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ClouDr Group Limited

智雲健康科技集團*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 9955)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2022

The board (the “**Board**”) of directors (the “**Directors**”) of ClouDr Group Limited (the “**Company**”, together with its subsidiaries and consolidated affiliated entities, the “**Group**”) is pleased to announce the unaudited consolidated interim financial results of the Group for the six months ended June 30, 2022 (the “**Reporting Period**”), together with the comparative figures for the corresponding period in 2021. The interim results have been reviewed by the Company’s audit committee.

In this announcement, “we”, “us”, and “our” refer to the Company and where the context otherwise requires, the Group. Certain amount and percentage figure included in this announcement have been subject to rounding adjustments, or have been rounded to one or two decimal places. Any discrepancies in any table, chart or elsewhere between totals and sums of amounts listed therein are due to rounding.

FINANCIAL HIGHLIGHTS

	Six months ended June 30		% change
	2022	2021	
	<i>RMB'000</i>	<i>RMB'000</i>	
	(Unaudited)	(Unaudited)	
Revenue	1,379,723	706,567	95.3
— In-hospital Solution	1,079,609	496,003	117.7
— Pharmacy Solution	205,778	157,942	30.3
— Individual Chronic Condition Management Solution and Others	94,336	52,622	79.3
Gross profit	386,014	255,985	50.8
Operating loss	(263,941)	(304,964)	(13.5)
Loss for the period	(1,234,679)	(2,539,786)	(51.4)
Adjusted net loss (non-IFRS measure) ⁽¹⁾	(147,977)	(202,477)	(26.9)

- (1) We define “adjusted net loss (non-IFRS measure)” as loss for the period and adding back (i) change in fair value of financial liabilities, (ii) share-based compensation expenses, (iii) listing expenses, and (iv) issuance cost of financial liability at fair value through profit or loss (“**FVTPL**”).

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

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, 2021, and numbers of online prescriptions issued through our services in 2021.

China has the world’s largest chronic condition patient population, with a significant portion of healthcare spending on chronic conditions. While chronic condition patients usually need on-going medical care and recurring prescription, which require both in-and out-of-hospital services, China’s healthcare services are still heavily concentrated in public hospitals.

In order to capture the existing in-hospital chronic condition management market and extend such market to out-of-hospital scenarios, we have adopted a hospital-first strategy to provide a comprehensive chronic condition management experience for patients in and out of hospitals. We aspire to lead China’s digital chronic condition management market through our solutions serving all major participants in the healthcare value chain, including hospitals, pharmacies, pharmaceutical companies, patients and doctors.

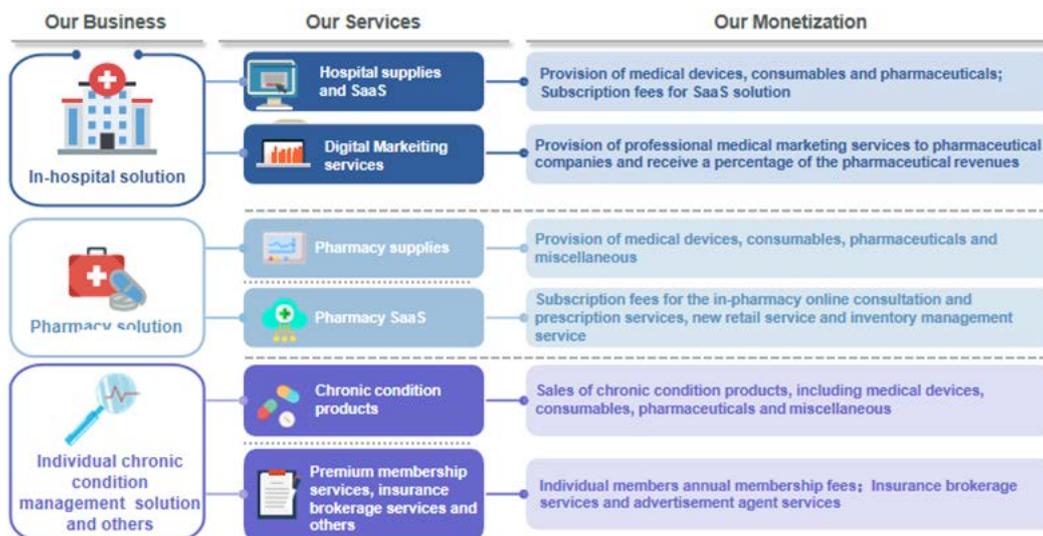
Our integrated in-and out-of-hospital solutions include (1) in-hospital solution, (2) pharmacy solution, and (3) individual chronic condition management solution.



Our integrated in-hospital solution provides a comprehensive chronic condition management solution to hospitals, including hospital SaaS and proprietary AIoT (Artificial Intelligence of Things) devices, sale of the medical devices and consumables which can be connected to our hospital SaaS through the AIoT devices, and rendering of digital marketing services leveraging our SaaS network in the hospitals and our existing sales forces.

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

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



Our business has revealed a strong growth momentum despite of external uncertainties. For the six months ended June 30, 2022, our total revenue amounted to RMB1,380.0 million, representing a year-on-year increase of 95.3%. Our gross profit increased 50.8%. Our non-IFRS adjusted net loss margin narrowed down to negative 10.7% due to the significant business growth and operating leverages.

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.

Our hospital SaaS, *ClouDr. Yihui*, was launched in 2016 and the first of its kind in China to digitalize and standardize the in-hospital chronic condition management process. It is capable of connecting to medical devices, such as glucose meters and vital sign monitors, with the help of our proprietary AIoT devices. We are the only company whose AIoT device can connect to NMPA-certified medical devices in China. As of June 30, 2022, approximately 2,500 hospitals had installed ClouDr. Yihui, including 674 Class III public hospitals, 1,066 Class II public hospitals, and 35 of China’s top 100 hospitals. Wuhan Huoshenshan Hospital also installed ClouDr. Yihui system.

Leveraging our hospital SaaS network, we monetize through hospital supplies which are primarily relate to chronic conditions and can be connected to our hospital SaaS through the proprietary AIoT devices. We aim to fulfill hospitals’ needs of chronic condition management for patients. For the six months ended June 30, 2022, the number of hospitals directly or indirectly purchased hospital supplies from us reached 2,766, which represented an increase of 87.7% as compared to the same period in 2021.

