

2022
中期報告
INTERIM
REPORT

 **固生堂**

GUSHENGTANG HOLDINGS LIMITED
固生堂控股有限公司



股份代號 Stock Code: 2273

(根據開曼群島法律註冊成立的有限公司)

(Incorporated under the laws of the Cayman Islands with limited liability)

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Corporate Information

DIRECTORS

Executive Director

Mr. Tu Zhiliang (涂志亮) (*Chairman*)

Non-executive Directors

Mr. Jiang Xiaodong (蒋晓冬)

Mr. Huang Jingsheng

Mr. Xu Yongjiu (徐永久)

Mr. Liu Kanghua (刘康华)

Mr. Gao Jian (高建)

Independent Non-executive Directors

Ms. Jin Xu (金旭)

Mr. Li Tie (李鐵)

Mr. Wu Taibing (吴太兵)

AUDIT COMMITTEE

Mr. Li Tie (李鐵) (*Chairperson*)

Mr. Jiang Xiaodong (蒋晓冬)

Mr. Wu Taibing (吴太兵)

REMUNERATION COMMITTEE

Ms. Jin Xu (金旭) (*Chairperson*)

Mr. Li Tie (李鐵)

Mr. Huang Jingsheng

NOMINATION COMMITTEE

Mr. Tu Zhiliang (涂志亮) (*Chairperson*)

Ms. Jin Xu (金旭)

Mr. Wu Taibing (吴太兵)

JOINT COMPANY SECRETARIES

Ms. Xie Xiaoping (谢小平)

Ms. Ho Yin Kwan (何燕群)

AUTHORIZED REPRESENTATIVES

Mr. Tu Zhiliang (涂志亮)

Ms. Ho Yin Kwan (何燕群)

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AUDITOR

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27/F, One Taikoo Place
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HONG KONG LEGAL ADVISER

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COMPLIANCE ADVISER

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COMPANY'S WEBSITE

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Financial Highlights

| | Unaudited | | | |
|---|----------------|-----------|--------------------------------------|----------|
| | 2022 | 2021 | Six months ended June 30, Changes | |
| (RMB'000, except for percentage) | | | | |
| Revenue | 702,902 | 598,189 | 104,713 | 17.5% |
| Gross profit | 198,895 | 268,076 | (69,181) | (25.8%) |
| Profit/(loss) before tax | 53,290 | (348,299) | 401,589 | (115.3%) |
| Net Profit/(Loss) | 55,762 | (349,734) | 405,496 | (115.9%) |
| Adjusted net profit ⁽¹⁾ | 64,319 | 45,911 | 18,408 | 40.1% |
| Basic profit/(loss) per share (RMB cents) | 0.24 | (3.81) | 4.05 | (106.3%) |
| Profitability ratio | | | | |
| Gross profit margin | 28.3% | 44.8% | (16.5%) | — |
| Net profit ratio | 7.9% | (58.5%) | 66.4% | — |
| Adjusted net profit ratio | 9.2% | 7.7% | 1.5% | — |

Note:

- (1) Adjustments to net profit or net loss include: (i) fair value change of financial liabilities at fair value through profit or loss in connection with the convertible redeemable preferred shares and the convertible bonds of the Company; (ii) equity-settled share-based payment in relation to the share options granted under the Pre-IPO Share Option Plan as defined in the Prospectus; (iii) non-recurring expenses which mainly represented the legal and professional fees and miscellaneous expenses related to the Group's non-operating activities such as listing and group reorganization.

Management Discussion and Analysis

BUSINESS REVIEW

We are a TCM healthcare service provider in China. Through our offline medical institutions and online healthcare platforms, we provide customers with a comprehensive range of TCM healthcare services and products to address their diverse medical and healthcare management needs. Focusing on primary care, we have established a TCM platform with the integration of online healthcare platforms and offline medical institutions and the combination of TCM and western medicine, providing customers with comprehensive healthcare solutions throughout the whole process of disease diagnosis and treatment and healthcare management. Our TCM platform has the following key characteristics:

Integration of offline medical institutions and online healthcare platforms.

With the rapid development of internet technology, more and more TCM healthcare service providers in China are adopting the business model integrated online healthcare platforms and offline medical institutions. The core purpose of such business model is to solve the pain points of conventional TCM diagnosis and treatment, such as limited customer outreach, unbalanced physician resources among different regions, and inconvenience of follow-up visits and long-term healthcare management of customers. We started to expand offline healthcare service to online healthcare platforms and further integrated our offline medical institutions with online healthcare platforms in 2018. We believe we are one of the first TCM healthcare service providers to utilize our online healthcare platforms and effectively connect our offline medical service network with online platforms and are thus well positioned to benefit from favorable government policies encouraging the development of online healthcare services. On the one hand, the development of our online healthcare services enables us to utilize medical resources and expand our customer coverage more effectively. On the other hand, we are able to strategically choose cities for offline expansion based on the activeness of online physicians and customers.

Combination of TCM and western medicine.

We originated from the conventional TCM diagnosis and treatment methods of primary care and developed diagnosis and treatment methods combining TCM and western medicine. We provide TCM healthcare solutions through online healthcare platforms and offline TCM medical institutions, combining conventional TCM diagnosis and treatment methods with western medicine, such as clinical laboratory examination and treatment. We aim to effectively and efficiently provide customers with comprehensive healthcare solutions, especially chronic disease management. We focus on the customers' daily primary care, aiming to achieve long-term follow-up and healthcare management for customers.

Standardized and digitalized operations.

1. We have established a digital clerk system on offline medical institution side. Through presenting operational data in the form of digital reports, we are able to enhance the in-depth interaction between our offline medical institutions and our customers to improve customer experience. In the meantime, the digital clerk system facilitates our real-time communication with and feedback collection from customers, thereby empowering our overall business through increasing customer visits and customer return rates of and implementing digital management in our offline medical institutions.

Management Discussion and Analysis

2. We have established a client relationship management (CRM) system on medical-affair side to integrate our development and management of medical professional teams. Capitalizing on the CRM system, we are able to conduct digital analytics on daily operation and management of medical professional teams using digital statistics, thereby improving their operational efficiency.
3. We have built an intelligent prescription review platform embedded with compliance requirements under national reimbursement programs, thereby conducting compliance control leveraging information technologies.
4. We have built a closed-loop enterprise resource planning (ERP) system that covers our whole business process to enhance our digital operation and management, thereby further improving management efficiency through comprehensive and systematic management of supply chain, sales, inventories and accounting.

In February 2021, the PRC government promulgated *Several Policies and Measures on Promoting the Development of Traditional Chinese Medicine* (《關於加快中醫藥特色發展的若干政策措施》), which proposed to promote the renowned physician project (名醫堂工程). In particular, private capitals with extensive experience are encouraged and supported to establish a chain of TCM medical institutions with renowned physicians and distinctive features under distinguishable brands, where they are expected to provide customers with top-ranking TCM healthcare services and products in a first-class environment. We believe that these policies constitute safeguards for our business operations.

In December 2021, the National Healthcare Security Administration (國家醫療保障局) and the National Administration of Traditional Chinese Medicine (國家中醫藥管理局) jointly issued *Guidance on Supporting the Inheritance, Innovation and Development of TCM Healthcare Services and Products by National Reimbursement Programs* (《關於醫保支持中醫藥傳承創新發展的指導意見》), which proposed (i) to support the development of “Internet +” TCM healthcare services and include them in national reimbursement programs; (ii) to adjust the pricing of TCM healthcare services to reflect the labor value contained therein; (iii) to allow TCM healthcare service providers to sell decocting pieces at a markup of no more than 25%; (iv) to allow TCM healthcare service providers to price their in-hospital preparations at their sole discretion; (v) to include in-hospital preparations in national reimbursement programs; and (vi) to postpone the implementation of diagnosis-related group (DRG) payment mechanism in respect of TCM healthcare services, providing more support to TCM healthcare services and products on national reimbursement side.

In March 2022, 10 government authorities including the National Administration of Traditional Chinese Medicine, the National Health Commission (國家衛生健康委員會) and the National Development and Reform Commission (國家發展和改革委員會) jointly issued the *14th Five-year Action Plan for the Improvement of Grass-roots Traditional Chinese Medicine Service Capability* (《基層中醫藥服務能力提升工程「十四五」行動計劃》), which encouraged the establishment of TCM medical institutions by private capitals at grass-roots level and supported the cultivation of TCM medical institution chains, providing further encouragement and support for our business model.

In the same month, the General Office of the State Council (國務院辦公廳) issued the *Development Plan on Traditional Chinese Medicine During the 14th Five-year Period* (《「十四五」中醫藥發展規劃》) to make a comprehensive arrangement on traditional Chinese medicine during the 14th five-year period. Such plan sets forth a series of indicators to evaluate the development of traditional Chinese medicine, including (i) the number of practicing assistant TCM physicians per 1,000 population is expected to increase from 0.49 in 2020 to 0.62 in 2025; and (ii) the coverage of TCM medical institutions (including hospitals, out-patient departments and clinics) at county-level is expected to increase from 85.86% in 2020 to 100.0% in 2025. Such plan facilitates the increase in the supply of TCM resources as well as the improvement of the quality of TCM healthcare services at grass-roots level, and helps us acquire more physician resources to address the undersupply of physicians.

In May 2022, the General Office of the State Council issued the *Notice on the Key Aspects in Deepening the Reform of the Medical and Health Care System in 2022* (《深化醫藥衛生體制改革2022年重點工作任務的通知》), which aimed to (i) promote the social pooling payments in general out-patient departments under national reimbursement programs to gradually expand the coverage of social pooling payments to include the general out-patient medical fees of frequently-occurring diseases and common diseases; (ii) promote the revitalization and development of traditional Chinese medicine; and (iii) continuously promote the hierarchical medical system and optimize the order of healthcare services. Promotion of the social pooling payments in general out-patient departments nationwide indicates an expected rapid growth of the out-patient healthcare services in China. Our out-patient healthcare services are expected to thrive as a result.

In June 2022, the National Administration of Traditional Chinese Medicine, the Ministry of Education (教育部), Ministry of Human Resources and Social Security (人力資源和社會保障部) and the National Health Commission jointly issued the *Opinion on Enhancing TCM Talent Cultivation in the New Era* (《關於加強新時代中醫藥人才工作的意見》) (the “**Opinion**”), which set forth the goals and key aspects of TCM talent related matters in the new era, the core of which lay in speeding up a solution to the undersupply of TCM talents. The Opinion proposes to increase the supply of TCM talents through the strategy of “western medicine talents learning from TCM (西學中)” and the educational reforms, and to encourage the flow of TCM talents to grass-roots medical institutions. This will further alleviate the undersupply of physicians that we encounter in our development at grass-roots level.

During the Reporting Period, we generated our revenue primarily from (i) provision of healthcare solutions; and (ii) sale of healthcare products. Our revenue derived from provision of healthcare solutions for the six months ended June 30, 2022 was primarily affected by a series of factors including the scale of our offline and online medical service network, the number of our customers and their spending during that period. Our revenue derived from sale of healthcare products for the six months ended June 30, 2022 was primarily affected by the type and volume of valuable medicinal and nourishment sold during that period, the unit price of which may vary significantly. Generally, when the sales volume of valuable medicinal and nourishment with high unit price increased, we would generate more revenue from sale of healthcare products.

Management Discussion and Analysis

We have actively promoted our business development in China. As of June 30, 2022, we owned and operated 44 medical institutions in Beijing, Shanghai, Guangzhou, Shenzhen, Foshan, Zhongshan, Fuzhou, Nanjing, Suzhou, Ningbo and Wuxi, all of which were private for-profit medical institutions operated under our brand name “Gushengtang (固生堂).” In addition, we owned and operated a variety of online channels as of June 30, 2022, including official websites, mobile applications, official WeChat accounts and mini programs. We also owned and operated five offline pharmacies for our sale of healthcare product as of June 30, 2022. Moreover, we had established collaborative relationships with 10 third-party online platforms as of June 30, 2022, through which we primarily provided online appointment services to customers. During the Reporting Period, we had expanded our medical service network through strategically acquiring offline medical institutions. We acquired Beijing Guozong Jishi Traditional Chinese Medicine Hospital Co., Ltd. (北京國宗濟世中醫醫院有限公司) in May 2022 to further expand our offline medical service network. In addition, Beijing City Kunlun Hospital Co., Ltd. (北京市昆侖醫院有限公司), which was acquired by us in January 2021, commenced operations in June 2022 upon the completion of its renovation. As a result of the foregoing, we owned and operated four offline medical institutions in Beijing as of June 30, 2022, which enhanced our TCM healthcare service capability, brand influence and competitiveness in Beijing, increased our market share in the local TCM healthcare service market, and facilitated as well as consummated our deployment in the TCM healthcare service industry in Beijing.

We have also enhanced our collaboration in medical consortia and collaborated with more public hospitals and TCM universities, fully unleashing the potential of medical consortia to facilitate the sinking of high-quality physician resources to grass-roots level in an orderly manner. In April 2022, we established a medical consortium with Wenzhou Hospital of Traditional Chinese Medicine (溫州市中醫院) with a collaboration term of five years. Pursuant to the relevant collaboration agreement, we are allowed to use “Member Unit of the Medical Group of Wenzhou Hospital of Traditional Chinese Medicine (溫州市中醫院醫療集團成員單位)” in our designated out-patient departments to be established in Wenzhou, Zhejiang Province. Wenzhou Hospital of Traditional Chinese Medicine also agreed to assign physicians (attending physicians or above) to serve at our designated out-patient departments to be established in Wenzhou, Zhejiang Province.

As a testament to our effective customer acquisition and retention strategies, we have achieved significant growth in our customer base during the Reporting Period. The following table sets forth certain key information in connection with our customers for the periods indicated.

