from the above transactions as at the end of each of the years ended 31 December 2023 and 2022 are as follows:

The Group

	At 31 December	
	2023	2022
	RMB'000	RMB'000
Trade in nature:		
Trade payables for a subsidiary of a non-controlling shareholder of the Group	**394**	—
Trade receivables for a subsidiary of a non-controlling shareholder of the Group	**22,327**	—

	At 31 December	
	2023	2022
	RMB'000	RMB'000
Non-trade in nature:		
Amounts due from key management personnel	**950**	—
Amounts due from non-controlling interest of the Group	**7,000**	—
Amounts due to non-controlling interest of the Group	**22,550**	5,291

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

33 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	2023 RMB'000	2022 RMB'000
Non-current assets			
Investments in subsidiaries	*15*	**936,751**	704,615
Receivable due from subsidiaries		**3,745,126**	3,550,998
		4,681,877	4,255,613
Current assets			
Financial assets measured at fair value through profit or loss	*16*	**195,728**	256,194
Cash and cash equivalents	*20*	**27**	2,629
		195,755	258,823
Current liabilities			
Financial liabilities at FVPL		**56**	—
Other payables and accrued expenses	*22*	**5,775**	14,578
		5,831	14,578
NET ASSETS		**4,871,801**	4,499,858
Capital and reserves			
Share capital	*29(c)*	**391**	391
Reserves	*29(d)*	**4,871,410**	4,499,467
TOTAL EQUITY		**4,871,801**	4,499,858

Approved and authorised for issue by the board of directors on 21 March 2024

Kuang Ming
Director

Lee Kar Chung Felix
Director

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

34 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2023

Up to the date of issue of these financial statements, the IASB has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2023 and which have not been adopted in the these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to IAS 1, *Presentation of financial statements: Classification of liabilities as current or non-current ("2020 amendments")*	1 January 2024
Amendments to IAS 1, *Presentation of financial statements: Non-current liabilities with covenants ("2022 amendments")*	1 January 2024
Amendments to IFRS 16, *Leases: Lease liability in a sale and leaseback*	1 January 2024
Amendments to IAS 7, *Statement of cash flows and IFRS 7, Financial Instruments: Disclosures: Supplier finance arrangements*	1 January 2024
Amendments to IAS 21, *The effects of changes in foreign exchange rates: Lack of exchangeability*	1 January 2025

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

Five-Year Financial Summary

Condensed consolidated statements of comprehensive income

	Years ended 31 December				
	2023	2022	2021	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**3,690,536**	2,988,056	1,756,731	839,123	524,438
Gross profit	**909,382**	792,100	570,024	232,756	61,570
Operating loss	**(314,242)**	(591,563)	(695,911)	(836,682)	(180,991)
Loss before income tax	**(327,326)**	(1,693,643)	(4,155,507)	(2,897,855)	(565,376)
Loss for the year	**(327,344)**	(1,692,221)	(4,153,193)	(2,896,889)	(565,389)

Condensed consolidated balance sheets

	As at 31 December				
	2023	2022	2021	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets	**641,761**	585,966	226,421	154,795	35,987
Current assets	**2,303,304**	2,248,462	2,281,732	1,532,547	1,126,115
Total assets	**2,945,065**	2,834,428	2,508,153	1,687,342	1,162,102
Non-current liabilities	**78,292**	69,036	19,159	12,812	1,704
Current liabilities	**1,101,467**	884,017	9,644,125	5,067,748	2,032,220
Total liabilities	**1,179,759**	953,053	9,663,284	5,080,560	2,033,924
Total equity/(deficit)	**1,765,306**	1,881,375	(7,155,131)	(3,393,218)	(871,822)

