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# Sipai Health Technology Co., Ltd. 思派健康科技有限公司

(A company incorporated in the Cayman Islands with limited liability)  
(Stock Code: 0314)

## ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2022

### FINANCIAL HIGHLIGHTS

	Year ended December 31,		Year-on-year change (%)
	2022 RMB'000	2021 RMB'000	
Revenue	4,119,478	3,473,930	18.6
Gross profit	337,352	283,449	19.0
Loss for the year	(1,371,764)	(3,748,503)	(63.4)
Adjusted loss (non-IFRS measure) for the year <sup>(1)</sup>	(258,682)	(365,084)	(29.1)

<sup>(1)</sup> We define “Adjusted loss (non-IFRS measure) for the year” as profit or loss for the year, excluding certain reconciling items as set out in the section headed “Non-IFRS Measures.” We exclude these items because they are either non-operating in nature and not indicative of our core operating results and business outlook.

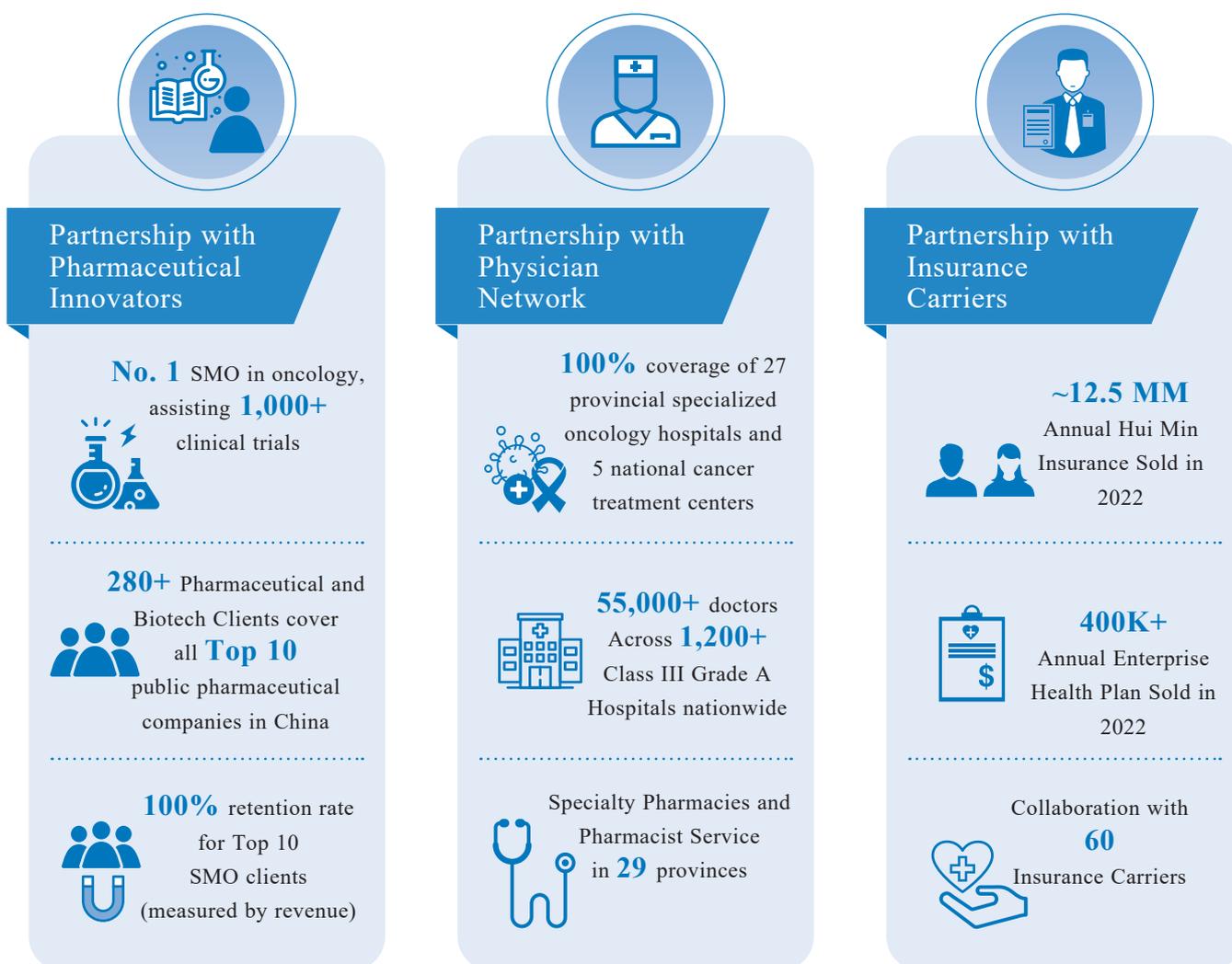
The Board is pleased to announce the audited consolidated results of the Group for the Reporting Period. The content of this annual results announcement has been prepared in accordance with applicable disclosure requirements under the Listing Rules in relation to preliminary announcements of annual results which is prepared in accordance with the IFRS issued by the IASB, and audited by Ernst & Young, the auditor of the Company. Such annual results have also been reviewed and confirmed by the Board and the Audit Committee. Unless otherwise stated, the financial data of the Company are presented in RMB.