Management Discussion and Analysis

| | Six months ended June 30, | |
|---|---------------------------|-----------|
| | 2022 | 2021 |
| New customers ⁽¹⁾ | 246,325 | 227,500 |
| Accumulated customers at the end of each period ⁽²⁾ | 2,427,150 | 1,881,505 |
| Customer visits (thousands) | 1,323 | 1,181 |
| Accumulated customer visits at the end of each period (thousands) | 11,253 | 8,437 |
| Customer return rate ⁽³⁾ (%) | 66.9 | 61.5 |
| Average spending per customer visit (RMB) | 531 | 507 |

Notes:

- (1) Refer to customers who received healthcare solutions or purchased healthcare products provided by us for the first time.
- (2) Refer to, as of the end of any financial period, the total number of customers who had ever visited our medical service network to receive any healthcare solution or purchase any healthcare product at any time on or before the end of such financial period.
- (3) Refer to, in respect of any financial period, a fraction (expressed as a percentage) equals to the number of returning customers in respect of such financial period divided by the total number of customers who had visited our medical service network to receive any healthcare solution or purchase any healthcare product at any time during such financial period.

Through our dedicated efforts, our members have shown higher loyalty and consumption willingness compared with our other customers. Also, we are committed to attracting more customers to join our membership program. The following table sets forth certain key information in connection with our membership program for the periods indicated.

| | Six months ended June 30, | |
|--|---------------------------|--------|
| | 2022 | 2021 |
| Number of members who had made any spending in our medical service network | 99,201 | 74,877 |
| Member visits (thousands) | 366 | 326 |
| Member return rate ⁽¹⁾ (%) | 87.6 | 87.4 |

Note:

- (1) Refer to, in respect of any financial period, a fraction (expressed as a percentage) equals to the number of returning members in respect of such financial period divided by the total number of members who had visited our medical service network to receive any healthcare solution or purchase any healthcare product at any time during such financial period.

Management Discussion and Analysis

Set forth below are major accomplishments achieved by us during the Reporting Period.

1. Among all TCM healthcare service providers in China with both offline and online medical service network, we had:
 - the largest number of TCM physicians as of June 30, 2022;
 - the largest number of offline medical institutions as of June 30, 2022; and
 - the largest number of cities covered by offline medical institution network as of June 30, 2022.
2. Among all private TCM healthcare service providers in China with both offline and online medical service network, we recorded the highest revenue generated from providing healthcare solutions for the six months ended June 30, 2022.

IMPACT OF THE COVID-19 PANDEMIC

The outbreak and spread of the COVID-19 pandemic have materially and adversely affected global economy. In light of the COVID-19 pandemic, local healthcare administrative authorities in China have imposed controls on healthcare services except for those in need for urgent medical attention. Patients suffering from other diseases generally avoided visiting medical institutions and pharmacies to minimize the risk of infection. During the Reporting Period, 23 offline medical institutions suspended operations for approximately 36 days on average. Specifically, during the Reporting Period, an offline medical institution in Beijing suspended operations for three days, five offline medical institutions in Guangzhou, Guangdong Province suspended operations for approximately 11 days on average, two offline medical institutions in Nanjing, Jiangsu Province suspended operations for approximately 31 days on average, five offline medical institutions in Shenzhen, Guangdong Province suspended operations for approximately 26 days on average, seven offline medical institutions in Shanghai suspended operations for approximately 53 days on average, and three offline medical institutions in Suzhou, Jiangsu Province suspended operations for approximately 74 days on average. The continuance of the COVID-19 pandemic and the government control on offline business could materially and adversely affect customer demand for our offline healthcare services and products.

However, the outbreak and spread of the COVID-19 pandemic have improved health awareness of the public in China. Healthcare consumption per capita in China is expected to increase from RMB2,115 in 2021 to RMB4,359 in 2030, while its proportion in total consumption per capita is expected to increase from 8.8% in 2021 to 9.8% in 2030, according to Frost & Sullivan. In the meantime, the outbreak and spread of the COVID-19 pandemic have facilitated the popularization of TCM healthcare services and products as well as the promulgation of favorable government policies which encourage the development of online healthcare services.

Although the Directors consider the negative impacts caused by the COVID-19 pandemic were immaterial to the operational and financial performance of our Group during the Reporting Period, we will continue to closely monitor the indicators of the sporadic outbreak and continuous spread of the COVID-19 pandemic and proactively take timely measures to prevent its transmission within our medical service network. To better cope with the COVID-19 pandemic, we have also allocated more resources to improve our business performance and boost promotion.

BUSINESS PROSPECT

Since our inception in 2010, we have adhered to our core value of better serving our customers with “conscientious physicians, reliable pharmaceuticals (良心醫, 放心藥)”. We are committed to expanding our offline and online medical service network to provide high-quality TCM healthcare services and products to a larger customer base in response to national calls for the development of a “Healthy China”. With the strong support to the TCM healthcare industry and the continuous promulgation of favorable policies by the PRC government, we will continue to (i) reinforce the resource advantage of our OMO platform and the brand value advantage of “Gushengtang (固生堂)”; (ii) attract high-caliber medical resources to join our platform; (iii) solve the pain points of “inaccessible and unaffordable healthcare services” for our customers; and (iv) actively promote the collaboration in medical consortia, conducting a moderate business expansion without disrupting our existing operations.

Going forward, we expect our business strategies to focus on the following aspects:

- 1. Continue to adopt the mentorship model in training TCM talents, aiming to cultivate and build a high-caliber team of young physicians.** The “Gushengtang” Reputable TCM Great Master Inheritance Studio (「固生堂」名中醫傳承工作室) and our OMO platform have achieved initial success in training young physicians. Our OMO platform has lifted the geographical restrictions and allows outstanding experts from various geographical regions to share their clinical experience and academic achievements with young talents efficiently, which can accelerate our team building of full-time physicians. With sufficient physician resources, the “Gushengtang” Reputable TCM Great Master Inheritance Studio provides quality assurance for comprehensive TCM healthcare services (including prevention, treatment, healthcare management and other personalized healthcare services) and allows outstanding experts to focus on clinical efficacy and customer experience in the process of diagnosis and treatment, thereby achieving a win-win service model for physicians and customers.
- 2. Empower healthcare services with digitalization and “Internet +”.** In line with the policies to encourage the development of “Internet +” TCM healthcare services as promulgated by the PRC government, we plan to launch smart hardware devices (such as four-examination instruments (四診儀)) to improve our auxiliary diagnosis and treatment capabilities in remote TCM healthcare services, leveraging which we expect to achieve a more extensive customer outreach. Through digital operations, we can provide customer service in a sophisticated way to improve customer retention rate as well as average revenue per customer constantly. Leveraging our digitalization capabilities, we expect to enhance economies of scale and operational efficiency of supply chain while securing the consistent quality of our healthcare services. In the future, we will continue to explore new membership service models (such as family doctor services) to attract new members. We will also continue to provide high-quality services to our members.
- 3. Further enhance our investments in research and development to achieve the productization and standardization of healthcare solutions.** We have completed trial production for several in-hospital preparations, the indications of which include hair loss, rhinitis, infertility and digestive symptoms, for which we plan to apply for registration numbers. Our in-hospital preparation center has completed engineering construction, equipment acceptance and trial production, and has obtained the Medical Institution Preparation License (《醫療機構製劑許可證》). Consequently, it can be used to conduct mass production for in-hospital preparations for which we have obtained registration numbers, thereby achieving the productization of healthcare solutions. In the future, we expect to further increase our investments in this regard to produce more in-hospital preparations.

Management Discussion and Analysis

4. **Strengthen risk management and internal control to ensure a steady growth.** Our fast growth and expansion are accompanied by risks, and we are stepping up our efforts to cope with such risks. We will continue to upgrade our ERP system to enhance our information acquisition and management capabilities. We will also strengthen our control process and credit risk management to cope with the growing credit risk arising from our diversified business model. Along with our business expansion, we are exposed to the risks of price inflation and insufficient supply of raw materials in the emerging markets. Based on our market research and forward-looking estimate, we will establish a strategic reservation mechanism for TCM medicinal and extend our business to upstream procurement to cope with the aforementioned risks.

FINANCIAL REVIEW

Revenue Breakdown

Revenue by Business Segment

The following table sets forth a breakdown of our revenue by business segment for the periods indicated:

| | Six months ended June 30, | | Six months ended June 30, | | Year on year fluctuation (%) |
|-----------------------------------|---------------------------|----------------|---------------------------|----------------|------------------------------------|
| | 2022 | % of total | 2021 | % of total | |
| | Revenue (RMB'000) | revenue (%) | Revenue (RMB'000) | revenue (%) | |
| | (Unaudited) | | (Audited) | | |
| Provision of healthcare solutions | 687,507 | 97.8 | 588,872 | 98.4 | 16.7 |
| Sale of healthcare products | 15,395 | 2.2 | 9,317 | 1.6 | 65.2 |
| Total | 702,902 | 100.0 | 598,189 | 100.0 | 17.5 |

Our revenue derived from provision of healthcare solutions increased by 16.7% from RMB588.9 million for the six months ended June 30, 2021 to RMB687.5 million for the six months ended June 30, 2022, primarily attributable to the business expansion of our online healthcare platforms and the increased revenue generated by our newly acquired and existing offline medical institutions. Our revenue derived from sale of healthcare products increased by 65.2% from RMB9.3 million for the six months ended June 30, 2021 to RMB15.4 million for the six months ended June 30, 2022, primarily attributable to incremental sales contributed by new customers.

Revenue by Settlement Method

As substantially all of our offline medical institutions are Designated Medical Institutions (定點醫療機構), customers may choose to rely on national reimbursement programs (國家醫保報銷方案) to pay for healthcare services and products provided by our offline medical institutions that are eligible for national reimbursement programs. Depending on the relevant practice with respect to national reimbursement programs, our offline medical institutions which are Designated Medical Institutions may be subject to government approved annual quotas for the medical fees that they are allowed to recover from the relevant public medical insurance bureaus. Customers may also rely on applicable commercial medical insurance policies or pay to our offline medical institutions in cash, bank cards or online payments via third-party payment platforms. For healthcare services and products provided by us through other channels, customers generally pay through bank cards or online payments via third-party payment platforms.

The following table sets forth a breakdown of our revenue by settlement method for the periods indicated:

| | Six months ended June 30, | | 2021 | | Year on year fluctuation (%) |
|---------------------------------|---------------------------|----------------|----------------------|----------------|------------------------------------|
| | 2022 | % of total | Revenue | % of total | |
| | Revenue (RMB'000) | revenue (%) | Revenue (RMB'000) | revenue (%) | |
| | <i>(Unaudited)</i> | | | | |
| National reimbursement programs | 183,514 | 26.1 | 168,091 | 28.1 | 9.2 |
| – Social pooling | 98,923 | 14.1 | 79,576 | 13.3 | 24.3 |
| – Individual account | 84,591 | 12.0 | 88,515 | 14.8 | (4.4) |
| Others | 519,388 | 73.9 | 430,098 | 71.9 | 20.8 |
| Total | 702,902 | 100.0 | 598,189 | 100.0 | 17.5 |

The proportion of our revenue derived from settlement through national reimbursement programs in our total revenue decreased from 28.1% for the six months ended June 30, 2021 to 26.1% for the six months ended June 30, 2022, primarily due to the increased revenue generated by our online healthcare platforms which was not covered by national reimbursement programs.

Management Discussion and Analysis

Revenue by Channel

The following table sets forth a breakdown of our revenue by channel for the periods indicated:

| | Six months ended June 30, | | 2021 | | Year on year fluctuation (%) |
|---|---------------------------|----------------|----------------------|----------------|------------------------------------|
| | 2022 | % of total | Revenue | % of total | |
| | Revenue (RMB'000) | revenue (%) | Revenue (RMB'000) | revenue (%) | |
| Offline medical institutions ⁽¹⁾ | 581,382 | 82.7 | 541,453 | 90.5 | 7.4 |
| Online healthcare platforms | 121,520 | 17.3 | 56,736 | 9.5 | 114.2 |
| Total | 702,902 | 100.0 | 598,189 | 100.0 | 17.5 |

Note:

(1) Including insignificant amount of revenue generated by offline pharmacies.

Our revenue derived from offline medical institutions increased by 7.4% from RMB541.5 million for the six months ended June 30, 2021 to RMB581.4 million for the six months ended June 30, 2022, which was in line with the business growth of our newly acquired and existing offline medical institutions. Our revenue derived from online healthcare platforms increased by 114.2% from RMB56.7 million for the six months ended June 30, 2021 to RMB121.5 million for the six months ended June 30, 2022, primarily because (i) our online channels took over the business of certain offline medical institutions which suspended operations due to the COVID-19 pandemic; (ii) our online business rapidly ramped up in certain geographical regions such as Henan Province, Sichuan Province, Hubei Province and Hunan Province; and (iii) our online business continued to expand its coverage.

Cost of Sales

During the Reporting Period, our cost of sales primarily consisted of cost of physicians, cost of materials and the regular operating expenses including cost of non-physician staff worked at offline medical institutions, depreciation of right-of-use assets and utilities fees for offline medical institutions (the “**Additional Operating Expenses for Offline Medical Institutions**”). Our cost of sales increased by 52.7% from RMB330.1 million for the six months ended June 30, 2021 to RMB504.0 million for the six months ended June 30, 2022.

Management Discussion and Analysis

The following table sets forth a breakdown of our cost of sales for the periods indicated, in order to provide useful information to investors in understanding and evaluating our results:

| | Six months ended June 30, | | 2021 | | Year on year fluctuation (%) |
|--|-------------------------------|-------------------------|--------------------|-------------------------|------------------------------------|
| | 2022 | % of total | Cost of | % of total | |
| | Cost of Sales (RMB'000) | cost of sales (%) | Sales (RMB'000) | cost of sales (%) | |
| | (Unaudited) | | | | |
| Cost of physicians and cost of materials | 389,343 | 77.2 | 330,113 | 100.0 | 17.9 |
| Additional Operating Expenses for Offline Medical Institutions ⁽¹⁾ | 114,664 | 22.8 | — | — | N/A |
| Total | 504,007 | 100.0 | 330,113 | 100.0 | 52.7 |
| Cost of sales — simulated adjustment⁽²⁾ | | | | | |
| Cost of physicians and cost of materials | 389,343 | 100.0 | 330,113 | 100.0 | 17.9 |
| Total | 389,343 | 100.0 | 330,113 | 100.0 | 17.9 |

Notes:

- (1) Additional Operating Expenses for Offline Medical Institutions that were previously recognized as selling and distribution expenses for the six months ended June 30, 2021 were recognized as cost of sales for the six months ended June 30, 2022.
- (2) Simulated analysis was presented by the management for the purpose of facilitating period to period comparisons, assuming that the Operational Restructuring (as defined below) did not occur.