In addition, leveraging our hospital network, hospital SaaS, and doctor and patient APPs, we also offer pharmaceutical companies digital marketing services, primarily for medicines related to chronic condition management, to boost the medicines' awareness and support clinical decisions. As of June 30, 2022, we had contracted with 23 pharmaceutical companies to provide them digital marketing services, which represented an increase of 53% as compared to that as of June 30, 2021. The total partnered stock keeping units (SKUs) reached 29 as of June 30, 2022.

Hospital SaaS significantly improved our customer stickiness for monetization opportunities. The overall customer retention rate of 79% in the first half of the year 2022, while this ratio was 92% for hospitals that installed our SaaS. Similarly, the installation of hospital SaaS also contributed the fast growth in our digital marketing business.

Our in-hospital solution has allowed us to successfully build deep connections with hospitals, laying a solid foundation to extend our businesses to out-of-hospital settings.

	Six months ended June 30		
	2022	2021	
	<i>RMB'000</i>	<i>RMB'000</i>	% change
	(Unaudited)	(Unaudited)	
Revenue			
In-hospital solution	1,079,609	496,003	117.7
Hospital supplies and SaaS	814,619	316,528	157.4
Digital marketing services	264,990	179,475	47.6
Gross profit			
In-hospital solution	338,131	208,592	62.1
Hospital supplies and SaaS	100,531	52,100	93.0
Digital marketing services	237,600	156,492	51.8
Gross margin			
In-hospital solution	31.3%	42.1%	(10.8)
Hospital supplies and SaaS	12.3%	16.5%	(4.2)
Digital marketing services	89.7%	87.2%	2.5

	Six months ended June 30	
	2022	2021
Number of hospital that installed our hospital SaaS ⁽¹⁾	2,490	1,808
Number of paying hospitals	2,766	1,474
Number of transacting pharmaceutical companies ⁽²⁾	23	15
Number of SKUs marketed through digital marketing services ⁽³⁾	29	21

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 transacting pharmaceutical companies is the number of pharmaceutical companies to which we provided digital marketing services during the respective year.
- (3) Number of SKUs marketed through digital marketing services during the respective year.

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.

Leveraging the insights generated from the pharmacy SaaS prescription services, we effectively connect pharmaceutical companies and pharmacy stores for pharmacy supply purchases. The number of transacting customers for our pharmacy supplies amounted to 502 for the six months ended June 30, 2022.

We also provide value-added services in our pharmacy SaaS, such as a new retail service that offers e-commerce solutions on Weixin mini programs, and inventory management services. As of June 30, 2022, over 185,000 pharmacy stores had installed ClouDr. Pharmacy, covering over 32% of the pharmacy stores in China.

	Six months ended June 30		
	2022	2021	
	<i>RMB'000</i>	<i>RMB'000</i>	% change
	(Unaudited)	(Unaudited)	
Revenue			
Pharmacy solution	205,778	157,942	30.3
Pharmacy supplies	180,068	135,219	33.2
Pharmacy SaaS	25,710	22,723	13.1
Gross profit			
Pharmacy solution	30,874	28,145	9.7
Pharmacy supplies	6,286	6,245	0.7
Pharmacy SaaS	24,588	21,900	12.3
Gross margin			
Pharmacy solution	15.0%	17.8%	(2.8)
Pharmacy supplies	3.5%	4.6%	(1.1)
Pharmacy SaaS	95.6%	96.4%	(0.8)

Six months ended June 30**2022** **2021**

Number of pharmacy stores that installed our pharmacy SaaS ⁽¹⁾	185,731	153,015
Number of transacting customers	502	367
Average revenue per transacting customer (in thousands)	359	368

Notes:

- (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 95,000 registered doctors and approximately 26.5 million registered users as of June 30, 2022. Through our omni channel user acquisition, i.e. doctor referrals, patient walk in pharmacy stores using our online prescription services and patient referrals, over 95% new user acquisitions were organic.

Through this solution, we strive to provide patients with convenient, efficient and comprehensive online consultation and prescription filling experience as a “anytime, anywhere” healthcare management platform, which we believe can address the long-term medical needs of chronic disease patients. As part of our platform to deliver these services in compliance with relevant regulations, we currently have three internet hospitals which allow us to provide online consultation and prescription services through our online applications to patients in different provinces across China. The number of online prescription issued through our services reached 80.1 million for the six months ended June 30, 2022.

	Six months ended June 30		
	2022	2021	
	<i>RMB'000</i>	<i>RMB'000</i>	% change
	(Unaudited)	(Unaudited)	
Revenue			
Individual chronic condition			
management solution and others	94,336	52,622	79.3
Chronic condition products	35,482	22,259	59.4
Premium membership services, insurance brokerage services and others	58,854	30,363	93.8
Gross profit			
Individual chronic condition			
management solution and others	17,009	19,248	(11.6)
Chronic condition products	3,833	284	1,249.6
Premium membership services, insurance brokerage services and others	13,176	18,964	(30.5)
Gross margin			
Individual chronic condition			
management solution and others	18.0%	36.6%	(18.5)
Chronic condition products	10.8%	1.3%	9.5
Premium membership services, insurance brokerage services and others	22.4%	62.5%	(40.1)

	Six months ended June 30	
	2022	2021
Number of registered users (in millions) ⁽¹⁾	26.5	20.9
Number of registered doctors (in thousands) ⁽²⁾	94.9	70.5
Number of online prescriptions (in millions)	80.1	65.4

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.

Recent developments after the Reporting Period

The shares of the Company were successfully listed (the “**Listing**”) on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on July 6, 2022 (the “**Listing Date**”), marking an important milestone in the development of the Company.

Sanofi, a well-known global healthcare company, announced strategic partnership with us on July 13, 2022, bringing the best of both parties’ knowledge and expertise to co-construct the next-generation of an Internet Healthcare ecosystem in China, especially in the field of chronic condition management. Starting from the diabetes management, the partnership will explore innovative solutions across the disease management journey, covering both in- and out-of-hospital scenarios.

Ipsen, a global biopharmaceutical company focused on transformative medicines in oncology, rare disease and neuroscience, announced strategic partnership with us on August 12, 2022. The partnership centered around the digital marketing services for certain oncology areas, expanding our footprint from chronic condition management into certain oncology diseases management. Some oncology diseases, such as prostate cancer, are now considered as chronic diseases due to the high survival rates and long survival years. Those oncology diseases management also shares similar characteristics with chronic condition management, requiring long-time out-of-hospital self health condition management.

Business outlook

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

In respect of 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 the partnership with the hospitals, (2) increasing sales professionals with medical background to expand hospital network and hospital SaaS installation base, and (3) focusing on the partnership with pharmaceutical companies to drive further monetization through digital marketing services.