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS OVERVIEW

### Overview

We connect and deliver clear values to patients, doctors, medical institutions, pharmaceutical companies and payers across China’s healthcare system through our robust technology platform and data-enabled operational capabilities. We currently run three business lines, including specialty pharmacy business (the “**Specialty Pharmacy Business**”), physician research assistance (the “**Physician Research Assistance**”), and health insurance services (the “**Health Insurance Services**”).



Note: All statistics are as of December 31, 2022

We successfully listed our Shares on the main board of the Stock Exchange on December 23, 2022. The Prospectus in relation to the Global Offering was published on the website of the Stock Exchange on December 12, 2022.

## **Our Services**

### ***Specialty Pharmacy Business***

Our Specialty Pharmacy Business line consists of specialty pharmacy and value-add professional pharmacist service, focusing on specialty medicines for the treatment of oncology and other critical diseases. Patients can access innovative medications from us and receive pharmacist services, such as medication guidance, AE consultation, and medication delivery. We also built up the first and only nationwide specialty medicine management platform, providing follow-up assessment service under a unified system, differentiating us from our peers.

As of December 31, 2022, we operated 96 specialty pharmacies across all provincial administrative regions in mainland China except Xizang and Qinghai. Our pharmacies specialize in prescription medicines for cancer and other critical diseases. We provide a wide selection of specialty medicines, including innovative drugs newly introduced to the market. Our professional pharmacist services ensure patients to have better medication adherence and treatment efficacy. Collaborating with the payer side, our specialty pharmacies also provide direct billing with social medical insurance (國家醫保) and major insurance carriers, offering additional payment solutions to patients.

### ***Physician Research Assistance***

In our Physician Research Assistance business line, we engage in SMO business to support pharmaceutical companies in their drug R&D process from phase I to phase IV clinical trials. Currently, the SMO business contributes the majority of the Physician Research Assistance revenue. Our in-depth experience and professional expertise in assisting clinical trials for oncology drugs differentiate us from our peers. Notably, we have achieved 100% coverage of 27 provincial specialized oncology hospitals and five national cancer treatment centers. As of December 31, 2022, we had completed 468 SMO projects, and 795 SMO projects were ongoing. We proudly serve all top ten public pharmaceutical companies in China that engage in R&D of innovative drugs. During the Reporting Period, we achieved a 100% client retention rate with respect to our top ten SMO clients, as measured by revenue during the same period of time. Over 95% of our SMO clients engage in R&D of oncology drugs and typically contract our services for three to five years.

## ***Health Insurance Services***

As of December 31, 2022, our health service provider network connected over 1,200 Class III Grade A hospitals, 55,000 doctors, and 500 physical examination institutions in over 150 major cities across China. Our robust health service provider network, together with our Specialty Pharmacy Business, provides our members with high quality health management services such as preventive care, GP service, specialist referral, online hospital and overseas healthcare network. Leveraging our data insights and actuarial capabilities, we have co-developed differentiated health insurance plans with major insurance carriers. Hui Min Insurance serves as a supplement to the national basic medical insurance, offering additional coverage for critical diseases, medical services, and specialty medicines at a price affordable to the general population. In addition, Enterprise Health Plans provide a more comprehensive and advanced protection to employers and their employees, offering flexible quality health and disease management services.

## **Business Highlights**

### ***Resilience, Growth and Efficiency Tested in Pandemic***

2022 is a challenging year given the fact that hard-to-contained Omicron variant of COVID-19 strongly disturbed the medical activities across the nation. Consequently, clinical trials for innovative therapies and demands for treatment were generally affected. At the same time, as the social business activities were negatively impacted by COVID-19 pandemic, more companies and individuals sized down their expenses and budgets.