With an operational restructuring (the “Operational Restructuring”), our offline medical institutions solely focused on healthcare services and did not assume marketing functions any more. Therefore, more depreciation and amortization expenses related to right-of-use assets and renovation of offline medical institutions were allocated to cost of sales for the six months ended June 30, 2022, as compared to the six months ended June 30, 2021. In the meantime, as we centralized marketing functions to enhance marketing efficiency under OMO operations, non-physician staff worked at offline medical institutions turned to focus on healthcare services to improve customer satisfaction, and therefore have been regarded as part of our service team. As a result, more staff costs were recognized as cost of sales for the six months ended June 30, 2022, as compared to the six months ended June 30, 2021.

Management Discussion and Analysis

Under simulated adjustment, our cost of sales would increase by 17.9% from RMB330.1 million for the six months ended June 30, 2021 to RMB389.3 million for the six months ended June 30, 2022, primarily due to (i) the continuous increase in cost of physicians mainly as a result of the expanded physician base; and (ii) the increase in cost of materials in line with our expanded business scale.

Gross Profit and Gross Profit Margin

Our gross profit decreased by 25.8% from RMB268.1 million for the six months ended June 30, 2021 to RMB198.9 million for the six months ended June 30, 2022, primarily due to a significant increase in cost of sales mainly as a result of the Operational Restructuring of our offline medical institutions.

The following table sets forth a breakdown and comparison of our gross profit by business segment for the periods indicated, in order to provide useful information to investors in understanding and evaluating our results:

| | Six months ended June 30, | | | |
|--|---------------------------|--------------|----------------|--------------|
| | 2022 | 2021 | | |
| | Gross Profit | Gross Profit | Gross Profit | Gross Profit |
| | (RMB'000) | Margin | (RMB'000) | Margin |
| | | (%) | | (%) |
| | <i>(Unaudited)</i> | | | |
| Gross profit | | | | |
| Provision of healthcare solutions | 192,383 | 28.0 | 263,740 | 44.8 |
| Sale of healthcare products | 6,512 | 42.3 | 4,336 | 46.5 |
| Total | 198,895 | 28.3 | 268,076 | 44.8 |
| Gross profit – simulated adjustment⁽¹⁾ | | | | |
| Provision of healthcare solutions | 307,047 | 44.7 | 263,740 | 44.8 |
| Sale of healthcare products | 6,512 | 42.3 | 4,336 | 46.5 |
| Total | 313,559 | 44.6 | 268,076 | 44.8 |

Note:

- (1) Simulated analysis was presented by the management for the purpose of facilitating period to period comparisons, assuming that the Operational Restructuring did not occur.

Management Discussion and Analysis

During the Reporting Period, our selling and distribution expenses primarily consisted of regional operating expenses and third-party client acquisition costs. Regional operating expenses mainly represent all types of operating expenses and salaries and bonus for employees of our regional operating department. Equity-settled share-based payments mainly represent the one-off share-based payment for senior management of our sales department. Third-party client acquisition costs mainly represent commission fees paid to third-party online platforms which provide us with customer traffic pursuant to their collaboration with us.

Our selling and distribution expenses decreased by 53.2% from RMB195.2 million for the six months ended June 30, 2021 to RMB91.3 million for the six months ended June 30, 2022, primarily attributable to (i) a decrease of RMB18.6 million in equity-settled share-based payments mainly as a result of an one-off share-based payment we incurred during the six months ended June 30, 2021; and (ii) a decrease of RMB85.5 million in regional operating expenses as compared to that for the six months ended June 30, 2021 as a result of the Operational Restructuring.

We attract new customers through multi-channel customer acquisition strategies to further expand our customer base, while retaining existing customers and enhancing customer loyalty through differentiated customer retention strategies. We attract new customers primarily through our increasingly established brand awareness and recognition underpinned by our extensive physician resource and outstanding service capability. We believe that our multi-channel customer acquisition strategies enable us to expand our customer base with relatively low customer acquisition costs. We also attach great importance to customer experience and feedbacks. We believe that our customer retention strategies differentiate us from our competitors and help us enhance customer loyalty.

During the Reporting Period, 95% of our new customers were acquired by our proprietary medical institutions, pharmacies, online healthcare platforms and flagship stores, while 5% of our new customers were introduced by third-party online platforms that we collaborated with. In comparison, for the six months ended June 30, 2021, 96% of our new customers were acquired by our proprietary medical institutions, pharmacies, online healthcare platforms and flagship stores, while 4% of our new customers were introduced by third-party online platforms that we collaborated with. Third-party client acquisition costs incurred for the six months ended June 30, 2021 and 2022, respectively, amounted to RMB1.4 million and RMB1.6 million, respectively.

Administrative Expenses

Our administrative expenses decreased by 14.7% from RMB60.2 million for the six months ended June 30, 2021 to RMB51.3 million for the six months ended June 30, 2022, primarily attributable to a decrease of RMB16.0 million in equity-settled share-based payments mainly as a result of an one-off share-based payment we incurred during the six months ended June 30, 2021.

Fair Value Changes of Convertible Redeemable Preferred Shares and Convertible Bonds

Fair value changes of convertible redeemable preferred shares and convertible bonds represent the fair value fluctuations of convertible redeemable preferred shares and convertible bonds. The fair value of convertible redeemable preferred shares and convertible bonds was determined with reference to the valuation of the Shares and embedded derivatives by an independent third-party valuer, which was primarily affected by financial forecast for our future performance.

During the Reporting Period, there was no further fair value loss in connection with the convertible redeemable preferred shares and convertible bonds, as compared to a fair value loss of RMB340.7 million of the convertible redeemable preferred shares and convertible bonds for the six months ended June 30, 2021, which was primarily because the convertible redeemable preferred shares and convertible bonds were converted upon the completion of the global offering.

Other Expenses

During the Reporting Period, our other expenses primarily consisted of donation, impairment of financial assets and foreign exchange loss. Our other expenses decreased by 54.9% from RMB13.7 million for the six months ended June 30, 2021 to RMB6.2 million for the six months ended June 30, 2022, primarily because there were no further listing expenses incurred during the six months ended June 30, 2022.

Finance Costs

Our finance cost decreased by 50.3% from RMB17.5 million for the six months ended June 30, 2021 to RMB8.7 million for the six months ended June 30, 2022, primarily attributable to the repayment of short-term bank loans in the second half of 2021 and the first half of 2022.

Income Tax Credit/(Expenses)

We recorded income tax credit of RMB2.5 million for the six months ended June 30, 2022, compared to income tax expenses of RMB1.4 million for the six months ended June 30, 2021, primarily attributable to the new preferential tax policy for small and micro-sized enterprises issued by the State Taxation Administration.

Profit/(Loss) for the Period

We recorded net profit of RMB55.8 million for the six months ended June 30, 2022, compared to net loss of RMB349.7 million for the six months ended June 30, 2021, primarily attributable to (i) the continuous and rapid increase in the revenue generated by our existing offline medical institutions; (ii) no further fair value loss in connection with the convertible redeemable preferred shares and convertible bonds incurred upon the completion of the global offering, as compared to a fair value loss of RMB340.7 million of the convertible redeemable preferred shares and convertible bonds for the six months ended June 30, 2021; (iii) a decrease of RMB35.2 million in equity-settled share-based payments mainly as a result of an one-off share-based payment we incurred during the six months ended June 30, 2021; and (iv) no further listing expenses incurred upon the completion of the global offering.

Non-HKFRS Measure — Adjusted Net Profit

To supplement our financial information which is presented in accordance with HKFRS, we also provide adjusted net profit as non-HKFRS measures, which is unaudited in nature and is not required by, or presented in accordance with, HKFRS. We believe that the non-HKFRS measure (i) facilitates comparisons of operating performance from period to period by eliminating potential impacts of items that our management does not consider to be indicative of our operating performance; and (ii) provides useful information to investors in understanding and evaluating our results of consolidated statements of comprehensive income in the same manner as they helped our management. However, our presentation of adjusted net profit may not be comparable to similarly titled measures presented by other companies as they do not have a standardized meaning. The application of the non-HKFRS measure has limitations as an analytical tool, and the Shareholders and investors should not consider it in isolation from, or as substitute for analysis of, our results of operations or financial condition as reported under HKFRS.

We defined adjusted net profit as profit/(loss) for the period adjusted for items which are non-recurring or extraordinary, including (i) fair value change of financial liabilities at fair value through profit or loss in connection with the convertible redeemable preferred shares and the convertible bonds of our Company; (ii) equity-settled share-based payments in relation to the share options granted under the Pre-IPO Share Option Plan as defined in the Prospectus; and (iii) the non-recurring expense. We eliminate the potential impacts of these items that our management does not consider to be indicative of our operating performance, as they are either non-operating or non-recurring expenses of our Group.

Adjusted net profit increased by 40.1% from RMB45.9 million for the six months ended June 30, 2021 to RMB64.3 million for the six months ended June 30, 2022, primarily attributable to the continuous and rapid increase in the revenue generated by our existing offline medical institutions.

| | Six months ended June 30, | |
|--|---------------------------|-----------|
| | 2022 | 2021 |
| | (RMB'000) | (RMB'000) |
| | <i>(Unaudited)</i> | |
| Profit/(Loss) for the period | 55,762 | (349,734) |
| Adjustment for ⁽¹⁾ : | | |
| Fair value changes of financial instrument | — | 340,681 |
| Equity-settled share-based payments | 8,557 | 43,748 |
| Non-recurring expense ⁽²⁾ | — | 11,216 |
| Adjusted net profit | 64,319 | 45,911 |

Notes:

- (1) Non-cash, non-recurring or extraordinary items, which are to be adjusted only if the amount is equal to or greater than RMB1 million.
- (2) Non-recurring expenses mainly represent the legal and professional fees and miscellaneous expenses relating to our Group's non-operating activities (such as listing and group reorganization).

Liquidity, Financial Resources and Capital Structure

The Shares of the Company were successfully listed on the Main Board of the Stock Exchange on December 10, 2021. There has been no change in the capital structure of our Group since then. As of June 30, 2022, the issued share capital of the Company was US\$23,039.6458 and the number of Share in issue was 230,396,458 of US\$0.0001 each.

As of June 30, 2022, we had cash and cash equivalents of RMB937.8 million (which was RMB1,030.7 million as of December 31, 2021), which were denominated in RMB, USD or HKD. As of June 30, 2022, we had interest-bearing bank and other borrowings of an aggregate amount of RMB79.2 million (which was RMB84.3 million as of December 31, 2021), which were denominated in RMB or USD with interest rates from 4.04% to 6.00% per annum. Interests are charged at fixed rates. We have no interest rate hedging policy.

We aim to maintain sufficient cash and credit lines to meet our liquidity requirements. We finance our working capital requirements through a combination of funds generated from operations and alternative funding resources from equity and debt. The primary objectives of our capital management are to safeguard our ability to continue as a going concern and to maintain healthy capital ratios in order to support our business and maximize Shareholders' value.

Treasury Policy

Our financing and treasury activities are centrally managed and controlled at the corporate level. The Board closely monitors our liquidity position to ensure that the liquidity structure of our assets, liabilities and other commitments can meet our funding requirements all the time.

Contingent Liabilities

As of June 30, 2022, we did not have any contingent liabilities.

Gearing Ratio

As of June 30, 2022, our gearing ratio, being our total interest-bearing bank and other borrowings divided by our total equity as of the end of the period and multiplied by 100%, was 5.0%.

Foreign Currency Risk

We have transactional currency exposures. Such exposures arise from the use of financial instruments denominated in USD or HKD to finance our operations in the PRC and the fact that the repayment of those USD-denominated financial instruments is based on the RMB-denominated assets generated by our PRC operations. We have no foreign currency hedging policy. However, our management monitors foreign exchange exposures and will consider appropriate hedging measures in the future should the need arise.

Management Discussion and Analysis

Pledge of Assets

None of our assets were pledged to obtain financing as of December 31, 2021 and June 30, 2022.

Capital Expenditures

Our capital expenditure during the Reporting Period was primarily relating to (i) purchases of property, plant and equipment; (ii) renovation of our offline medical institutions; and (iii) purchases of intangible assets (such as software). During the Reporting Period, we incurred capital expenditures in an aggregate amount of RMB17.5 million (which was RMB16.8 million for the six months ended June 30, 2021), primarily due to the increased expenditures on offline medical institutions and office equipment.

Significant Investments Held

We did not hold any significant investments during the Reporting Period.

Material Acquisitions and Disposals

The Company has no material acquisitions or disposals of subsidiaries, associates and joint ventures during the Reporting Period.

Future Plans for Material Investments or Capital Assets

As of June 30, 2022, save for the “Future Plans and Use of Proceeds” disclosed in the Prospectus, we did not have any existing plan for acquiring other material investments or capital assets.

INTERIM DIVIDENDS

The Board has resolved not to recommend payment of an interim dividend for the six months ended June 30, 2022.

EMPLOYEES AND REMUNERATION POLICIES

As of June 30, 2022, the Group had 1,805 employees (which was 1,661 employees as of December 31, 2021). The following table sets forth a breakdown of the employees by function as of June 30, 2022:

| Functions | Number of employees | % of total employees |
|---|---------------------|----------------------|
| Physicians and other medical professionals | 953 | 52.8% |
| Management, operations and others | 454 | 25.1% |
| Sales and marketing | 282 | 15.6% |
| Supply chain | 77 | 4.3% |
| Information technology and research and development | 39 | 2.2% |
| Total | 1,805 | 100.0% |

For the six months ended June 30, 2022, total staff cost of the Group amounted to approximately RMB119.6 million (which was approximately RMB150.9 million for the six months ended June 30, 2021), including pension and housing fund.