In respect of Pharmacy Solution, we will continue to expand pharmacy network by enriching our pharmacy product portfolio and services, increasing SaaS installation base, and enhancing our supply chain capabilities.

In respect of 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. We will also partner with more insurance companies to roll out the health insurance offerings.

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

MANAGEMENT DISCUSSION AND ANALYSIS

Revenues

Our revenues increased by 95.3% from RMB706.6 million for the six months ended June 30, 2021 to RMB1,379.7 million for the six months ended June 30, 2022. The increase was primarily attributable to the strong growth in the in-hospital solution.

In-hospital solution. Revenue from in-hospital solution increased by 117.7% from RMB496.0 million for the six months ended June 30, 2021 to RMB1,079.6 million for the six months ended June 30, 2022, primarily due to the further SaaS penetration to hospitals, increased number of paying hospitals and increased partnership with pharmaceutical companies to render digital marketing services.

Pharmacy solution. Revenue from pharmacy solution increased by 30.3% from RMB157.9 million for the six months ended June 30, 2021 to RMB205.8 million for the six months ended June 30, 2022, primarily due to the increased paying pharmacy stores and supply chain capabilities.

Individual chronic condition management solution and others. Revenue from individual chronic condition management solution and others increased by 79.3% from RMB52.6 million for the six months ended June 30, 2021 to RMB94.3 million for the six months ended June 30, 2022, primarily due to the increase of chronic condition product sales and the development of insurance brokerage.

Cost of Sales

Our cost of sales increased by 120.5% from RMB405.6 million for the six months ended June 30, 2021 to RMB993.7 million for the six months ended June 30, 2022. The increase was in line with the rapid growth of our business. We observed a higher growth in hospital supplies which was mainly contributed by our SaaS penetration in the hospitals and therefore more cross sale revenues in hospital supplies. Although the hospital SaaS did not become a main revenue generator due to long go-to-market commercial cycle in the hospitals, it significantly improved customer stickiness and drive user engagement therefore more cross sale opportunities

Gross profit and gross margin

As a result of the foregoing, our overall gross profit for the six months ended June 30, 2021 and June 30, 2022 was RMB256.0 million and RMB386.0 million, respectively, and our overall gross margin for the same periods was 36.2% and 28.0%, respectively. The decrease of our overall gross margin was a result of our revenue mix between the product sales and service sales. We observed a higher growth in hospital supplies which was mainly contributed by our SaaS penetration in the hospitals and therefore more cross sale revenues in hospital supplies. Although the hospital SaaS did not become a main revenue generator due to long go-to-market commercial cycle in the hospitals, it significantly improved customer stickiness and drive user engagement therefore more cross sale opportunities

In-hospital solution. Our gross margin in in-hospital solution decreased from 42.1% for the six months ended June 30, 2021 to 31.3% for the six months ended June 30, 2022, primarily attributable to the revenue mix between the hospital supplies and digital marketing services. The monetization of our integrated in-hospital solution became stronger and therefore the hospital supplies achieved faster growth. The pace of rendering the digital marketing, which has a higher gross margin, was temporarily impacted by the sporadic outbreaks of Covid-19 in certain regions in China in the first half of 2022. Although the digital marketing service revenue growth remained strong i.e. 47.6% growth, it was not as fast as the revenue growth in the hospital supplies.

Pharmacy solution. Our gross margin in pharmacy solution decreased from 17.8% for the six months ended June 30, 2021 to 15.0% for the six months ended June 30, 2022, primarily due to the revenue mix between the pharmacy SaaS and pharmacy supplies. Based on our intelligence insights of the supply chain demands of pharmacy stores through the pharmacy SaaS, we were able to achieve faster revenue growth in the pharmacy supplies.

Individual chronic condition management solution and others. Our gross margin in individual chronic condition management solution and others decreased from 36.6% for the six months ended June 30, 2021 to 18.0% for the six months ended June 30, 2022, primarily driven by the revenue mix among chronic condition products, premium membership services and insurance brokerage services. As we acquired more patients onto our platform, the health insurance offerings achieved significant growth. We also observed a gross margin increase in chronic condition products due to one-time promotion activities in the six months ended June 30, 2021 and that was partially offset by product mix impact as we rendered more insurance brokerage services which had relative lower gross margin.

Selling and marketing expenses

Our selling and marketing expenses increased by 23.8% from RMB344.2 million for the six months ended June 30, 2021 to RMB426.2 million for the six months ended June 30, 2022, primarily attributable to increased selling and marketing efforts to promote business growth. We enjoyed significant operating leverage and customer stickiness with high recurring purchases, the selling and marketing expense to revenue ratio decreased from 48.7% for the six months ended June 30, 2021 to 30.9% for the six months ended June 30, 2022.

For non-IFRS measures (excluding the share-based compensation), the selling and marketing expense increased by 24.3% from RMB322.5 million for the six months ended June 30, 2021 to RMB401.0 million for the six months ended June 30, 2022. The selling and marketing expense to revenue ratio further decreased from 45.6% for the six months ended June 30, 2021 to 29.1% for the six months ended June 30, 2022.

Administrative expenses

Our administrative expenses increased by 39.0% from RMB113.8 million for the six months ended June 30, 2021 to RMB158.2 million for the six months ended June 30, 2022. The increase was primarily attributable to the professional service fees related to the listing. We effectively controlled expenses, and as a result, the administrative expenses to revenue ratio decreased from 16.1% for the six months ended June 30, 2021 to 11.5% for the six months ended June 30, 2022.

For non-IFRS measures (excluding the share-based compensation and listing expenses), the administrative expense increased by 66.7% from RMB42.3 million for the six months ended June 30, 2021 to RMB71.5 million for the six months ended June 30, 2022. The administrative expense to revenue ratio further decreased from 6.1% for the six months ended June 30, 2021 to 5.2% for the six months ended June 30, 2022.

Research and development expenses

Our research and development expenses decreased from RMB108.2 million for the six months ended June 30, 2021 to RMB79.0 million for the six months ended June 30, 2022. The decrease was primarily due to the increased efficiency and enhanced industry know-how.

For non-IFRS measures (excluding the share-based compensation), the research and development expense decreased by 23.4% from RMB94.1 million for the six months ended June 30, 2021 to RMB72.0 million for the six months ended June 30, 2022. The research and development expense to revenue ratio further decreased from 13.3% for the six months ended June 30, 2021 to 5.2% for the six months ended June 30, 2022.