Definitions

"91health Hangzhou"	91health Hangzhou Limited* (杭州智雲匯醫科技有限公司), a wholly foreign owned enterprise established in the PRC on December 30, 2020 and a wholly-owned subsidiary of our Company
"Audit Committee"	the audit committee of the Board
"Board"	the board of Directors
"China" or "PRC"	the People's Republic of China and for the purposes of this annual report only, except where the context requires otherwise, excluding Hong Kong, the Macao Special Administrative Region of the People's Republic of China and Taiwan
"Chengdu Zhiyun Internet Hospital"	Chengdu Zhiyun Internet Hospital Co., Ltd.* (成都智雲互聯網醫院有限公司), a company incorporated in the PRC on June 18, 2021 and a subsidiary of our Company
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company", "our Company", or "the Company"	ClouDr Group Limited (formerly known as 91health Group Limited), an exempted company with limited liability incorporated in the Cayman Islands on August 24, 2015
"Consolidated Affiliated Entity(ies)"	collectively, Hangzhou Kangming and its subsidiaries, Chengdu Zhiyun Internet Hospital and Tianjin Zhiyun, the financial accounts of which have been consolidated and accounted for as if they were subsidiaries of our Company by virtue of the Contractual Arrangements
"Contractual Arrangement(s)"	the series of contractual arrangements entered into entered into between, among others, 91health Hangzhou, Hangzhou Kangming and its subsidiaries, and the Registered Shareholders, as detailed in the section headed "Contractual arrangements" in the Prospectus
"Corporate Governance Code"	the Corporate Governance Code set out in Appendix C1 (formerly Appendix 14) to the Listing Rules, as amended, supplemented or otherwise modified from time to time
"Director(s)"	the director(s) of our Company
"FVTPL"	fair value through profit or loss
"Global Offering"	the Hong Kong Public Offering and the International Offering as defined and described in the Prospectus

Definitions

"Group", "we" or "us"	the Company, its subsidiaries, and the Consolidated Affiliated Entities (the financial results of which have been consolidated and accounted for as subsidiaries of our Company by virtue of the Contractual Arrangements) from time to time, and where the context requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time
"Hangzhou Kangming"	Hangzhou Kangming Information Technology Co., Ltd.* (杭州康明信息技術有限公司), a company established in the PRC with limited liability on December 11, 2020 and a Consolidated Affiliated Entity
"HK" or "Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"IFRS"	IFRS Accounting Standards, as issued from time to time by the International Accounting Standards Board
"Latest Practicable Date"	April 22, 2024, being the latest practicable date for ascertaining certain information in this annual report before its publication
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange
"Listing Date"	July 6, 2022, the date on which the Shares were listed on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the GEM of the Stock Exchange
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 (formerly Appendix 10) to the Listing Rules
"Mr. Kuang"	Mr. Kuang Ming (匡明), our founder, executive Director, chairman and chief executive officer
"Over-allotment Option"	has the meaning ascribed to it in the Prospectus
"Post-IPO Share Award Scheme"	the post-IPO share award scheme approved and adopted by our Company on June 10, 2022
"Pre-IPO Equity Incentive Scheme"	the pre-IPO equity incentive scheme approved and adopted by our Company on August 24, 2015
"Prospectus"	the prospectus of the Company dated June 23, 2022

Definitions

"Registered Shareholders"	the registered shareholders of the Hangzhou Kangming from time to time; the current registered shareholders are identified in the section headed "Contractual Arrangements" of the Prospectus
"Reporting Period"	the year ended December 31, 2023
"RMB"	Renminbi, the lawful currency of China
"SaaS"	software as a service
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Shareholder(s)"	holder(s) of the Share(s)
"Share(s)"	Ordinary share(s) in the share capital of our Company, currently with a par value of US$0.00001 each
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary" or "subsidiaries"	has the meaning ascribed thereto in section 15 of the Companies Ordinance
"substantial shareholder(s)"	has the meaning ascribed to it in the Listing Rules
"Tianjin Zhiyun"	Tianjin Zhiyun Comprehensive Clinic Co., Ltd.* (天津智雲綜合門診有限公司), a company established in the PRC with limited liability on March 26, 2021, and a Consolidated Affiliated Entity
"United States" "U.S." or "US"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"US$"	United States dollars, the lawful currency of the United States
"Yinbang Insurance Brokerage"	Yinbang Insurance Brokerage Co., Ltd.* (銀邦保險經紀有限公司), a company established in the PRC with limited liability on September 5, 2011 and a Consolidated Affiliated Entity
"%"	per cent

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