The Group provides competitive compensation packages. Remuneration packages for employees mainly comprise base salary and performance-based bonus. The Group sets performance targets for its employees primarily based on their position and department and periodically reviews their performance. The results of such reviews are used in their salary determinations, bonus awards and promotion appraisals. Selected Directors, senior management and employees were offered to participate in the Pre-IPO Share Option Plan.

The Group believes it has maintained good relationships with its employees. The employees are not represented by a labor union. During the Reporting Period and up to the date of this report, the Group did not experience any strikes or any labor disputes with its employees which have had or are likely to have a material effect on its business.

To maintain and enhance the knowledge and skill levels of its workforce, the Group provide its employees with internal training, including orientation programs for new employees and technical training for existing employees. The Group also offer external training opportunities to its management team and medical professionals.

Corporate Governance and Other Information

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. The Company has adopted the CG Code as set out in Appendix 14 to the Listing Rules as its own code of corporate governance.

The Board considered that the Company has complied with all applicable code provisions as set out in the CG Code during the six months ended June 30, 2022, save and except for code provision C.2.1 of the CG Code.

Pursuant to code provision C.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Tu is currently serving as the Chairman as well as the chief executive officer of our Company. As Mr. Tu is the founder of our Group and has been managing our Group's business and overall strategic planning since its establishment, the Directors consider that vesting the roles of Chairman and chief executive officer in Mr. Tu is beneficial to the business prospects and management of our Group by ensuring consistent leadership within our Group. The Board therefore considers it is appropriate to deviate from code provision C.2.1 of the CG Code in such circumstances. The Board will continue to review and consider splitting the roles of Chairman and the chief executive officer of the Company at an appropriate time if necessary, taking into account the circumstances of our Group as a whole. Notwithstanding the foregoing, the Board considers that the management structure is effective for the operation of the Group and those adequate checks and balances have been put in place.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding dealings in the securities of the Company by the Directors, senior management members, and employees who, because of his/her office or employment, is likely to possess inside information in relation to the Group or the Company's securities.

Having made specific enquiries of all Directors, each of the Directors has confirmed that he/she has complied with the standards specified in the Model Code during the six months ended June 30, 2022. In addition, the Company is not aware of any non-compliance of the Model Code by the senior management members or relevant employees of the Group during the six months ended June 30, 2022.

AUDIT COMMITTEE

The Company has established the Audit Committee with written terms of reference in compliance with the requirements under the Listing Rules. As of the date of this report, the Audit Committee comprises two independent non-executive Directors, namely, Mr. Li Tie (chairman of the Audit Committee) and Mr. Wu Taibing, and one non-executive Director, namely, Mr. Jiang Xiaodong. The main duties of the Audit Committee are to assist the Board in reviewing compliance, accounting policies and financial reporting procedures; supervising the implementation of the internal audit system; advising on the appointment or replacement of external auditors; and liaising between the internal audit department and external auditors.

REVIEW OF INTERIM RESULTS AND INTERIM REPORT

The Audit Committee has reviewed the unaudited interim results and interim report of the Group for the six months ended June 30, 2022 and was of the opinion that such interim results and interim report had been prepared in accordance with the relevant accounting standards, laws and regulations, and that adequate disclosures have been made in accordance with the requirements of the Listing Rules. The unaudited interim results and the interim report contained the financial information of the Group for the six months ended June 30, 2022 have not been reviewed by the auditor of the Company.

USE OF PROCEEDS FROM GLOBAL OFFERING

The Company issued 27,878,000 ordinary Shares at HK\$29.00 which were listed on the Main Board of the Stock Exchange on December 10, 2021. The net proceeds from the global offering received by the Company, after deduction of the underwriting fees and commissions and other expenses payable by the Company in connection with the global offering, amounted to approximately HK\$775.9 million (the "**Net Proceeds**"), which will be utilized in accordance with the purposes set out in the Prospectus.

Corporate Governance and Other Information

The following table sets out the intended use of the Net Proceeds, actual usage up to June 30, 2022, as well as the expected timeline for utilization:

| | Net Proceeds and utilization | | | | Expected timeline for utilization ⁽¹⁾ |
|--|----------------------------------|--------------------------------|-------------------------------------|--------------------------------------|--|
| | Amount available for utilization | Percentage of the Net Proceeds | Utilized amount as of June 30, 2022 | Remaining amount as of June 30, 2022 | |
| | <i>HK\$ million</i> | | <i>HK\$ million</i> | <i>HK\$ million</i> | |
| To expand our offline and online operations and enhance the integration between them | 541.3 | 69.9% | 75.1 | 466.2 | By the end of 2025 |
| To enhance our research and development capabilities, including the research and development of in-hospital preparation and TCM solution packages | 74.8 | 9.6% | 2.5 | 72.3 | By the end of 2025 |
| To strengthen our supply chain capability, including upgrading our existing decocting centers and establishing new decocting centers according to our business expansion and setting up our own GMP facility in mid to long term based on business needs | 74.8 | 9.6% | 1.6 | 73.2 | By the end of 2025 |
| For marketing and branding activities | 38.3 | 4.9% | 10.6 | 27.7 | By the end of 2025 |

Corporate Governance and Other Information

| | Net Proceeds and utilization | | | | |
|--|---|--------------------------------|--|---|--|
| | Amount available for utilization <i>HK\$ million</i> | Percentage of the Net Proceeds | Utilized amount as of June 30, 2022 <i>HK\$ million</i> | Remaining amount as of June 30, 2022 <i>HK\$ million</i> | Expected timeline for utilization ⁽¹⁾ |
| For working capital and general corporate purposes | 46.7 | 6.0% | 12.8 | 33.9 | By the end of 2025 |
| Total | 775.9 | 100.0% | 102.6 | 673.3 | |

Note:

- (1) The expected timeline for the usage of the remaining proceeds is made based on the best estimate of the Group's future market conditions, which is subject to the current and future development of the market conditions.

As of the date of this report, the Group has utilized Net Proceeds of approximately HK\$102.6 million from the global offering. The remaining Net Proceeds were deposited in banks as of the date of this report. The Group will gradually utilize the proceeds from the global offering in accordance with the intended purposes as set out in the Prospectus.

CHANGES TO DIRECTORS' INFORMATION

Since the publication of the 2021 annual report and up to the date of this report, there has been no change in the information of Directors and chief executive of the Company as required to be disclosed pursuant to Rule 13.51B of the Listing Rules.

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

As of June 30, 2022, the interests or short position of the Directors or chief executives of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code to be notified to the Company and the Stock Exchange are as follows:

(i) Interests in the Shares of the Company

| Name | Nature of interest | Long/short position | Number of Shares held | Approximate percentage of the total number of issued shares of the Company ⁽¹⁾ |
|-----------------------------------|---|---------------------|-----------------------|---|
| Mr. Tu ⁽²⁾⁽³⁾⁽⁴⁾⁽⁵⁾ | Interest in controlled corporations | Long position | 30,043,777 | 13.04% |
| | Interest of a party to an agreement regarding interest in the Company | Long position | 29,797,255 | 12.93% |
| | Protector and power holder of a discretionary trust | Long position | 18,733,795 | 8.13% |
| | Beneficial owner | Long position | 11,330,176 | 4.92% |
| Jiang Xiaodong ⁽⁶⁾ | Interest in controlled corporations | Long position | 13,231,505 | 5.74% |
| Huang Jingsheng ⁽⁷⁾⁽⁸⁾ | Trustee | Long position | 300,000 | 0.13% |
| | Interest of spouse | Long position | 936,094 | 0.41% |

Notes:

(1) As of June 30, 2022, the total number of issued Shares was 230,396,458.

(2) Each of Action Thrive and Celestial City is wholly owned by Mr. Tu. Therefore, Mr. Tu is deemed to be interested in the Shares directly held by Action Thrive and Celestial City.

(3) Pursuant to the Voting Deeds, Mr. Tu has the voting rights attached to 29,797,255 Shares directly held by Gushengtang Ltd., Shiyimianshan Holdings Limited, Shiermianshan Holdings Limited, Shisanmianshan Holdings Limited, Shisimianshan Holdings Limited, Shiwumianshan Holdings Limited, Yijiang Technology Holdings Limited, Yijajian Technology Holdings Limited, Yijiale Technology Holdings Limited and Yijiaan Technology Holdings Limited.

Corporate Governance and Other Information

- (4) Dream True is wholly-owned by Tu Family Holdings Limited, which is further wholly owned by Frandor Limited. Frandor Limited is wholly-owned by Trident Trust Company (Singapore) Pte. Limited, which is the trustee of the TZL Family Trust, of which Mr. Tu is the protector and the power holder. As such, Mr. Tu is deemed to be interested in the 18,733,795 Shares directly held by Dream True.
- (5) Mr. Tu is deemed to be interested in 11,330,176 Shares underlying the options granted to him under the Pre-IPO Share Option Plan, subject to the vesting and other conditions of those options.
- (6) The general partner of both of Long Hill Capital Venture Partners 1 Plus, L.P. and Long Hill Capital Venture Partners GST, L.P. is Long Hill Capital Venture Partners GP 1 Plus, L.P., whose general partner is Long Hill Capital Venture Partners GP 1 Plus, Ltd. The general partner of Long Hill Capital Venture Partners 1, L.P. is Long Hill Capital Venture Partners GP 1, L.P., whose general partner is Long Hill Capital Venture Partners GP 1, Ltd. Mr. Jiang Xiaodong ultimately controls both of Long Hill Capital Venture Partners GP 1 Plus, Ltd. and Long Hill Capital Venture Partners GP 1, Ltd. As such, Mr. Jiang Xiaodong is deemed to be interested in the 13,231,505 Shares directly held by Long Hill Capital Venture Partners 1 Plus, L.P., Long Hill Capital Venture Partners GST, L.P. and Long Hill Capital Venture Partners 1, L.P.
- (7) Mr. Huang Jingsheng is one of the trustees of The Jingsheng Huang 2006 Irrevocable Family Trust and therefore is deemed to be interested in the 300,000 Shares directly held by The Jingsheng Huang 2006 Irrevocable Family Trust.
- (8) HI Equity Limited is wholly owned by Ms. Han Pei, the spouse of Mr. Huang Jingsheng. As such, Mr. Huang Jingsheng is deemed to be interested in the 936,094 Shares directly held by HI Equity Limited.

(ii) Interest in associated corporation of the Company

| Name | Name of associated corporation | Nature of interest | Long/short position | Number of Shares held | Approximate percentage of shareholding |
|--------|--------------------------------------|--------------------|---------------------|-----------------------|--|
| Mr. Tu | Guangdong Gushengtang ⁽¹⁾ | Beneficial owner | Long position | 10,970,303 | 30% |

Note:

- (1) Guangdong Gushengtang is a subsidiary of the Company under the contractual arrangements, and therefore is an associated corporation of the Company by virtue of the SFO.

Save as disclosed above, as of June 30, 2022, none of the Directors or chief executive of the Company had or was deemed to have any interest or short position in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which was required to be (i) notified to the 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 (ii) entered in the register kept by the Company pursuant to section 352 of the SFO, or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As of June 30, 2022, so far as was known to the Directors of the Company, the following persons (other than the Directors and chief executive of the Company) had interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company under Section 336 of the SFO:

| Name | Nature of interest | Long/short position | Number of Shares held | Approximate percentage of the total number of issued Shares of the Company ⁽¹⁾ |
|---|-------------------------------------|---------------------|-----------------------|---|
| Wumianshan Ltd. ⁽²⁾ | Interest in controlled corporations | Long position | 30,043,777 | 13.04% |
| Action Thrive ⁽²⁾ | Beneficial owner | Long position | 26,832,533 | 11.65% |
| Dream True ⁽³⁾ | Beneficial owner | Long position | 18,733,795 | 8.13% |
| Tu Family Holdings Limited ⁽³⁾ | Interest in controlled corporations | Long position | 18,733,795 | 8.13% |
| Frاندor Limited ⁽³⁾ | Interest in controlled corporations | Long position | 18,733,795 | 8.13% |
| Trident Trust Company (Singapore) Pte. Limited ⁽³⁾ | Trustee | Long position | 18,733,795 | 8.13% |
| Gushengtang Ltd. | Beneficial owner | Long position | 15,571,267 | 6.76% |
| Sarr International Investments HK V, Limited ⁽⁴⁾ | Beneficial owner | Long position | 14,904,009 | 6.47% |
| Sarr International Company, Inc. ⁽⁴⁾ | Interest in controlled corporations | Long position | 14,904,009 | 6.47% |
| Sarr International Foundation ⁽⁴⁾ | Interest in controlled corporations | Long position | 14,904,009 | 6.47% |
| Asia Ventures III L.P. ⁽⁵⁾ | Beneficial owner | Long position | 12,240,475 | 5.31% |
| Asia Partners III L.P. ⁽⁵⁾ | Interest in controlled corporations | Long position | 12,240,475 | 5.31% |
| Eight Roads GP ⁽⁵⁾ | Interest in controlled corporations | Long position | 13,037,605 | 5.66% |
| Eight Roads GP Asia Limited ⁽⁵⁾ | Interest in controlled corporations | Long position | 13,037,605 | 5.66% |

Corporate Governance and Other Information

| Name | Nature of interest | Long/short position | Number of Shares held | Approximate percentage of the total number of issued Shares of the Company ⁽¹⁾ |
|---|-------------------------------------|---------------------|-----------------------|---|
| Eight Roads Investments ⁽⁶⁾ | Interest in controlled corporations | Long position | 20,968,751 | 9.10% |
| Impresa Fund III Limited Partnership ⁽⁶⁾ | Interest in controlled corporations | Long position | 20,968,751 | 9.10% |
| Eight Roads Holdings Limited ⁽⁶⁾ | Interest in controlled corporations | Long position | 20,968,751 | 9.10% |
| Eight Roads Shareholdings Limited ⁽⁶⁾ | Interest in controlled corporations | Long position | 20,968,751 | 9.10% |
| FIL Limited ⁽⁶⁾ | Interest in controlled corporations | Long position | 20,968,751 | 9.10% |
| Pandanus Partners L.P. ⁽⁶⁾ | Interest in controlled corporations | Long position | 20,968,751 | 9.10% |
| Pandanus Associates Inc. ⁽⁶⁾ | Interest in controlled corporations | Long position | 20,968,751 | 9.10% |
| Impresa Management LLC ⁽⁷⁾ | Interest in controlled corporations | Long position | 20,968,751 | 9.10% |
| Abigail P. Johnson ⁽⁷⁾ | Interest in controlled corporations | Long position | 20,968,751 | 9.10% |
| Edward C. Johnson IV ⁽⁷⁾ | Interest in controlled corporations | Long position | 20,968,751 | 9.10% |
| FMR LLC ⁽⁷⁾ | Interest in controlled corporations | Long position | 20,968,751 | 9.10% |
| New Enterprise Associates 14, L.P. ⁽⁸⁾ | Beneficial owner | Long position | 16,916,761 | 7.34% |
| NEA Partners 14, L.P. ⁽⁸⁾ | Interest in controlled corporations | Long position | 16,916,761 | 7.34% |
| NEA 14 GP, LTD ⁽⁸⁾ | Interest in controlled corporations | Long position | 16,916,761 | 7.34% |