Loss from operations

As a result of the foregoing, our loss from operations decreased by 13.5% from RMB305.0 million for the six months ended June 30, 2021 to RMB263.9 million for the six months ended June 30, 2022. The decrease was primarily due to the significant revenue increase and the improved operating leverage. For the six months ended June 30, 2021 and 2022, our adjusted net loss (non-IFRS measure) was RMB202.5 million and RMB148.0 million, respectively. The significant adjusted net loss narrow down was contributed by the strong business growth and operating leverages.

Finance costs

Our finance costs decreased by 89.9% from RMB35.4 million for the six months ended June 30, 2021 to RMB3.6 million for the six months ended June 30, 2022, primarily attributable to the decrease in issuance cost of financial liabilities at FVTPL.

Change in fair value of financial liabilities

We recorded change in fair value of financial liabilities of a loss of RMB2,201.0 million and a loss of RMB967.8 million for the six months ended June 30, 2021 and 2022, respectively. In each period, these losses were due to changes in the carrying amount of convertible redeemable preferred shares and/or convertible loans. Prior to the global offering, our convertible redeemable preferred shares have not been traded in an active market and their value at each respective reporting date is determined using valuation techniques.

Income tax

We recorded income tax of negative RMB1,541 thousand and negative RMB661 thousand for the six months ended June 30, 2021 and 2022, respectively. The change was primarily due to the expected net profit from certain subsidiaries or consolidated affiliated entities of the Group and the changes of deferred tax liabilities.

Loss for the period

As a result of the foregoing, our loss decreased by 51.4% from RMB2,539.8 million for the six months ended June 30, 2021 to RMB1,234.7 million for the six months ended June 30, 2022. The decrease was primarily due to the significant revenue increase, the 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 International Financial Reporting 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.

We define “adjusted net loss (non-IFRS measure)” as loss for the period and adding back (i) change in fair value of financial liabilities, (ii) share-based compensation expenses, (iii) listing expenses, and (iv) issuance cost of financial liability at FVTPL.

For the six months ended June 30, 2021 and 2022, our adjusted net loss (non-IFRS measure) was RMB202.5 million and RMB148.0 million, respectively.

The following table sets forth the reconciliations of our non-IFRS financial measure for the six months ended June 30, 2021 and 2022 to the nearest measure prepared in accordance with IFRS:

	Six months ended June 30	
	2022	2021
	RMB’000	RMB’000
	(Unaudited)	(Unaudited)
Loss for the period	(1,234,679)	(2,539,786)
Add:		
Change in fair value changes of financial liabilities ⁽¹⁾	967,842	2,201,000
Share-based compensation expenses ⁽²⁾	69,683	100,052
Listing expenses ⁽³⁾	49,177	6,777
Issuance cost of financial liability at FVTPL ⁽⁴⁾	—	29,480
Adjusted net loss (non-IFRS measure)	(147,977)	(202,477)
Adjusted net loss margin (non-IFRS measure) (%)⁽⁵⁾	(10.7)	(28.7)

Notes:

- (1) Change in fair value of financial liabilities represents the losses arising from change in fair value of our issued convertible redeemable preferred shares and/or convertible loans, 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 expenses relate to the share awards we offered to our employees, directors and consultants under the pre-IPO equity incentive 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) Issuance cost of financial liability at FVTPL is commonly added back to IFRS measures in calculating similar non-IFRS financial measures, primarily because it represents the professional service cost in connection with preferred shares financing and only relates to the scale of financing from the preferred share investors. We do not expect to have such issuance cost after we become a listed company.
- (5) Represents adjusted net loss (non-IFRS measure) divided by the total revenue for the period indicated.

Liquidity and capital resource

During the six months ended June 30, 2022, we had funded our cash requirements principally from capital contribution from shareholders and bank loans. We had cash and cash equivalents of RMB1,090.6 million and RMB522.3 million as of December 31, 2021 and June 30, 2022, respectively.

As of June 30, 2022, we had bank and other loans of RMB58.2 million (December 31, 2021: RMB114.4 million). Borrowings are classified as current liabilities. All borrowings are repayable within one year or on demand and the effective annual interest rates ranged from 3.6% to 6.3% as of June 30, 2022.

Going forward, we believe that 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.

Significant investments

The Group did not make or hold any significant investments (including any investment in an investee company with a value of 5% or more of the Company's total assets as at June 30, 2022) during the six months ended June 30, 2022.

Material acquisitions and disposals

The Group did not have any material acquisitions or disposals of subsidiaries, consolidated affiliated entities or associated companies for the six months ended June 30, 2022.

Pledge of assets

As at June 30, 2022, the Group has no pledge of assets.

Future plans for material investments or capital asset

As at June 30, 2022, the Group did not have detailed future plans for material investments or capital assets.

Gearing ratio

The Group monitors capital on basis of the gearing ratio, which is calculated as dividing liabilities excluded financial liabilities at FVTPL by total assets. As of June 30, 2022, the gearing ratio was 33.0%, as compared with 30.1% as at December 31, 2021 with no significant change.

Significant events after the Reporting Period

On July 6, 2022, the Company issued a total of 19,000,000 shares at the offering price of HK\$30.50 per share, which were listed on the Main Board of the Stock Exchange. The over-allotment option described in the prospectus was not exercised and lapsed on July 28, 2022 in respect of an aggregate of 2,850,000 shares. As agreed in the related investment agreements, all the issued convertible redeemable preferred shares were converted into the ordinary shares at a conversion ratio of 1 to 1 on the listing date, July 6, 2022. Upon the conversion of the convertible redeemable preferred shares, the issued ordinary shares increased by 397,952,558, and the financial liabilities at FVTPL were reclassified from the current liabilities to the equities.

Foreign exchange exposure

During the six months ended June 30, 2022, 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 Renminbi, respectively. 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 June 30, 2022, we had currency translation loss of RMB149 thousand, as compared with currency translation loss of RMB183 thousand as at June 30, 2021. We did not hedge against any fluctuation in foreign currency during the six months ended June 30, 2021 and 2022.

Contingent liabilities

As at June 30, 2022, we did not have any material contingent liabilities (as at June 30, 2021: nil).

Indebtedness

As at June 30, 2022, the Group had bank and other loans of RMB58.3 million, financial liabilities at FVTPL of RMB10,378.6 million and lease liabilities of RMB20.6 million, as compared to RMB114.4 million, RMB8,907.7 million and RMB8.9 million, respectively, as at December 31, 2021.

Employees and remuneration

As at June 30, 2022, the Group had a total of 1,435 full-time employees, of which 527 employees in Hangzhou, 170 employees in Shanghai and 738 employees in other offices in China. The Group also had over 1,400 flexible staffing as of June 30, 2022 to support business development activities mostly in lower tier cities.