Despite challenges in healthcare system, we had achieved what the management regarded as satisfying performance results. We have maintained our strategy of organic growth, which is the key to nationwide quality control in offering standardized professional services. We are also very pleased to see the continuing growth momentum under our disciplined strategy throughout this turbulent year of operations. We believe this is the validation of our strategy, growth disciplines, revenue quality, and our execution capabilities accumulated in the past several years of solid operations. As tested in the COVID-19 pandemic, the resilience of the business model, execution capabilities, and adaptability, we believe, will carry the business forward in the continuously evolving business dynamics in the holistic healthcare industry. The following table sets forth a breakdown of our revenue by segments and gross margin of our total revenues during the Reporting Period:

	Year ended December 31,		Year-on-year
	2022	2021	Change
Revenue	RMB'000	RMB'000	%
Specialty Pharmacy Business	3,661,809	3,136,484	16.7
Physician Research Assistance Business	319,449	244,857	30.5
Health Insurance Services Business	138,220	92,589	49.3
Total	<u>4,119,478</u>	<u>3,473,930</u>	<u>18.6</u>
<b>Gross Margin</b>		<b>2022</b>	<b>2021</b>
		<b>%</b>	<b>%</b>
Specialty Pharmacy Business		<b>5.0</b>	5.9
Physician Research Assistance Business		<b>20.7</b>	18.3
Health Insurance Services Business		<b>63.5</b>	57.4
Total		<u><b>8.2</b></u>	<u>8.2</u>

Equally importantly, we would like to highlight our attention paid to the operational efficiency, both on the organization side and working capital side. Low tide period represents a rare opportunity to stress test the management's competence in organizational adaptability and awareness-to-action responsiveness. We achieved the business growth mentioned above not only in a year of external disturbance, but also in one year of internal efficiency improvement. We managed to achieve functional upgrade in the meanwhile of efficiency streamlining, laying a solid foundation for future sustainable growth prospects. Size of the work force was optimized from 3,859 as of December 31, 2021 to 3,210 as of December 31, 2022.

At the same time, the working capital change in a challenging business year further demonstrates our business quality.

In 2022, approximately RMB222 million was released from changes in working capital management (excluding the change in pledged deposits and time deposit) primarily due to the improvement in inventory management and improvement in prepayment management.

## **R&D and Technology**

Technology and R&D capabilities are core to our business. We have developed our technology and digital infrastructure to enhance our operations and services. Utilizing our expertise and statistics accumulated from our day-to-day operations, our technology and digital infrastructure well support our Specialty Pharmacy Business, Physician Research Assistance and Health Insurance Services operations and connect the dots among the business segments to provide a holistic insights into the dynamics in healthcare industry across products, providers and payers.

We invest substantial time, attention, and resources to improve our technology and digital infrastructure, strengthen our data processing and analytic capabilities, develop new solutions that are complementary to existing ones and find ways to better serve our members, patients, doctors, pharmaceutical companies, and insurance carriers. Our R&D personnel primarily consist of data engineers, data scientists, software engineers, technology infrastructure architects, health management specialists and actuaries.

## **Business Development and Marketing**

We design our business development and marketing strategy to expand our brand recognition, build strong customer loyalty and develop incremental revenue opportunities. Led by our management, we are dedicated to the maintenance and management of cooperation with medical institutions, doctors and pharmaceutical companies.

At the same time, we regularly conduct marketing, promotional and educational activities addressing all participants in the healthcare and insurance industry, including medical institutions, pharmaceutical companies, insurance carriers, enterprise clients, doctors and plan members, to increase our exposure and demonstrate the quality and differentiating value propositions of our services. Leveraging our cooperation with various local governments and leading health insurance carriers, we advertise our health insurance plans and health management services underlying these plans offered by our Health Insurance Services through online and offline channels and have attracted significant customer attention, especially when we launch our insurance plans into new cities.

Moreover, as our three business lines, Specialty Pharmacy Business, Physician Research Assistance and Health Insurance Services reinforce each other and form a virtuous cycle and symbiotic ecosystem, business opportunities and customer traffic can be directed from one business line to another. As we empower doctors in their patient management and scientific research through our Specialty Pharmacy Business and Physician Research Assistance, it is expected that referrals from doctors will contribute to the expansion of our Specialty Pharmacy Business and Health Insurance Services customer base.

## FINANCIAL REVIEW

### Overview

The following discussion is based on, and should be read in conjunction with, the financial information and the notes included elsewhere in this annual results announcement.