Corporate Governance and Other Information

Notes:

- (1) As of June 30, 2022, the total number of issued Shares was 230,396,458.
- (2) Each of Action Thrive and Celestial City is wholly owned by Wumianshan Ltd. Therefore, Wumianshan Ltd. is deemed to be interested in the 30,043,777 Shares directly held by Action Thrive and Celestial City.
- (3) Dream True is wholly-owned by Tu Family Holdings Limited, which is further wholly-owned by Frandor Limited. Frandor Limited is wholly-owned by Trident Trust Company (Singapore) Pte. Limited, which is the trustee of the TZL Family Trust, of which Mr. Tu is the protector and the power holder. As such, each of Tu Family Holdings Limited, Frandor Limited and Trident Trust Company (Singapore) Pte. Limited is deemed to be interested in the 18,733,795 Shares held by Dream True.
- (4) Starr International Investments HK V, Limited is wholly owned by Starr International Company, Inc., a Swiss corporation, which is in turn owned by Starr International Foundation, a Swiss charitable foundation. As such, under the SFO, each of Starr International Company, Inc. and Starr International Foundation is deemed to be interested in the 14,904,009 Shares held by Starr International Investments HK V, Limited.
- (5) The general partner of Asia Ventures III L.P. is Asia Partners III L.P., whose general partner is Eight Roads GP. Further, the general partner of ERVC Healthcare IV, L.P. is ERVC Healthcare Advisors IV, LP, whose general partner is Eight Roads GP. Eight Roads GP Asia Limited is the sole shareholder of Eight Roads GP. As such, under the SFO, Asia Partners III L.P. is deemed to be interested in the 12,240,475 Shares held by Asia Ventures III L.P., and Eight Roads GP and Eight Roads GP Asia Limited is deemed to be interested in the 13,037,605 Shares held by Asia Ventures III L.P. and ERVC Healthcare IV, L.P.
- (6) Each of Eight Roads Investments and Impresa Fund III Limited Partnership has more than one-third interest in each of Asia Ventures III L.P., ERVC Healthcare IV, L.P. and F-Prime Capital Partners Healthcare Fund IV LP as a limited partner. Eight Roads Holdings Limited is the sole shareholder of Eight Roads GP Asia Limited, and the sole shareholder of Eight Roads Investments. Eight Roads Holdings Limited is owned as to more than one-third by Eight Roads Shareholdings Limited and Pandanus Partners L.P., whose general partner is Pandanus Associates Inc. Eight Roads Holdings Limited is accustomed to act in accordance with FIL Limited's directions, which is in turn owned as to more than one-third by Pandanus Partners, L.P. As such, under the SFO, each of Eight Roads Investments, Impresa Fund III Limited Partnership, Eight Roads Holdings Limited, Eight Roads Shareholdings Limited, FIL Limited, Pandanus Partners L.P. and Pandanus Associates Inc. is deemed to be interested in the 20,968,751 Shares held in the aggregate by Asia Ventures III L.P., ERVC Healthcare IV, L.P. and F-Prime Capital Partners Healthcare Fund IV LP.
- (7) The general partner of F-Prime Capital Partners Healthcare Fund IV LP is F-Prime Capital Partners Healthcare Advisors Fund IV LP, whose general partner is Impresa Holdings LLC, whose managing member is Impresa Management LLC, which is controlled (as defined under the SFO) by each of Abigail P. Johnson and Edward C. Johnson IV and owned, directly or indirectly, by various shareholders and employees of FMR LLC. Further, Impresa Management LLC is also the general partner of Impresa Fund III Limited Partnership. As such, under the SFO, each of Impresa Management LLC, Abigail P. Johnson, Edward C. Johnson IV and FMR LLC is deemed to be interested in the 20,968,751 Shares held in the aggregate by Asia Ventures III L.P., ERVC Healthcare IV, L.P. and F-Prime Capital Partners Healthcare Fund IV LP.
- (8) NEA 14 GP, LTD has an indirect interest in the Shares held by New Enterprise Associates 14, L.P. as the fact that it is the sole general partner of NEA Partners 14, L.P., which is the sole general partner of New Enterprise Associates 14, L.P. As such, under the SFO, each of NEA Partners 14, L.P. and NEA 14 GP, Ltd is deemed to be interested in the 16,916,761 Shares held by New Enterprise Associates 14, L.P.

Save as disclosed above, as of June 30, 2022, the Company had not been notified by any person (other than the Directors or chief executive of the Company) who had interests or short positions in the Shares or the underlying Shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company under Section 336 of the SFO.

PRE-IPO SHARE OPTION PLAN

The Pre-IPO Share Option Plan was approved and adopted by the Company on March 31, 2021. The purpose of the Pre-IPO Share Option Plan is to promote the success and enhance the value of the Company by linking the personal interests of the eligible participants to those of the Shareholders and by providing such individuals with an incentive to generate superior returns to the Shareholders through their outstanding performance. The Pre-IPO Share Option Plan is further intended to provide flexibility to the Company in its ability to motivate, attract, and retain the services of directors, senior managers, other employees and individuals upon whose judgment, interest, contribution and special effort the successful conduct of the Company's operation is largely dependent. Further details of the Pre-IPO Share Option Plan are set out in the section headed "Statutory and General Information — D. Pre-IPO Share Option Plan" of Appendix IV to the Prospectus.

On November 9, 2021, the Company granted options to three eligible participants to subscribe for in aggregate of 16,382,286 underlying Shares pursuant to the Pre-IPO Share Option Plan. No further options can be granted under the Pre-IPO Share Option Plan after the Listing. As of June 30, 2022, the total number of Shares underlying the outstanding options was 16,382,286 Shares, representing approximately 7.11% of the total issued Shares of the Company as of the date of this report.

Details of the options granted under the Pre-IPO Share Option Plan and their movements during the Reporting Period are as follows:

| Name of Grantee(s) | Role(s) | No. of Options outstanding | | Exercise price (per Share) | Date of grant | Vesting period | No. of options exercised during the Reporting Period | No. of options outstanding as of June 30, 2022 |
|--------------------|--|----------------------------|----------|----------------------------|------------------------|----------------|--|--|
| | | as of January 1, 2022 | | | | | | |
| Mr. Tu | Executive Director, Chairman, chief executive officer, and one of our Controlling Shareholders | 818,711 | RMB15.53 | November 9, 2021 | N/A ⁽³⁾ | / | 11,330,176 | |
| | | 8,815,348 | RMB15.53 | | | | | |
| | | 1,696,117 | US\$0.35 | | | | | |
| Deng Shigang | Chief financial officer | 1,094,504 | US\$0.35 | November 9, 2021 | 5 years ⁽⁵⁾ | / | 1,094,504 | |
| Yang Jun | Vice president | 3,957,606 | US\$0.35 | November 9, 2021 | N/A ⁽³⁾ | / | 3,957,606 | |

Notes:

- The exercise period of the options granted under Pre-IPO Share Option Plan shall commence from the date on which the relevant options become vested and end on the 10th anniversary upon the date on which they become exercisable, subject to the terms of the Pre-IPO Share Option Plan and the grant letter signed by the grantee.
- The closing price of the Shares immediately before the date on which the options were granted was not applicable as the Company was not yet listed at the time of the grants.

3. The relevant options are vested on the Listing Date.
4. The relevant options are vested when (i) Mr. Tu has been serving as the chief executive officer of the Company since the Listing Date and (ii) the average market capitalization of the Company in any 90 consecutive days period within five anniversary years upon the Listing Date, based on the closing price of the Share on the Stock Exchange, has reached RMB15 billion.
5. The options will be evenly vested in five years if the average market capitalization of the Company in any 90 consecutive days period within five anniversary years upon the Listing Date, based on the closing price of the Share on the Stock Exchange, has reached RMB15 billion.
6. During the Reporting Period, no option was exercised, cancelled or lapsed under the Pre-IPO Share Option Plan.

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

During the six months ended June 30, 2022, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

MATERIAL LITIGATION

As of the date of this report, no member of the Group was engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

SUBSEQUENT EVENTS

There was no significant subsequent event which may affect the Group occurred after the Reporting Period and up to the date of this report.

Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2022

| | Notes | 2022 (Unaudited) RMB'000 | 2021 (Audited) RMB'000 |
|---|-------|--------------------------------|------------------------------|
| REVENUE | 4 | 702,902 | 598,189 |
| Cost of sales | | (504,007) | (330,113) |
| Gross profit | | 198,895 | 268,076 |
| Other income and gains | 5 | 11,611 | 10,347 |
| Selling and distribution expenses | | (91,267) | (195,190) |
| Administrative expenses | | (51,331) | (60,171) |
| Fair value changes of convertible redeemable preferred shares and convertible bonds | | — | (340,681) |
| Other expenses | | (6,187) | (13,733) |
| Finance costs | 6 | (8,715) | (17,518) |
| Share of profits of associates | | 284 | 571 |
| PROFIT/(LOSS) BEFORE TAX | 7 | 53,290 | (348,299) |
| Income tax credit/(expenses) | 8 | 2,472 | (1,435) |
| PROFIT/(LOSS) FOR THE PERIOD | | 55,762 | (349,734) |
| OTHER COMPREHENSIVE (LOSS)/INCOME | | | |
| Other comprehensive loss that may be reclassified to profit or loss in subsequent periods: | | | |
| Exchange differences on translation of foreign operations | | (68,939) | (981) |
| Other comprehensive income that will not be reclassified to profit or loss in subsequent periods: | | | |
| Translation of the Company's functional currency to presentation currency | | 46,406 | 30,642 |

Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2022

| | Note | 2022 (Unaudited) RMB'000 | 2021 (Audited) RMB'000 |
|---|------|--------------------------------|------------------------------|
| OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD, NET OF TAX | | (22,533) | 29,661 |
| TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD | | 33,229 | (320,073) |
| Profit/(loss) attributable to: | | | |
| Owners of the parent | | 55,477 | (349,808) |
| Non-controlling interests | | 285 | 74 |
| | | 55,762 | (349,734) |
| Total comprehensive income/(loss) attributable to: | | | |
| Owners of the parent | | 32,944 | (320,147) |
| Non-controlling interests | | 285 | 74 |
| | | 33,229 | (320,073) |
| EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT | 10 | | |
| Basic | | | |
| — For profit/(loss) for the period (RMB cents) | | 0.24 | (3.81) |
| Diluted | | | |
| — For profit/(loss) for the period (RMB cents) | | 0.23 | (3.81) |

Interim Condensed Consolidated Statements of Financial Position

30 June 2022

| | Notes | 30 June 2022 (Unaudited) RMB'000 | 31 December 2021 (Audited) RMB'000 |
|---|-------|--|--|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 11 | 67,639 | 64,803 |
| Right-of-use assets | 13 | 264,120 | 248,143 |
| Goodwill | 14 | 739,781 | 688,615 |
| Other intangible assets | 12 | 29,628 | 31,425 |
| Investments in associates | | 5,791 | 11,004 |
| Prepayments, other receivables and other assets | 17 | 21,046 | 10,814 |
| Deferred tax assets | | 46,496 | 40,164 |
| Total non-current assets | | 1,174,501 | 1,094,968 |
| CURRENT ASSETS | | | |
| Inventories | 15 | 78,796 | 77,364 |
| Trade receivables | 16 | 66,176 | 72,696 |
| Prepayments, other receivables and other assets | 17 | 110,036 | 109,294 |
| Financial assets at fair value through profit or loss | | 2,501 | 3,207 |
| Restricted cash | 18 | 3,567 | 3,567 |
| Cash and cash equivalents | 18 | 937,765 | 1,030,704 |
| Total current assets | | 1,198,841 | 1,296,832 |
| CURRENT LIABILITIES | | | |
| Trade and bills payables | 19 | 134,541 | 161,332 |
| Other payables and accruals | | 229,094 | 276,617 |
| Interest-bearing bank and other borrowings | 20 | 19,165 | 17,478 |
| Lease liabilities | 13 | 54,387 | 57,458 |
| Provisions | | 121 | 121 |
| Tax payable | | 6,803 | 8,129 |
| Total current liabilities | | 444,111 | 521,135 |
| NET CURRENT ASSETS | | 754,730 | 775,697 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 1,929,231 | 1,870,665 |

Interim Condensed Consolidated Statements of Financial Position

30 June 2022

| | Notes | 30 June 2022 (Unaudited) RMB'000 | 31 December 2021 (Audited) RMB'000 |
|--|-------|--|--|
| NON-CURRENT LIABILITIES | | | |
| Interest-bearing bank and other borrowings | 20 | 60,055 | 66,835 |
| Lease liabilities | 13 | 220,547 | 203,594 |
| Other payables and accruals | | 51,251 | 44,638 |
| Deferred tax liabilities | | 6,181 | 6,187 |
| Total non-current liabilities | | 338,034 | 321,254 |
| Net assets | | 1,591,197 | 1,549,411 |
| EQUITY | | | |
| Equity attributable to owners of the Company | | | |
| Share capital | 21 | 147 | 147 |
| Reserves | | 1,590,248 | 1,548,747 |
| Non-controlling interests | | 1,590,395 | 1,548,894 |
| | | 802 | 517 |
| Total equity | | 1,591,197 | 1,549,411 |

Tu Zhiliang
Director

Liu Kanghua
Director

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2022

| | Attributable to owners of the Company | | | | | | | | | |
|---|---------------------------------------|----------------------|------------------|-----------------------|----------------------------|-------------------------------|---------------------|-----------|-----------------------|--------------|
| | | | | | | | | Non- | | Total equity |
| | Share capital | Share premium* | Capital reserve* | Share option reserve* | Statutory surplus reserve* | Exchange fluctuation reserve* | Accumulated losses* | Total | controlling interests | |
| | RMB'000 (Note 21) | RMB'000 (Note 21) | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| At 1 January 2022 (unaudited) | 147 | 3,086,655 | 23,627 | 127,656 | 4,488 | 62,111 | (1,755,790) | 1,548,894 | 517 | 1,549,411 |
| Profit for the period | – | – | – | – | – | – | 55,477 | 55,477 | 285 | 55,762 |
| Other comprehensive loss for the period: | | | | | | | | | | |
| Exchange differences on translation of foreign operations | – | – | – | – | – | (68,939) | – | (68,939) | – | (68,939) |
| Translation of the Company's functional currency to presentation currency | – | – | – | – | – | 46,406 | – | 46,406 | – | 46,406 |
| Total comprehensive (loss)/income for the period | – | – | – | – | – | (22,533) | 55,477 | 32,944 | 285 | 33,229 |
| Equity-settled share option arrangements | – | – | – | 8,557 | – | – | – | 8,557 | – | 8,557 |
| At 30 June 2022 (unaudited) | 147 | 3,086,655 | 23,627 | 136,213 | 4,488 | 39,578 | (1,700,313) | 1,590,395 | 802 | 1,591,197 |

* There reserve accounts comprise the consolidated reserve of RMB1,590,248,000 (30 June 2021: RMB849,807,000 (negative)) in the interim condensed consolidated statement of financial position as at 30 June 2022.