The following table sets forth the total number of full-time employees by function as at June 30, 2022:

Function	Number of full-time employees
Selling and marketing	1,168
Research and development	189
General and administrative	78
Total	<u>1,435</u>

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-perform employees.

The total people related cost incurred by the Group for the six months ended June 30, 2022 was RMB480.9 million, as compared to RMB460.4 million for the six months ended June 30, 2021. The full time staff cost incurred for the six months ended June 30, 2022 was RMB282.2 million as compared to RMB318.6 million for the six months ended June 30, 2021. The flexible staffing cost incurred for the six months ended June 30, 2022 was RMB198.7 million as compared to RMB141.8 million for the six months ended June 30, 2021.

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 training and rewards lecturers for positive feedback. Through these trainings, we ensure that our staff's skill sets remain up-to-date, enabling them to better discover and meet consumers' needs.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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

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

Compliance with the Code on Corporate Governance Practices

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

As the shares of the Company were not listed on the Stock Exchange as at June 30, 2022, the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) was not applicable to the Company during the Reporting Period.

Since the Listing Date, the Company has adopted and complied with the applicable code provisions of the Corporate Governance Code (the “**Previous CG Code**”) as set out in Appendix 14 to the Listing Rules before the amendments to the Corporate Governance Code (the “**New CG Code**”) came into effect on 1 January 2022, save and except for the deviation described in the paragraph below. The requirements under the New CG Code would apply to corporate governance reports for financial year commencing on or after 1 January 2022. The Board will continue to review and enhance its corporate governance practice of the Company to ensure compliance and alignment with the latest measures and standards set out in the New CG Code.

Code provision A.2.1 of the Previous CG Code (equivalent to C.2.1 of the New CG Code) recommends, but does not require, that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Kuang Ming (“**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.

Compliance with the Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the “**Model Code**”) as the code of conduct regarding the Directors’ dealings in the securities of the Company.

As the shares of the Company were not listed on the Stock Exchange during the Reporting Period, the Model Code was not applicable to the Company during the Reporting Period. 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 since the Listing Date up to the date of this announcement.

Audit committee

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

The audit committee has reviewed the unaudited consolidated financial statements of the Group for the six months ended June 30, 2022. The audit committee has also discussed matters with respect to the accounting policies and practices adopted by the Company and internal control and financial reporting matters with senior management members of the Company. The audit committee considered that the interim financial results for the six months ended June 30, 2022 are in compliance with the relevant accounting standards, rules and regulations and appropriate disclosures have been duly made.

OTHER INFORMATION

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

The shares of the Company were only listed on the Stock Exchange on July 6, 2022. Neither the Company nor any of its subsidiaries or consolidated affiliated entities purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

Material litigation

The Company was not involved in any material litigation or arbitration during the six months ended June 30, 2022. The Directors are also not aware of any material litigation or claims that are pending or threatened against the Group since the Listing Date and up to the date of this announcement.

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\$448.7 million. As of the date of this announcement, 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 of the Company dated June 23, 2022. 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.

Dividend

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

Consolidated statement of profit or loss for the six months ended June 30, 2022 — unaudited

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	Six months ended June 30	
		2022 RMB'000	2021 RMB'000
Revenue	3	1,379,723	706,567
Cost of sales		<u>(993,709)</u>	<u>(450,582)</u>
Gross profit		386,014	255,985
Other net income		13,453	5,353
Selling and marketing expenses		(426,209)	(344,234)
Administrative expenses		(158,216)	(113,821)
Research and development expenses		<u>(78,983)</u>	<u>(108,247)</u>
Loss from operations		(263,941)	(304,964)
Finance costs	4(a)	(3,557)	(35,363)
Change in fair value of financial liabilities	4(c)	<u>(967,842)</u>	<u>(2,201,000)</u>
Loss before taxation		(1,235,340)	(2,541,327)
Income tax	5	<u>661</u>	<u>1,541</u>
Loss for the period		<u>(1,234,679)</u>	<u>(2,539,786)</u>
Attributable to:			
— Equity shareholders of the Company		(1,230,797)	(2,525,305)
— Non-controlling interests		<u>(3,882)</u>	<u>(14,481)</u>
Loss for the period		<u>(1,234,679)</u>	<u>(2,539,786)</u>
Loss per share	6		
Basic and diluted (RMB)		<u>(11.94)</u>	<u>(27.39)</u>

Consolidated statement of profit or loss and other comprehensive income for the six months ended June 30, 2022 — unaudited

(Expressed in thousands of Renminbi, unless otherwise stated)

	Six months ended June 30	
	<i>Note</i>	
	2022	2021
	RMB'000	RMB'000
Loss for the period	(1,234,679)	(2,539,786)
Other comprehensive income for the period (after tax)		
Item that is or may be reclassified subsequently to profit or loss:		
Exchange difference on translation of:		
— Financial statements of overseas subsidiaries	<u>(476,115)</u>	<u>42,470</u>
Total comprehensive income for the period	<u>(1,710,794)</u>	<u>(2,497,316)</u>
Attributable to:		
— Equity shareholders of the Company	<u>(1,706,912)</u>	<u>(2,482,835)</u>
— Non-controlling interests	<u>(3,882)</u>	<u>(14,481)</u>
Total comprehensive income for the period	<u>(1,710,794)</u>	<u>(2,497,316)</u>

Consolidated statement of financial position at June 30, 2022 — unaudited

(Expressed in thousands of Renminbi, unless otherwise stated)

	<i>Note</i>	At June 30, 2022 <i>RMB'000</i>	At December 31, 2021 <i>RMB'000</i>
Non-current assets			
Property, plant and equipment	7	56,503	36,213
Intangible assets	8	181,912	164,583
Goodwill	9	50,794	25,625
		<u>289,209</u>	<u>226,421</u>
Current assets			
Inventories	10	132,198	110,924
Trade and bills receivables	11	831,722	497,266
Prepayments, deposits and other receivables	12	504,215	420,045
Financial assets at fair value through profit or loss (FVTPL)		57,018	28,000
Cash and cash equivalents	13	522,337	1,090,575
Restricted cash		43,981	134,922
		<u>2,091,471</u>	<u>2,281,732</u>
Current liabilities			
Trade payables	14	145,156	67,763
Other payables and accrued expenses	15	460,808	456,555
Contract liabilities		80,387	93,593
Bank and other loans		58,251	114,383
Lease Liabilities		6,829	4,123
Financial liabilities at FVTPL		10,378,582	8,907,708
		<u>11,130,013</u>	<u>9,644,125</u>
Net current liabilities		<u>(9,038,542)</u>	<u>(7,362,393)</u>
Total assets less current liabilities		<u>(8,749,333)</u>	<u>(7,135,972)</u>