### Revenue

During the Reporting Period, our revenue was primarily generated from our Specialty Pharmacy Business, Physician Research Assistance and Health Insurance Services. The following table sets forth a breakdown of our revenue by segments and year over year growth:

Revenue	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>	Year-on-year Change <i>RMB'000</i>	Year-on-year Change %
Specialty Pharmacy Business	<b>3,661,809</b>	3,136,484	525,325	16.7
Physician Research Assistance Business	<b>319,449</b>	244,857	74,592	30.5
Health Insurance Services Business	<b>138,220</b>	92,589	45,631	49.3
Total	<b>4,119,478</b>	3,473,930	645,548	18.6

### *Specialty Pharmacy Business*

Revenue from our Specialty Pharmacy Business increased by approximately 16.7% from approximately RMB3,136.5 million in 2021 to approximately RMB3,661.8 million in 2022, which was mainly attributable to the expansion of our pharmacy storefronts from 91 as of December 31, 2021 to 96 as of December 31, 2022, and growing market demand.

### *Physician Research Assistance*

Revenue from our Physician Research Assistance business increased by approximately 30.5% from approximately RMB244.9 million in 2021 to approximately RMB319.4 million in 2022.

### *Health Insurance Services*

Revenue from Health Insurance Services business increased by approximately 49.3% from approximately RMB92.6 million in 2021 to approximately RMB138.2 million in 2022, which mainly attributable to the further business development on enterprise clients and launching more Hui Min Insurance plans in different cities.

## Cost of Sales

Cost of sales	2022	2021	Year-on-year	Year-on-year
	<i>RMB'000</i>	<i>RMB'000</i>	Change <i>RMB'000</i>	Change %
Specialty Pharmacy Business	3,478,464	2,951,040	527,424	17.9
Physician Research Assistance Business	253,211	199,998	53,213	26.6
Health Insurance Services Business	50,451	39,443	11,008	27.9
Total	<u>3,782,126</u>	<u>3,190,481</u>	<u>591,645</u>	<u>18.5</u>

Our cost of sales increased by approximately 18.5% from approximately RMB3,190.5 million in 2021 to approximately RMB3,782.1 million in 2022, primarily due to (i) an increase of approximately RMB527.4 million in procurement cost for medicines relating to our Specialty Pharmacy Business; and (ii) an increase of approximately RMB53.2 million in labor costs relating to Physician Research Assistance business.

## Gross Profit and Gross Margin

Gross Profit and Gross Margin	2022		2021	
	Gross Profit <i>RMB'000</i>	Gross Margin %	Gross Profit <i>RMB'000</i>	Gross Margin %
Specialty Pharmacy Business	183,345	5.0	185,444	5.9
Physician Research Assistance Business	66,238	20.7	44,859	18.3
Health Insurance Services Business	87,769	63.5	53,146	57.4
Total	<u>337,352</u>	<u>8.2</u>	<u>283,449</u>	<u>8.2</u>

Our gross profit in 2021 and 2022 were approximately RMB283.4 million and approximately RMB337.4 million, respectively, and our gross margin remained relatively stable at approximately 8.2% in 2021 and 2022. The gross margin of our Specialty Pharmacy Business has slightly decreased in 2022, mainly because of the change of product structure, the decrease has been partially offset by the increase gross margin of Health Insurance Services.

## Other Income and Gains

Other income and gains consist primarily of government grants, bank interest income, foreign exchange differences, gains on financial assets at FVTPL.

Our other income and gains increased by approximately 17.8% from approximately RMB51.1 million in 2021 to approximately RMB60.2 million in 2022, primarily due to (i) an approximately RMB6.8 million increase in the bank interest income; and (ii) an approximately RMB11.0 million increase in the government grants.

### **Selling and Marketing Expenses**

Our selling and marketing expenses consist primarily of staff costs, marketing and promotion fees, depreciation and amortization expenses, travel and business related expense and others.

Our selling and marketing expenses increased by approximately 14.2% from approximately RMB291.5 million in 2021 to approximately RMB332.9 million in 2022, mainly due to an approximately RMB61.4 million increase in staff costs mainly for our Specialty Pharmacy Business; partially offset by an approximately RMB19.5 million decrease in marketing and promotion fees as a result of our improved sales efficiency.

### **Administrative Expenses**

Our administrative expenses consist primarily of staff costs, consulting and service fees, travel and business related expense, depreciation and amortization expenses, listing expense and others.

Our administrative expenses decreased by approximately 14.2% from approximately RMB670.0 million in 2021 to approximately RMB575.0 million in 2022, mainly resulting from a decrease in the staff costs, which is primarily due to the functional adjustment of the administrative team and the improvement of administrative efficiency.