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2022

| | Attributable to owners of the Company | | | | | | | | Non-controlling interests | Total equity/ (deficiency) in asset) |
|---|---------------------------------------|---------------|-----------------|----------------------|---------------------------|------------------------------|--------------------|-------------|---------------------------|--------------------------------------|
| | Share capital | Share premium | Capital reserve | Share option reserve | Statutory surplus reserve | Exchange fluctuation reserve | Accumulated losses | Total | | |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | | |
| | (Note 21) | (Note 21) | | | | | | | | |
| At 1 January 2021 (audited) | — | — | 23,627 | 61,875 | 4,488 | 25,090 | (1,248,721) | (1,133,641) | 334 | (1,133,307) |
| Loss for the period | — | — | — | — | — | — | (349,808) | (349,808) | 74 | (349,734) |
| Other comprehensive income for the period: | | | | | | | | | | |
| Exchange differences on translation of foreign operations | — | — | — | — | — | (981) | — | (981) | — | (981) |
| Translation of the Company's functional currency to presentation currency | — | — | — | — | — | 30,642 | — | 30,642 | — | 30,642 |
| Total comprehensive income/(loss) for the period | — | — | — | — | — | 29,661 | (349,808) | (320,147) | 74 | (320,073) |
| Issue of ordinary shares (note 21) | 14 | 349,428 | — | — | — | — | — | 349,442 | — | 349,442 |
| Share options exercised (note 21) | 11 | 98,618 | — | (61,875) | — | — | — | 36,754 | — | 36,754 |
| Transfer from convertible redeemable preferred shares | 6 | 217,810 | — | — | — | — | — | 217,816 | — | 217,816 |
| At 30 June 2021 (audited) | 31 | 665,856 | 23,627 | — | 4,488 | 54,751 | (1,598,529) | (849,776) | 408 | (849,368) |

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2022

| | Notes | 2022 (Unaudited) RMB'000 | 2021 (Audited) RMB'000 |
|--|-------|--------------------------------|------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Profit/(loss) before tax | | 53,290 | (348,299) |
| Adjustments for: | | | |
| Finance costs | 6 | 8,715 | 17,518 |
| Share of profits of associates | | (284) | (571) |
| Interest income | 5 | (4,928) | (1,760) |
| Loss on disposal of items of property, plant and equipment | 7 | 204 | — |
| Amortisation of other intangible assets | 7 | 2,237 | 1,825 |
| Fair value loss on convertible redeemable preferred shares | 7 | — | 330,744 |
| Fair value loss on convertible bonds | 7 | — | 9,937 |
| Fair value gain on financial assets at fair value through profit or loss | 7 | (1,618) | (503) |
| Covid-19-related rent concessions from lessors | 5 | (3,009) | — |
| Depreciation of property, plant and equipment | 7 | 13,730 | 10,538 |
| Depreciation of right-of-use assets | 7 | 34,846 | 27,867 |
| (Reversal of impairment)/impairment of trade receivables | 7 | (20) | 534 |
| Equity-settled share option expense | | 8,557 | 43,748 |
| Gain on disposal of investment in an associate | 5 | (310) | — |
| | | 111,410 | 91,578 |
| Decrease/(increase) in inventories | | 721 | (11,406) |
| Decrease/(increase) in trade receivables | | 9,257 | (4,286) |
| Increase in prepayments, other receivables and other assets | | (21,559) | (1,833) |
| (Decrease)/increase in trade and bills payables | | (32,628) | 20,676 |
| Increase/(decrease) in other payables and accruals | | 3,406 | (26,542) |
| Cash generated from operations | | 70,607 | 68,187 |
| Interest received | | 4,928 | 1,760 |
| Corporate income tax paid | | (5,192) | (5,697) |
| Net cash flows from operating activities | | 70,343 | 64,250 |

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2022

| | Notes | 2022 (Unaudited) RMB'000 | 2021 (Audited) RMB'000 |
|---|-------|--------------------------------|------------------------------|
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchase of items of property, plant and equipment | | (19,414) | (17,443) |
| Proceeds from disposal of items of property, plant and equipment | | 12 | 13 |
| Proceeds from disposal of other intangible assets | | — | 3 |
| Additions to other intangible assets | | (440) | (225) |
| Acquisition of subsidiaries | 22 | (74,165) | (108,647) |
| Additional investment in associates | | (8,193) | (4,481) |
| Purchase of financial assets at fair value through profit or loss | | (674,599) | (231,000) |
| Proceeds of redemption of financial assets at fair value through profit or loss | | 675,923 | 338,843 |
| Repayment from a director | | — | 34,268 |
| Disposal of investment in an associate | | 6,000 | — |
| Net cash flows (used in)/from investing activities | | (94,876) | 11,331 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Issue of preferred shares | | — | 243,740 |
| Issue of ordinary shares | | — | 250,558 |
| Share issue expenses | | (13,209) | — |
| New bank loans and other borrowings | | 999 | 84,784 |
| Repayment of bank loans and other borrowings | | (9,029) | (37,636) |
| Principal portion of lease payments | | (33,799) | (30,359) |
| Interest paid | | (8,715) | (17,518) |
| Repayment of convertible bonds | | — | (329,013) |
| Net cash flows (used in)/from financing activities | | (63,753) | 164,556 |
| NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS | | | |
| | | (88,286) | 240,137 |
| Cash and cash equivalents at the beginning of the period | | 1,030,704 | 249,994 |
| Effect of foreign exchange rate changes, net | | (4,653) | (3,928) |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | | 937,765 | 486,203 |

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2022

| | Notes | 2022 (Unaudited) RMB'000 | 2021 (Audited) RMB'000 |
|---|-------|--------------------------------|------------------------------|
| ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS | | | |
| Cash and bank balances | 18 | 631,332 | 486,203 |
| Non-pledged time deposits with original maturity of less than three months when acquired | 18 | 310,000 | — |
| Less: Restricted cash | 18 | (3,567) | — |
| <hr/> | | | |
| Cash and bank balances as stated in the interim condensed consolidated statement of financial position and the consolidated statement of cash flows | | 937,765 | 486,203 |

Notes to the Interim Condensed Consolidated Financial Statements

30 June 2022

1 BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2022 has been prepared in accordance with HKAS 34 *Interim Financial Reporting*. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2021 and the Group's consolidated financial statements for the six months ended 30 June, 2021 including in the Accountants' Report set forth in Appendix I to the prospectus dated 30 November 2021.

The unaudited interim condensed consolidated financial information is presented in Renminbi ("RMB") and all value are rounded to the nearest thousand except when otherwise indicated.

2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2021, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time for the current period's financial information.

| | |
|--|--|
| Amendments to HKFRS 3 | <i>Reference to the Conceptual Framework</i> |
| Amendments to HKAS 16 | <i>Property, Plant and Equipment: Proceeds before Intended Use</i> |
| Amendments to HKAS 37 | <i>Onerous Contracts — Cost of Fulfilling a Contract</i> |
| <i>Annual Improvements to HKFRSs 2018–2020</i> | Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16 and HKAS 41 |

The application of these revised HKFRSs in the Reporting Period has had no material impact on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these interim condensed consolidated financial statements.

3 OPERATING SEGMENT INFORMATION

The Group is principally engaged in the provision of a variety of healthcare businesses, including the provision of healthcare services and sale of healthcare products.

HKFRS 8 *Operating Segments* requires operating segments to be identified on the basis of internal reporting about components of the Group that are regularly reviewed by the chief operating decision-maker in order to allocate resources to segments and to assess their performance. The information reported to the directors of the Company, who are the chief operating decision-makers, for the purpose of resource allocation and assessment of performance does not contain discrete operating segment financial information and the directors reviewed the financial results of the Group as a whole. Therefore, no further information about the operating segment is presented.

As all of the Group's revenue is derived from the PRC, and all of the Group's identifiable non-current assets are located in the PRC, no geographical information as required by HKFRS 8 *Operating Segments* is presented.

Information about major customers

No revenue from sales to a single customer or a group of customers under common control accounted for 10% or more of the Group's revenue for the reporting period.

4 REVENUE

An analysis of the Group's revenue is as follows:

| | For the six months ended 30 June | |
|---------------------------------------|----------------------------------|------------------------------|
| | 2022 RMB'000 (Unaudited) | 2021 RMB'000 (Audited) |
| Revenue from contracts with customers | 702,902 | 598,189 |

Notes to the Interim Condensed Consolidated Financial Statements

30 June 2022

4 REVENUE (CONTINUED)

Disaggregated revenue information

| | For the six months ended 30 June | |
|---------------------------------------|----------------------------------|----------------------|
| | 2022 | 2021 |
| | RMB'000 (Unaudited) | RMB'000 (Audited) |
| Types of goods or service | | |
| Healthcare solutions | 687,507 | 588,872 |
| Sale of healthcare products | 15,395 | 9,317 |
| | 702,902 | 598,189 |
| Timing of revenue recognition | | |
| Revenue from contracts with customers | 702,902 | 598,189 |

5 OTHER INCOME AND GAINS

| | For the six months ended 30 June | |
|--|----------------------------------|----------------------|
| | 2022 | 2021 |
| | RMB'000 (Unaudited) | RMB'000 (Audited) |
| Interest income | 4,928 | 1,760 |
| Covid-19-related rent concessions from lessors | 3,009 | — |
| Fair value gains on financial assets at fair value through profit or loss, net | 1,618 | 503 |
| Government subsidies* | 917 | 314 |
| Rental income | 513 | 857 |
| Gain on disposal of the investment in an associate | 310 | — |
| Foreign exchange differences, net | — | 6,486 |
| Others | 316 | 427 |
| | 11,611 | 10,347 |

* There are no unfulfilled conditions or contingencies related to these government subsidies.

Notes to the Interim Condensed Consolidated Financial Statements

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6 FINANCE COSTS

| | For the six months ended 30 June | |
|--|----------------------------------|----------------------|
| | 2022 | 2021 |
| | RMB'000 (Unaudited) | RMB'000 (Audited) |
| Interest on interest-bearing bank loans and other borrowings | 2,343 | 4,964 |
| Interest on bonds payable | — | 7,101 |
| Interest on lease liabilities | 6,372 | 5,453 |
| | 8,715 | 17,518 |

7 PROFIT/(LOSS) BEFORE TAX

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

| | For the six months ended 30 June | |
|--|----------------------------------|----------------------|
| | 2022 | 2021 |
| | RMB'000 (Unaudited) | RMB'000 (Audited) |
| Cost of provision of healthcare solutions | 495,124 | 325,132 |
| Cost of sale of healthcare products | 8,883 | 4,981 |
| Depreciation of property, plant and equipment | 13,730 | 10,538 |
| Amortisation of other intangible assets [#] | 2,237 | 1,825 |
| Depreciation of right-of-use assets | 34,846 | 27,867 |
| Lease payments not included in the measurement of lease liabilities | 4,839 | 1,554 |
| Auditor's remuneration | 500 | — |
| Listing expenses* | — | 11,216 |
| Employee benefit expense (excluding directors' remuneration): | | |
| Wages and salaries | 99,767 | 94,673 |
| Equity-settled share-base payments | 1,127 | 43,748 |
| Pension scheme contributions | 18,673 | 12,477 |
| | 119,567 | 150,898 |

Notes to the Interim Condensed Consolidated Financial Statements

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7 PROFIT/(LOSS) BEFORE TAX (CONTINUED)

| | Notes | For the six months ended 30 June | |
|---|-------|----------------------------------|-----------|
| | | 2022 | 2021 |
| | | RMB'000 | RMB'000 |
| | | (Unaudited) | (Audited) |
| Fair value losses on convertible redeemable preferred shares | | — | 330,744 |
| Fair value losses on convertible bonds | | — | 9,937 |
| Fair value gain on financial assets at fair value through profit or loss, net** | 5 | (1,618) | (503) |
| Loss on disposal of items of property, plant and equipment** | | 204 | — |
| (Reversal of impairment)/impairment of trade receivables* | | (20) | 534 |
| Foreign exchange loss/(gain)*** | | 3,533 | (6,486) |
| Gain on disposal of the investment in an associate** | 5 | (310) | — |

Included in "Administrative expenses" and "Selling and distribution expenses" in profit or loss.

* Included in "Other expenses" in profit or loss.