Consolidated statement of financial position at June 30, 2022 — unaudited *(continued)*
(Expressed in thousands of Renminbi, unless otherwise stated)

	<i>Note</i>	At June 30, 2022 <i>RMB'000</i>	At December 31, 2021 <i>RMB'000</i>
Non-current liabilities			
Lease liabilities		13,765	4,800
Deferred tax liabilities		<u>19,306</u>	<u>14,359</u>
		<u>33,071</u>	<u>19,159</u>
NET LIABILITIES		<u>(8,782,404)</u>	<u>(7,155,131)</u>
Capital and reserves			
Share capital	<i>16(b)</i>	110	110
Reserves	<i>16(c)</i>	<u>(8,775,291)</u>	<u>(7,138,062)</u>
Total equity attributable to equity shareholders of the Company		(8,775,181)	(7,137,952)
Non-controlling interests		<u>(7,223)</u>	<u>(17,179)</u>
TOTAL DEFICIT		<u>(8,782,404)</u>	<u>(7,155,131)</u>

Notes to the interim consolidated financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

1 Basis of preparation

This interim financial information has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard (IAS) 34, Interim financial reporting, issued by the International Accounting Standards Board (“IASB”). It was authorised for issue on August 18, 2022.

The interim financial information has been prepared in accordance with the same accounting policies in the 2021 financial statements, except for the accounting policy changes that are expected to be reflected in the 2022 annual financial statements. Details of any changes in accounting policies are set out in note 2.

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

This interim financial information contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2021 financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards (“IFRSs”).

2 Changes in accounting policies

The Group has applied the following amendments to IFRSs issued by the IASB to the interim financial statements for the current accounting period:

- Amendments to IAS 16, property, plant and equipment: proceeds before intended use
- Amendments to IAS 37, provisions, contingent liabilities and contingent assets: Onerous contracts-cost of fulfilling a contract

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

3 Revenue and segment reporting

(a) Revenue from contracts with customers

The Group's product portfolio consists essentially of three major product or service lines, namely in-hospital solution, pharmacy solution and individual chronic condition management solution and others.

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

	Six months ended June 30	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Type of goods or services:		
In-hospital solution		
Hospital supplies and SaaS	814,619	316,528
Digital marketing services	264,990	179,475
Pharmacy solution		
Pharmacy supplies	180,068	135,219
Pharmacy SaaS	25,710	22,723
Individual chronic condition management solution and others		
Chronic condition products	35,482	22,259
Premium membership services, insurance brokerage services and others	58,854	30,363
	<u>1,379,723</u>	<u>706,567</u>
Timing of revenue recognition:		
Point in time	1,349,958	658,182
Over time	29,765	48,385
	<u>1,379,723</u>	<u>706,567</u>

(b) Segment reporting

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

4 Loss before taxation

Loss before taxation is arrived at after charging:

(a) Finance costs

	Six months ended June 30	
	2022	2021
	RMB'000	RMB'000
Interest expenses	3,089	5,123
Interest on lease liabilities	306	125
Issuance cost of financial liabilities at FVTPL	—	29,480
Other financial cost	162	635
	<u>3,557</u>	<u>35,363</u>

(b) Staff costs

	Six months ended June 30	
	2022	2021
	RMB'000	RMB'000
Salaries, wages and other benefits	199,806	209,484
Contributions to defined contribution retirement plan (i)	12,687	9,092
Equity-settled share-based payment expenses	69,683	100,052
	<u>282,176</u>	<u>318,628</u>

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.

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

(c) *Other items*

	Six months ended June 30	
	2022	2021
	RMB'000	RMB'000
Amortisation of intangible assets	39,050	32,666
Depreciation expenses	9,948	6,327
Listing expenses	49,177	6,777
Change in fair value of financial liabilities	967,842	2,201,000
Impairment loss on trade receivables	7,535	4,129
Cost of inventories	915,359	412,204

5 Income tax

	Six months ended June 30	
	2022	2021
	RMB'000	RMB'000
Current tax	1,743	337
Deferred tax	(2,404)	(1,878)
	<u>(661)</u>	<u>(1,541)</u>

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% and 20%, which certain subsidiaries are identified as micro and small business during the reporting periods.
- (ii) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (“BVI”), the Company and the Group’s BVI subsidiaries are not subject to income tax in those jurisdictions.
- (iii) The Company’s subsidiary incorporated in Hong Kong is subject to Hong Kong profit tax at 16.5% of the estimated assessable profit. No provision for Hong Kong Profits Tax has been made, as the subsidiary of the Group incorporated in Hong Kong did not have assessable profits which are subject to Hong Kong Profits Tax during the reporting periods.

6 Loss per share

(a) *Basic loss per share*

The calculation of basic loss per share is based on the loss attributable to ordinary equity shareholders of the Company of RMB1,231 million (six months ended June 30, 2021: RMB2,525 million) and the weighted average of 103,059,000 ordinary shares (six months ended June 30, 2021: 92,206,000 ordinary shares) in issue during the interim period.

(b) *Diluted earnings per share*

The convertible redeemable preferred shares, convertible loan and share options 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.

7 Property, plant and equipment

(a) *Right-of-use assets*

During the six months ended June 30, 2022, the Group entered into a number of lease agreements for use of offices, warehouses and retail stores and acquired items of right-of-use assets through subsidiaries acquisition, and therefore recognized the additions to right-of-use assets of RMB18 million (six months ended June 30, 2021: RMB3 million).

(b) *Acquisitions and disposal of owned assets*

During the six months ended June 30, 2022, the Group acquired items of electronic equipment and machinery, office equipment, motor vehicles and leasehold improvement with a cost of RMB12 million (six months ended June 30, 2021: RMB6 million), and acquired property, plant and equipment through acquisition of subsidiaries with a fair value of RMB1 million (six months ended June 30, 2021: RMB2 million). Motor vehicles, office equipment and electronic equipment with a net book value of RMB756,503 were disposed of during the six months ended June 30, 2022 (six months ended June 30, 2021: RMB77,000), resulting in a loss on disposal of RMB416,032 (six months ended June 30, 2021: RMB75,000).

8 Intangible assets

During the six months ended June 30, 2022, the Group acquired exclusive rights with a cost of RMB27 million (six months ended June 30, 2021: RMB36 million), and acquired intangible assets, including customer relationships and software, through acquisition of subsidiaries with a fair value of RMB30 million (six months ended June 30, 2021: RMB62 million).

9 Goodwill

	<i>RMB'000</i>
Cost and net carrying amount at January 1, 2021	19,017
Acquisitions through business combination	7,002
Decrease through the disposal of a subsidiary	<u>(394)</u>
Cost and net carrying amount at December 31, 2021	25,625
Acquisitions through business combination	<u>25,169</u>
Cost and net carrying amount at June 30, 2022	<u><u>50,794</u></u>

10 Inventories

	At June 30, 2022	At December 31, 2021
	<i>RMB'000</i>	<i>RMB'000</i>
Finished goods	<u><u>132,198</u></u>	<u><u>110,924</u></u>

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

	Six months ended June 30	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Carrying amount of inventories sold	<u><u>915,359</u></u>	<u><u>412,204</u></u>

11 Trade and bills receivables

	At June 30, 2022	At December 31, 2021
	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables	851,684	484,250
Less: Loss allowance	(23,335)	(15,800)
	<hr/>	<hr/>
	828,349	468,450
Bills receivables	3,373	28,816
	<hr/>	<hr/>
	831,722	497,266
	<hr/> <hr/>	<hr/> <hr/>

(a) Ageing analyses

As of the end of each reporting period, 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 June 30, 2022	At December 31, 2021
	<i>RMB'000</i>	<i>RMB'000</i>
Within 3 months	562,634	348,533
4 to 6 months	124,437	78,413
7 to 12 months	118,889	70,320
Over 1 year	25,762	—
	<hr/>	<hr/>
	831,722	497,266
	<hr/> <hr/>	<hr/> <hr/>

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

(b) *Impairment of trade receivables*

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

	Six months ended June 30	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Balance at January 1	15,800	13,082
Impairment losses recognised	7,535	4,129
	<hr/>	<hr/>
At the end of the period	<u>23,335</u>	<u>17,211</u>

12 Prepayments, deposits and other receivables

	At June 30,	At December
	2022	31, 2021
	<i>RMB'000</i>	<i>RMB'000</i>
Prepayments for inventories and services	166,478	164,679
Deposits	152,510	139,538
Advances due from non-controlling shareholders of the Group	5,000	—
Advances due from third parties (<i>note (i)</i>)	26,450	33,601
Purchase rebate with suppliers	15,202	15,616
Value-added tax recoverable	35,436	29,949
Amounts due from staffs in relation to share-based payment and others	19,930	18,641
Prepayments for costs incurred in connection with the proposed listing of the Company's shares (<i>note (ii)</i>)	25,855	8,762
Prepayments for listing expenses	—	240
Share purchase prepayment for the Post-IPO share award scheme	40,257	—
Others	17,097	9,019
	<hr/>	<hr/>
	<u>504,215</u>	<u>420,045</u>

Notes:

All of the prepayments, deposits and other receivables are expected to be recovered and recognised as expenses within one year.

- (i) As at December 31, 2021 and June 30, 2022, the loss allowance on advances due from third parties was measured based on the 12-month expected credit loss and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Amounts due from third parties were non-trade, unsecured, non-interest bearing and repayable on demand.
- (ii) The balance will be transferred to the share premium account within equity upon the listing of the Company's shares on The Stock Exchange of Hong Kong Limited..

13 Cash and cash equivalents

	At June 30, 2022	At December 31, 2021
	<i>RMB'000</i>	<i>RMB'000</i>
Cash at bank and on hand	566,318	1,225,497
Less: restricted cash used for payable insurance premium (<i>note 15</i>)	43,981	134,922
Cash and cash equivalent	<u>522,337</u>	<u>1,090,575</u>

14 Trade payables

	At June 30, 2022	At December 31, 2021
	<i>RMB'000</i>	<i>RMB'000</i>
Payables for inventories and services	<u>145,156</u>	<u>67,763</u>

All of the trade payables are expected to be settled within one year or are repayable on demand.

The aging analyses of trade payables, based on the transaction date, are as follows:

	At June 30, 2022 RMB'000	At December 31, 2021 RMB'000
Within 1 year	141,057	67,763
More than 1 year	4,099	—
	<u>145,156</u>	<u>67,763</u>

15 Other payables and accrued expenses

	At June 30, 2022 RMB'000	At December 31, 2021 RMB'000
Salary and welfare payables	57,095	86,041
Payables for flexible staffs	169,594	124,203
Tax payables	27,746	9,928
Payables for acquiring of subsidiaries and exclusive rights	23,310	13,420
Refund liabilities	22,132	18,424
Payables for listing expenses	77,800	25,333
Advance from a non-controlling shareholder of the Group	1,000	1,000
Payables for issuance cost of financial liabilities at FVTPL	12,081	13,477
Payables for Insurance premium (<i>note (i) and 13</i>)	43,981	134,922
Deposits and others	26,069	29,807
	<u>460,808</u>	<u>456,555</u>

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:

- (i) Insurance premium payables are insurance premiums collected from the insured on behalf of insurance companies but not yet remitted to the insurance companies as of June 30, 2022.

16 Capital, reserves and dividends

(a) Dividends

No dividends have been paid or declared by the Company for the six months ended 30 June 2021 and 2022.

(b) Share capital

(i) Authorized share capital

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

As of June 30, 2022, the authorized share capital of the Company was USD100,000 divided into (i) 602,047,442 ordinary shares of a nominal or par value of US\$0.0001 each, and (ii) 397,952,558 convertible redeemable preferred shares of a nominal or par value of USD0.0001 each, 59,667,889 of which are designated series A Preferred Shares, 41,062,826 of which are designated series B Preferred Shares, 126,536,698 of which are designated series C Preferred Shares, 98,757,876 of which are designated series D Preferred Shares, and 71,927,269 of which are designated series E Preferred Shares.

(ii) Issued share capital

	At June 30, 2022		At December 31, 2021	
	Number of shares	Share capital RMB'000	Number of shares	Share capital RMB'000
Ordinary shares, issued and fully paid:				
At January 1	170,085,661	110	85,830,926	56
Issuance of ordinary shares to exercise share options	—	—	10,925,100	7
Issuance of ordinary shares to employee share trust	—	—	73,329,635	47
	<u>—</u>	<u>—</u>	<u>73,329,635</u>	<u>47</u>
At December 31/June 30	<u>170,085,661</u>	<u>110</u>	<u>170,085,661</u>	<u>110</u>

(c) *Nature and purpose of reserves*

(i) *Treasury share reserve*

The treasury share reserve represents the 73,329,635 ordinary shares held by employee share trust, Prime Forest Assets Limited, controlled by the Company for 2015 Global Share Plan.