** Included in "Other income and gains" in profit or loss.

*** Foreign exchange gain and foreign exchange loss were included in "Other income and gains" and "Other expenses" in profit or loss, respectively.

8 INCOME TAX

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

Cayman Islands

Pursuant to the rules and regulations of the Cayman Islands, the Group is not subject to any income tax in the Cayman Islands. In addition, upon payments of dividends by the Company to its shareholders, no Cayman Islands withholding tax is imposed.

8 INCOME TAX (CONTINUED)

Mainland China

Pursuant to the PRC Income Tax Law and the respective regulations, a subsidiary which operates in Mainland China is subject to corporate income tax at a rate of 25% on the taxable income. Certain subsidiaries of the Group in Mainland China are regarded as “small and micro enterprises” and, accordingly, were entitled to a preferential income tax rate of 2.5% to 5% during the reporting period.

Hong Kong

No provision for Hong Kong profits tax has been made as the company had no assessable profits derived from or earned in Hong Kong during the reporting period. The subsidiary incorporated in Hong Kong is subject to income tax at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the period.

| | For the six months ended 30 June | |
|--|----------------------------------|-----------|
| | 2022 | 2021 |
| | RMB'000 | RMB'000 |
| | (Unaudited) | (Audited) |
| Current | 3,865 | 8,590 |
| Deferred | (6,337) | (7,155) |
| Total tax (credit)/charge for the period | (2,472) | 1,435 |

9 DIVIDENDS

No dividend was proposed for the period ended 30 June 2022 and 2021.

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10 EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

(a) Basic

The calculation of the basic earnings/(loss) per share amounts is based on the earnings or loss for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 230,396,458 (2021: 91,825,183) in issue during the period.

The calculations of basic earnings/(loss) per share are based on:

| | For the six months ended 30 June | |
|---|----------------------------------|------------------------------|
| | 2022 RMB'000 (Unaudited) | 2021 RMB'000 (Audited) |
| Earnings/(Loss) | | |
| Profit/(Loss) attributable to ordinary equity holders of the parent | 55,477 | (349,808) |
| | | |
| | | Number of shares |
| Shares | | |
| Weighted average number of ordinary shares in issue used in the basic earnings/(loss) per share calculation | 230,396,458 | 91,825,183 |
| | | |
| Basic earnings/(loss) per share (RMB cents) | 0.24 | (3.81) |

(b) Diluted

The calculation of the diluted earnings/(loss) per share amount is based on the profit/(loss) for the period attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares into ordinary shares.

10 EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (CONTINUED)

(b) Diluted (continued)

The calculations of diluted earnings/(loss) per share are based on:

| | For the six months ended 30 June | |
|---|----------------------------------|------------------------------|
| | 2022 RMB'000 (Unaudited) | 2021 RMB'000 (Audited) |
| Earnings/(loss) | | |
| Profit/(loss) attributable to ordinary equity holders of the parent | 55,477 | (349,808) |
| | | |
| | Number of shares | |
| Shares | | |
| Weighted average number of ordinary shares in issue | 230,396,458 | 91,825,183 |
| Effect of dilution — weighted average number of ordinary shares | | |
| Share options and convertible shares | 7,675,568 | —* |
| Weighted average number of ordinary shares in issue used in the diluted earnings/(loss) per share calculation | 238,072,026 | 91,825,183 |
| Diluted earnings/(loss) per share (RMB cents) | 0.23 | (3.81) |

* Because the diluted loss per share amount is decreased when taking the convertible shares into account, the convertible shares have an anti-dilutive effect on the basic loss per share and were ignored in the calculation of diluted loss per share during the period ended 30 June 2021.

11 PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2022, the Group incurred approximately RMB17,049,000 (six months ended 30 June 2021: RMB16,560,000) on acquisition of property, plant and equipment.

Assets with a net book value of RMB483,000 were disposed of by the Group during the six months ended 30 June 2022 (six months ended 30 June 2021: RMB13,000), resulting in a net loss on disposal of RMB204,000 (six months ended 30 June 2021: nil).

Notes to the Interim Condensed Consolidated Financial Statements

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12 OTHER INTANGIBLE ASSETS

During the six months ended 30 June 2022, the Group acquired intangible assets with an aggregate cost of RMB440,000 (six months ended 30 June 2021: RMB10,275,000) and no intangible assets (six months ended 30 June 2021: carrying amount of RMB3,000) was disposed of by the Group.

13 LEASES

The Group as a lessee

During the six months ended 30 June 2022, the Group entered into several new lease agreements for the use of buildings with lease terms ranging from 3 to 10 years. The Group is required to make fixed payments during the contract period except for the prepaid land lease payments. On lease commencement date, the Group recognised right-of-use assets of RMB50,823,000 (six months ended 30 June 2021: RMB66,044,000) and lease liabilities of RMB50,690,000 (six months ended 30 June 2021: RMB65,656,000), respectively.

The Group as a lessor

The Group leases part of its office buildings under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognised by the Group during the six months ended 30 June 2022 was RMB513,000 (six months ended 30 June 2021: RMB857,000), details of which are included in note 5 to these interim condensed consolidated financial statements.

14 GOODWILL

| | 30 June 2022 RMB'000 (Unaudited) | 31 December 2021 RMB'000 (Audited) |
|---------------------------------------|---|---|
| At the beginning of the period/year: | | |
| Cost | 691,165 | 547,660 |
| Accumulated impairment | (2,550) | (2,550) |
| Net carrying amount | 688,615 | 545,110 |
| Acquisition of subsidiaries (note 22) | 51,166 | 143,505 |
| At the end of the period/year | 739,781 | 688,615 |

Notes to the Interim Condensed Consolidated Financial Statements

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15 INVENTORIES

| | 30 June 2022 RMB'000 (Unaudited) | 31 December 2021 RMB'000 (Audited) |
|--|---|---|
| Pharmaceuticals, consumables and packaging materials | 78,796 | 77,364 |

There was no inventory provision recognised during the six months ended 30 June 2022 (31 December 2021: nil).

16 TRADE RECEIVABLES

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

| | 30 June 2022 RMB'000 (Unaudited) | 31 December 2021 RMB'000 (Audited) |
|-------------------------------|---|---|
| Within three months | 52,230 | 66,971 |
| Over three months to one year | 12,532 | 5,129 |
| Over one year | 1,414 | 596 |
| | 66,176 | 72,696 |

The individual patients of the Group usually settle payments by cash or the government's national reimbursement programs. Payments by the PRC government's national reimbursement programs will normally be settled in 30 to 180 days from the transaction date by the local social insurance bureau or similar government departments which are responsible for the reimbursement of medical expenses for patients who are covered by the government's national reimbursement programs. Corporate customers will normally settle the amounts by bank transfers within 90 days after the transaction date.

Notes to the Interim Condensed Consolidated Financial Statements

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17 PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

| | 30 June 2022 RMB'000 (Unaudited) | 31 December 2021 RMB'000 (Audited) |
|--|---|---|
| Prepayments | 67,901 | 71,174 |
| Deposits and other receivables (note) | 61,715 | 47,304 |
| Amounts due from employees (note) | 1,466 | 1,630 |
| | 131,082 | 120,108 |
| Less: | | |
| Portion classified as non-current assets | (21,046) | (10,814) |
| | 110,036 | 109,294 |

Note:

The financial assets included in the above balances relate to receivables for which there was no recent history of default and past due amounts. As at 30 June 2022 and 31 December 2021, the loss allowance was assessed to be not material.

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18 CASH AND CASH EQUIVALENTS

| | 30 June 2022 RMB'000 (Unaudited) | 31 December 2021 RMB'000 (Audited) |
|--|---|---|
| Cash and bank balances | 631,332 | 634,271 |
| Non-pledged time deposits with original maturity of less than three months when acquired | 310,000 | 400,000 |
| | 941,332 | 1,034,271 |
| Less: Restricted cash | (3,567) | (3,567) |
| Cash and cash equivalents | 937,765 | 1,030,704 |
| Denominated in: | | |
| RMB (note) | 887,070 | 834,639 |
| USD | 1,098 | 1,888 |
| HK\$ | 49,597 | 194,177 |
| | 937,765 | 1,030,704 |

Note:

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

Notes to the Interim Condensed Consolidated Financial Statements

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19 TRADE AND BILLS PAYABLES

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

| | 30 June 2022 RMB'000 (Unaudited) | 31 December 2021 RMB'000 (Audited) |
|-------------------------------|---|---|
| Within three months | 98,015 | 118,508 |
| Over three months to one year | 27,865 | 26,940 |
| Over one year | 8,661 | 15,884 |
| | 134,541 | 161,332 |

Trade and bills payables are non-interest-bearing and have a credit term ranging from one to six months after the invoice date, extending to longer periods for those long-standing suppliers.

The fair values of trade and bills payables as at the end of each of the reporting periods approximated to their corresponding carrying amounts due to their relatively short maturity terms.

20 INTEREST-BEARING BANK AND OTHER BORROWINGS

| | 30 June 2022 | | | 31 December 2021 | | |
|----------------------|-----------------------------------|-----------|---------------|-----------------------------------|-----------|---------------|
| | Effective interest rate (%) | Maturity | RMB'000 | Effective interest rate (%) | Maturity | RMB'000 |
| Current | | | | | | |
| Bank loan-unsecured | 4.04–4.50 | 2023 | 10,776 | 4.04–4.09 | 2022 | 9,508 |
| Other borrowing | 6.00 | 2023 | 8,389 | 6.00 | 2022 | 7,970 |
| | | | 19,165 | | | 17,478 |
| Non-current | | | | | | |
| Bank loans-unsecured | 4.04–4.50 | 2023–2024 | 13,914 | 4.20–5.60 | 2023–2024 | 19,017 |
| Other borrowing | 6.00 | 2023–2029 | 46,141 | 6.00 | 2023–2029 | 47,818 |
| | | | 60,055 | | | 66,835 |
| | | | 79,220 | | | 84,313 |

Notes to the Interim Condensed Consolidated Financial Statements

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20 INTEREST-BEARING BANK AND OTHER BORROWINGS (CONTINUED)

| | 30 June 2022 RMB'000 (Unaudited) | 31 December 2021 RMB'000 (Audited) |
|--|---|---|
| Analysed into: | | |
| Bank loans: | | |
| Within one year or on demand | 10,776 | 9,508 |
| In the second year | 10,876 | 9,508 |
| In the third to fifth years, inclusive | 3,038 | 9,509 |
| | 24,690 | 28,525 |
| Other borrowing: | | |
| Within one year or on demand | 8,389 | 7,970 |
| In the second year | 8,389 | 7,970 |
| In the third to fifth years, inclusive | 33,557 | 23,909 |
| Beyond five years | 4,195 | 15,939 |
| | 54,530 | 55,788 |
| | 79,220 | 84,313 |

Notes:

- (a) Except for other borrowings, which are denominated in USD, all interest-bearing bank loans are in RMB.
- (b) No assets were pledged to obtain financing as at 30 June 2022 and 31 December 2021.
- (c) The Group's bank and other facilities amounted to RMB509,393,000 (31 December 2021: RMB569,393,000), of which RMB88,447,000 (31 December 2021: RMB92,282,000) had been utilized as at 30 June 2022.

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21 SHARE CAPITAL

Shares

| | 30 June 2022 USD'000 | 31 December 2021 USD'000 |
|--|----------------------------|--------------------------------|
| Authorised: | | |
| 264,430,287 (2021: 264,430,287) ordinary shares of USD0.0001 each | 26 | 26 |
| | RMB'000 | RMB'000 |
| Issued and fully paid: | | |
| 230,396,458 (2021: 230,396,458) ordinary shares of USD0.0001 (equivalent to RMB0.0006) each | 147 | 147 |

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

| | Number of ordinary shares in issue | Share capital RMB'000 | Share premium RMB'000 | Total RMB'000 |
|---|---|-----------------------------|-----------------------------|------------------|
| At 1 January 2021 | 78,000,000 | — | — | — |
| Issuance of ordinary shares (note (a)) | 9,130,456 | 6 | 191,313 | 191,319 |
| Issuance of ordinary shares (note (b)) | 9,823,948 | 6 | 127,941 | 127,947 |
| Issuance of ordinary shares (note (c)) | 809,582 | 1 | 9,999 | 10,000 |
| Issuance of ordinary shares (note (d)) | 1,927,808 | 1 | 20,175 | 20,176 |
| Share options exercised (note (e)) | 17,191,534 | 11 | 98,618 | 98,629 |
| Issue of shares in connection with the IPO (note (f)) | 27,878,000 | 18 | 660,447 | 660,465 |
| Share issue expenses | — | — | (46,322) | (46,322) |
| Transfer from convertible redeemable preferred shares (note (g)) | 85,635,130 | 104 | 2,024,484 | 2,024,588 |
| At 31 December 2021 and 30 June 2022 | 230,396,458 | 147 | 3,086,655 | 3,086,802 |

21 SHARE CAPITAL (CONTINUED)

Shares (continued)

Notes:

- (a) Pursuant to a series of share subscription agreements dated 27 April 2021, 9,130,456 shares were issued and allotted by the Company to various BVI holding platforms held by employees and external investors. Besides 1,970,443 shares were issued to external investors at the issue price of RMB18.27 per share, the remaining 7,160,013 shares were issued to employees at a 85% discounted price of RMB15.53 per share. The total cash consideration received by the Company is RMB147,571,000.
- (b) On 27 April 2021, 9,823,948 ordinary Shares were issued and allotted by the Company to various BVI holding platforms of certain external investors ("External Investors") at various share prices ranging from RMB8.58 to RMB19.99 per share as part of the corporate restructuring of the Company in exchange for certain equity interest in Guangdong Gushengtang held by the relevant External Investors, with total consideration of RMB127,947,000.
- (c) On 27 April 2021, 809,582 shares of par value of USD0.0001 each, were issued by the Company to Hua Jinming (an independent third party) who converted the convertible loan to ordinary share.
- (d) On 27 April 2021, 1,927,808 ordinary shares were issued and allotted by the Company to various BVI holding platforms of certain employees and consultants of the Company at the issue prices arranging from RMB10.73 to RMB11.94 each, with total consideration of RMB20,176,000.
- (e) On 27 April 2021, the subscription rights attaching to 17,191,534 share options were exercised at the subscription price of USD0.35 per share, resulting in the issue of 17,191,534 ordinary shares for a total cash consideration, before expenses, of USD6,017,000 (equivalent to approximately RMB36,754,000). An amount of RMB61,875,000 was transferred from the share option reserve to the share premium upon the exercise of the share options.
- (f) In connection with the IPO, 27,878,000 ordinary shares of a par value of US\$0.0001 each were issued at a price of HK\$29.00 per share for a total cash consideration, before deducting the underwriting fees and commissions and other estimated listing expenses, of approximately HK\$808,462,000 (approximately RMB660,465,000).
- (g) All preferred shares were converted into ordinary shares upon the completion of the IPO.

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22 BUSINESS COMBINATIONS

Acquisition of Beijing Guozong

On 31 May 2022, the Group acquired a 100% equity interest in Beijing Guozong Jishi Traditional Chinese Medicine Hospital Co., Ltd. (「北京國宗濟世中醫醫院有限公司」, “Beijing Guozong”), an unlisted company, from an independent third party at a total cash consideration of RMB53,720,000. Beijing Guozong mainly engaged in the provision of Chinese medicine service in the PRC. The acquisition was part of the Group’s strategy to expand its market share in Chinese medicine healthcare service.

The fair values of the identifiable assets and liabilities of the subsidiaries acquired as at the dates of acquisition were as follows:

| | Note | Fair value recognised on acquisition RMB'000 (Unaudited) |
|--|------|---|
| Inventories | | 2,153 |
| Trade receivables | | 2,717 |
| Prepayments, other receivables and other assets | | 1,834 |
| Cash and cash equivalents | | 3,165 |
| Trade payables | | (5,837) |
| Other payables and accruals | | (1,478) |
| <hr/> | | |
| Total identifiable net liabilities at fair value | | 2,554 |
| Goodwill on acquisition | 14 | 51,166 |
| <hr/> | | |
| Total consideration | | 53,720 |
| <hr/> | | |
| Satisfied by: | | |
| Cash | | 44,820 |
| Settlement of a loan | | 8,900 |
| <hr/> | | |
| | | 53,720 |
| <hr/> | | |

22 BUSINESS COMBINATIONS (CONTINUED)

Acquisition of Beijing Guozong (continued)

An analysis of the cash flows in respect of the acquisition of the subsidiaries is as follows:

| | RMB'000 |
|---|---------|
| Cash considerations | 53,720 |
| Less: Cash to be paid in coming years | (792) |
| Cash and cash equivalents acquired | (3,165) |
| Net cash outflows in relation to acquisition of Beijing Guozong | 49,763 |
| Add: Cash paid for other acquisitions in previous years | 24,402 |
| Net outflow of cash and cash equivalents included in cash flows from investing activities | 74,165 |

Since the acquisition, the subsidiaries as mentioned above contributed RMB3,453,000 to the Group's revenue and a net gain of RMB258,000 to the consolidated statement of profit or loss and other comprehensive income for the six months ended 30 June 2022. Had the combination taken place at beginning of the period, the contribution to the revenue and loss of the Group would have been RMB18,031,000 and RMB655,000, respectively.

23 PLEDGE OF ASSETS

No assets were pledged to obtain financing as at 30 June 2022 and 31 December 2021.

24 COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

| | 30 June 2022 RMB'000 (Unaudited) | 31 December 2021 RMB'000 (Audited) |
|--|---|---|
| Contracted, but not provided for Leasehold improvements and equipment | 3,331 | 5,230 |

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25 RELATED PARTY TRANSACTIONS AND BALANCES

Compensation of key management personnel and related parties of the Group:

Details of the compensation of key management personnel of the Group are disclosed as follows:

| | For the six months ended 30 June | |
|------------------------------|----------------------------------|-----------|
| | 2022 | 2021 |
| | RMB'000 | RMB'000 |
| | (Unaudited) | (Audited) |
| Short term employee benefits | 5,408 | 5,493 |
| Share-based payment expenses | 8,557 | 17,337 |
| | 13,965 | 22,830 |

26 FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

| | Carrying amounts | | Fair values | |
|---|------------------|-------------|-------------|-------------|
| | 30 June | 31 December | 30 June | 31 December |
| | 2022 | 2021 | 2022 | 2021 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| | (Unaudited) | (Audited) | (Unaudited) | (Audited) |
| Financial assets | | | | |
| Financial assets at fair value through profit or loss | 2,501 | 3,207 | 2,501 | 3,207 |

26 FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

| | Carrying amounts | | Fair values | |
|--|---|---|---|---|
| | 30 June 2022 RMB'000 (Unaudited) | 31 December 2021 RMB'000 (Audited) | 30 June 2022 RMB'000 (Unaudited) | 31 December 2021 RMB'000 (Audited) |
| Financial liabilities | | | | |
| Interest-bearing bank loans and other borrowings | 79,220 | 84,313 | 79,220 | 84,313 |

Management has assessed that the fair values of cash and cash equivalents, trade receivables, financial assets included in prepayments, other receivables and other assets (current), trade and bills payables, financial liabilities included in other payables and accruals (current), interest-bearing bank loans and other borrowings (current) and lease liabilities (current) approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

- (a) The fair values of non-current financial assets included in prepayments, other receivables, lease liabilities (non-current) and the non-current interest-bearing bank loans and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The change in fair value as a result of the Group's own non-performance risk for non-current financial assets included in prepayments, other receivables and other assets, lease liabilities (non-current) and non-current interest-bearing loans as at 30 June 2021 and 31 December 2021 were assessed to be insignificant.
- (b) The fair value of contingent consideration included in the financial assets at fair value through profit or loss is measured using the valuation technique of the discounted cash flow model using significant unobservable market inputs.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer and the audit committee. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer.

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26 FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Set out below is a summary of significant unobservable inputs to the valuation of financial instruments as at 30 June 2022 and 31 December 2021:

| | Valuation technique | Significant unobservable input | Range | Sensitivity of fair value of the input |
|--|-----------------------|--------------------------------|------------------------------|--|
| Financial assets at fair value through profit or loss — contingent consideration | Scenario-based method | Discount rate | 11.13% (2021: 10.03%–12.05%) | 1% (2021: 1%) increase/decrease in the discount rate would result in decrease/increase in the fair value by RMB1,000/RMB1,000 (2021: RMB20,000/RMB20,000). |

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 30 June 2022

| | Fair value measurement using | | | Total RMB'000 (Unaudited) |
|---|--|--|--|---------------------------------|
| | Quoted prices in active markets (Level 1) RMB'000 (Unaudited) | Significant observable inputs (Level 2) RMB'000 (Unaudited) | Significant unobservable inputs (Level 3) RMB'000 (Unaudited) | |
| Financial assets at fair value through profit or loss | — | — | 2,501 | 2,501 |

26 FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy (continued)

Assets measured at fair value: (continued)

As at 31 December 2021

| | Fair value measurement using | | | Total RMB'000 (Audited) |
|---|---|--|--|-------------------------------|
| | Quoted prices in active markets (Level 1) RMB'000 (Audited) | Significant observable inputs (Level 2) RMB'000 (Audited) | Significant unobservable inputs (Level 3) RMB'000 (Audited) | |
| Financial assets at fair value through profit or loss | — | — | 3,207 | 3,207 |

The movements in fair value measurements within Level 3 during the period are as follows:

| | 2022 RMB'000 (Unaudited) | 2021 RMB'000 (Audited) |
|--|--------------------------------|------------------------------|
| Financial assets at fair value through profit or loss | | |
| At 1 January | 3,207 | 7,085 |
| Total gains/(losses) recognised in profit or loss | 294 | (3,878) |
| Derecognition during the period/year | (1,000) | — |
| At the end of the period/year | 2,501 | 3,207 |

Liabilities measured at fair value:

The Group did not have any financial liabilities measured at fair value as at 30 June 2022 and 31 December 2021.

Notes to the Interim Condensed Consolidated Financial Statements

30 June 2022

27 EVENTS AFTER THE REPORTING PERIOD

There is no subsequent event after the reporting period which has material impact to the Group.

28 APPROVAL OF THESE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 16 August 2022.

Definitions and Glossaries

In this report, the following expressions have the meanings set out below unless the context otherwise requires:

| | |
|--|---|
| “Action Thrive” | Action Thrive Group Limited, a BVI business company with limited liability incorporated under the laws of BVI on November 5, 2020 which is indirectly wholly owned by Mr. Tu, and one of the Controlling Shareholders |
| “Audit Committee” | the audit committee of the Board |
| “Board” | the board of directors of the Company |
| “BVI” | the British Virgin Islands |
| “Celestial City” | Celestial City Investments Limited, a BVI business company with limited liability incorporated under the laws of BVI on November 9, 2020 which is indirectly wholly owned by Mr. Tu, and one of the Controlling Shareholders |
| “CG Code” | the Corporate Governance Code as set out in Appendix 14 to the Listing Rules |
| “Chairman” | the Chairman of the Board |
| “China” or the “PRC” | the People’s Republic of China, but for the purpose of this report and for geographical reference only, except where the context requires, references in this prospectus to “China” and the “PRC” do not apply to Hong Kong, Macau and Taiwan |
| “Company” or “our Company” | GUSHENGTANG HOLDINGS LIMITED (固生堂控股有限公司), an exempted company with limited liability incorporated under the laws of the Cayman Islands on May 8, 2014, the Shares of which are listed on the Main Board of the Stock Exchange |
| “Controlling Shareholder(s)” | has the meaning ascribed thereto under the Listing Rules and, unless the context otherwise requires, refers to Mr. Tu, Action Thrive, Celestial City, Dream True and Wumianshan Ltd. |
| “COVID-19” | Novel coronavirus pneumonia |
| “Designated Medical Institutions” | medical institutions designated by the relevant local medical insurance authority as ones that are permitted to treat patients covered by public medical insurance programs |

Definitions and Glossaries

| | |
|--|---|
| “Director(s)” | director(s) of the Company |
| “Dream True” | Dream True Limited, a BVI business company with limited liability incorporated under the laws of BVI on February 9, 2021 and wholly owned by Trident Trust Company (Singapore) Pte. Limited pursuant to the TZL Family Trust, and one of the Controlling Shareholders |
| “Frost & Sullivan” | Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., a global market research and consulting company, which is an independent third party |
| “GMP” | Good Manufacturing Practice of Pharmaceutical Products (藥品生產質量管理規範), which are guidelines and regulations issued to ensure that pharmaceutical products within those guidelines and regulations are consistently produced and controlled to the quality and standards appropriate for their intended use |
| “Group”, “Gushengtang”, “we”, or “us” | the Company together with its subsidiaries and controlled affiliated entities controlled by it through contractual arrangements at the relevant time or, where the context so requires, in respect of the period before the Company became the holding company of its present subsidiaries, the business operated by such subsidiaries or their predecessors (as the case may be) |
| “Guangdong Gushengtang” | Guangdong Gushengtang TCM Health Technology Co., Ltd. (廣東固生堂中醫養生健康科技股份有限公司), a limited liability company established in the PRC on September 13, 2010 and a subsidiary of the Company |
| “HK\$” or “HKD” | Hong Kong dollars and cents respectively, the lawful currency of Hong Kong |
| “HKFRS” | Hong Kong Financial Reporting Standards |
| “Hong Kong” or “HK” | the Hong Kong Special Administrative Region of the PRC |
| “Listing” | the listing of the Shares on the Main Board of the Stock Exchange on December 10, 2021 |
| “Listing Date” | the date, namely December 10, 2021, on which the Shares were listed on the Stock Exchange and from which dealings in the Shares were permitted to commence on the Stock Exchange |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time |

| | |
|--|---|
| “Macau” | the Macau Special Administrative Region of the PRC |
| “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 Transaction by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules |
| “Mr. Tu” | Mr. Tu Zhiliang (涂志亮), the executive Director, the Chairman, the chief executive officer of the Company, and one of the Controlling Shareholders |
| “OMO” | online-merge-offline |
| “Pre-IPO Share Option Plan” | the pre-IPO share option plan approved and adopted by our Company on March 31, 2021 |
| “Prospectus” | the prospectus of the Company published on November 30, 2021 |
| “Reporting Period” | the six-month period from January 1, 2022 to June 30, 2022 |
| “RMB” or “Renminbi” | the lawful currency of the PRC |
| “SFO” | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented, or otherwise modified from time to time |
| “Share(s)” | ordinary share(s) in the share capital of the Company with par value of US\$0.0001 each |
| “Shareholder(s)” | holder(s) of the Shares |
| “Stock Exchange” | the Stock Exchange of Hong Kong Limited |
| “TCM” | traditional Chinese medicine |
| “TZL Family Trust” | the trust arrangement established by Celestial City as the settlor, with Mr. Tu as the protector, Trident Trust Company (Singapore) Pte. Limited as the trustee and Celestial City, Mr. Tu and Mr. Tu’s family members as beneficiaries |
| “US\$”, “USD” or “U.S. dollars” | United States dollars, the lawful currency of the United States |

Definitions and Glossaries

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|--------------------------|--|
| “Voting Deeds” | the voting right entrustment deed entered into between Mr. Tu and each of Gushengtang Ltd., Shiyimianshan Holdings Limited, Shiermianshan Holdings Limited, Shisanmianshan Holdings Limited, Shisimianshan Holdings Limited, Shiwumianshan Holdings Limited, Yijiakang Technology Holdings Limited, Yijiajian Technology Holdings Limited, Yijiale Technology Holdings Limited and Yijiaan Technology Holdings Limited on May 31, 2021 |
| “Wumianshan Ltd.” | Wumianshan Ltd., a BVI business company incorporated under the laws of the BVI on April 23, 2014 which is wholly owned by Mr. Tu, and one of the Controlling Shareholders |
| “%” | percent |

In this interim report, unless otherwise indicated, the terms “associate”, “associated corporation”, “connected person”, “controlling shareholder(s)”, “subsidiary” and “substantial shareholder” shall have the meanings given to such terms in the Listing Rules.



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GUSHENGTANG HOLDINGS LIMITED

固生堂控股有限公司