(ii) *Capital reserve*

The capital reserve comprises the capital contribution from the equity holders of the Group's subsidiaries and the excess of the total proceeds received from the Company share issuance over the total par value of shares issued.

(iii) *Share-based payments reserve*

The share-based payments reserve represents the portion of the grant date fair value of share options granted to the directors and employees of the Group.

(iv) *Exchange reserve*

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations of the Company and certain subsidiaries within the Group.

(d) *Equity-settled share-based payment*

The Group granted share-based awards to qualified directors and employees pursuant to the 2015 Global Share Plan (“**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 equity instruments annually thereafter of completed service. In accordance with the Plan agreements, the holders of vested share options are entitled to purchase the Company's shares at fixed prices predetermined at grant date. Options granted typically expire in 10 years from the respective grant dates.

During the six months ended June 30, 2021 and 2022, the Group granted 21,086,000 and nil share options to employees respectively. No share options were exercised during the six months ended June 30, 2021 and 2022.

17 Fair value measurement of financial instruments

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, 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

The Group has engaged AVISTA Group Limited, an external valuer to perform valuations for the financial instruments, including convertible redeemable preferred shares and convertible loans issued to investors. A valuation report with analysis of changes in fair value measurement is prepared by the team at each interim and annual reporting date, and is reviewed and approved by the management.

	Fair value at June 30, 2022 <i>RMB'000</i>	Fair value measurements as at June 30, 2022 categorised into		
		Level 1 <i>RMB'000</i>	Level 2 <i>RMB'000</i>	Level 3 <i>RMB'000</i>
Recurring fair value measurements				
Financial assets:				
Wealth management products	57,018	—	—	57,018
Financial liabilities:				
Convertible redeemable preferred shares	10,378,582	—	—	10,378,582

	Fair value at	Fair value measurements		
	December	as at December 31, 2021 categorised into		
	31, 2021	Level 1	Level 2	Level 3
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Recurring fair value measurements				
Financial assets:				
Wealth management products	28,000	—	—	28,000
Financial liabilities:				
Convertible redeemable preferred shares	8,907,708	—	—	8,907,708

During the six months ended June 30, 2022, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2021: nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

Information about Level 3 fair value measurements

(aa) Financial assets at FVTPL

The Group has a team headed by the finance manager performing valuation for wealth management products which are categorized into Level 3 of the fair value hierarchy. The team reports directly to the head of finance department. A valuation analysis of changes in fair value measurement is prepared by the team periodically, and is reviewed and approved by the head of finance department.

Below is a summary of significant unobservable inputs to the valuation of these wealth management products at December 31, 2021 and June 30, 2022.

	Valuation techniques	Significant unobservable inputs
Wealth management products	Discounted cash flow method	Interest return rate

Due to the short period and low expected return rate ranging from 1.20% to 5.00% per annum (2021: 1.00% to 3.50%), the Group considered the fair value of wealth management products approximates to the cost. The fair value measurement is positively correlated to the interest return rate. The management of the Group considers the Group’s exposure of wealth management products to interest return rate is not significant due to short maturity period. Therefore, no sensitivity analysis was presented.

(bb) Financial liabilities at FVTPL

The Group’s convertible redeemable preferred shares and convertible loans are categorized into Level 3 hierarchy.

The Company applied the discounted cash flow method (“**DCF method**”) to determine the underlying equity value of the Company and used the option-pricing method and equity allocation model to determine the fair value of the convertible redeemable preferred shares as of December 31, 2021 and June 30, 2022.

The DCF method involves applying appropriate weighted average cost of capital (“**WACC**”), to discount the future cash flow forecast to present value. The WACC was determined based on a consideration of the factors including risk-free rate, comparative industry risk, equity risk premium, company size and non-systematic risk factors. The Group also applied a discount for lack of marketability (“**DLOM**”), which was quantified by Black-Scholes Option Pricing Model and the Finnerty Model. Under this option-pricing method, which assumed that the put option is struck at the spot price of the stock before the privately held shares can be sold, the cost of the put option was considered as a basis to determine the DLOM.

Key valuation assumptions are set as below:

	At June 30, 2022	At December 31, 2021
WACC	17.00%	17.00%
DLOM	1.00%	6.00%

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

	At June 30, 2022 RMB'000	At June 30, 2021 RMB'000
At January 1	8,907,708	4,329,603
Issuance of Preferred Shares	—	646,010
Conversion from Convertible loan	—	5,330
Changes in fair value through profit or loss	967,842	2,135,203
Exchange realignment	503,032	(51,004)
	<u>10,378,582</u>	<u>7,065,142</u>
At June 30	<u>10,378,582</u>	<u>7,065,142</u>

The movement of the convertible loans is set out as below:

	At June 30, 2021 RMB'000
At January 1	148,557
Loans convert to Preferred Shares	(4,964)
Changes in fair value through profit or loss	<u>65,797</u>
At June 30	<u><u>209,390</u></u>

As at June 30, 2022, it is estimated that with all other variables held constant, a decrease and increase in WACC by 1% would have decreased and increased the group's total comprehensive income by RMB1,258 million and RMB1,003 million respectively. A decrease and increase in DLOM by 1% would have decreased and increased the group's total comprehensive income by RMB85 million and RMB85 million respectively.

As at December 31, 2021, it is estimated that with all other variables held constant, a decrease and increase in WACC by 1% would have decreased and increased the group's total comprehensive income by RMB1,280 million and RMB979 million respectively. A decrease and increase in DLOM by 5% would have decreased and increased the group's total comprehensive income by RMB420 million and RMB395 million respectively.

(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 December 31, 2021 and June 30, 2022.

PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.cloudr.cn). The interim report of the Company for the six months ended June 30, 2022 will be dispatched to the Company's shareholders and made available for review on the same websites in due course.

By order of the Board
ClouDr Group Limited
Kuang Ming
*Chairman, Executive Director and
Chief Executive Officer*

Hong Kong, August 18, 2022

As at the date of this announcement, the Board comprises Mr. Kuang Ming as the executive Director, Mr. Lee Kar Chung Felix as the non-executive Director, and Dr. Hong Weili, Mr. Zhang Saiyin and Mr. Ang Khai Meng as the independent non-executive Directors.

* *For identification purpose only*