### **Research and Development Expenses**

Our research and development expenses consist primarily of staff costs and outsourcing cost and others. Our research and development expenses increased by approximately 5.9% from approximately RMB59.2 million in 2021 to approximately RMB62.7 million in 2022, mainly due to an increase in staff costs.

### **Change in fair value of convertible redeemable preferred shares**

Our fair value loss on convertible redeemable preferred shares decreased by approximately 74.6% from approximately RMB3,048.4 million in 2021 to approximately RMB775.3 million in 2022, reflecting our more stable valuation status since 2022 and the increase of the Company's valuation upon its completion of the Global Offering on December 23, 2022. These preferred shares were automatically converted to ordinary shares of the Company on a 1:1 basis on the same day. Thus the fair value of convertible redeemable preferred shares had been reclassified to equity accordingly in December 2022.

### **Income Tax**

Our income tax expense increased by approximately 312.5% from approximately RMB0.8 million in 2021 to approximately RMB3.3 million in 2022.

## Non-IFRS Measures

To supplement our consolidated financial statements, which are presented in accordance with IFRSs, we also use adjusted loss (non-IFRS measure) as an additional financial measure, which is not required by, or presented in accordance with, IFRSs. We believe adjusted loss (non-IFRS measure) facilitates comparisons of company to company by eliminating potential impacts of items.

We believe adjusted loss (non-IFRS measure) provides useful information to investors and others in understanding and evaluating our combined results of operations in the same manner as adjusted loss (non-IFRS measure) help our management. However, our presentation of adjusted loss (non-IFRS measure) may not be comparable to similarly titled measures presented by other companies. The use of adjusted loss (non-IFRS measure) has limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for an analysis of, our results of operations or financial condition as reported under IFRSs.

We define adjusted loss (non-IFRS measure) as profit/(loss) for the year/period, excluding (i) fair value changes of convertible redeemable preferred shares; (ii) share-based payment compensation; (iii) listing expenses; and (iv) transaction cost for the issue of convertible redeemable preferred shares.

The convertible preferred shares have been converted into ordinary shares of the Company on a 1:1 basis after the completion of the Global Offering, and no further loss or gain on fair value changes is expected to be recognized afterwards.

The following table reconciles our adjusted loss (non-IFRS measure) for the years/periods presented to the most directly comparable financial measure calculated and presented in accordance with IFRSs, which is loss for the years/periods indicated:

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
<b>Reconciliation of loss to adjusted loss (non-IFRS measure):</b>		
Loss for the year	<b>(1,371,764)</b>	(3,748,503)
<i>Add:</i>		
Fair value loss on convertible redeemable preferred shares	<b>775,260</b>	3,048,428
Share-based payment compensation	<b>315,852</b>	298,682
Listing expense	<b>21,970</b>	28,783
Transaction cost for the issue of the Company's convertible redeemable preferred shares	—	7,526
	<u>                    </u>	<u>                    </u>
<b>Adjusted loss (non-IFRS measure) for the year</b>	<b><u><u>(258,682)</u></u></b>	<b><u><u>(365,084)</u></u></b>

## **Capital Management**

During the Reporting Period, we primarily funded our working capital requirements through capital contributions from our shareholders including net proceeds from the Global Offering. We monitor and maintain a level of cash and cash equivalents deemed adequate to finance our operations and mitigate the effects of fluctuations in cash flows. Our net cash used in operating activities was approximately RMB182.1 million in 2022.

## **Liquidity, Financial Resources and Gearing Ratio**

As of December 31, 2022, we recorded net current assets of approximately RMB1,640.0 million. As at December 31, 2022, the gearing ratio, calculated as total liabilities over total assets, was approximately 37.4%, as compared with approximately 287.7% as at December 31, 2021.

As our business develops and expands, we expect to generate net cash from our operating activities, through the sales revenue of our future commercialized products. Going forward, we believe our liquidity requirements will be satisfied by using funds from a combination of our cash and cash equivalents and net proceeds from the Global Offering. As of December 31, 2022, we had cash and cash equivalents of approximately RMB1,455.5 million.

## **Significant Investments, Material Acquisitions and Disposals**

### ***Disposal of Online Hospital Service***

In order to improve our Group's operational efficiency and focus on our core businesses, we disposed our online hospital service operated through Sipai Medical Hainan and its subsidiaries to the Excluded Group on September 15, 2022 (the "**Disposal**").

Before the Disposal, the online hospital service was part of our value-added health management service underlying our health insurance plans, and was provided to our members without additional charges. We primarily provided health consultation, health management and health education through our online hospital service. The online hospital service accounted for a very insignificant portion of our Group in terms of financial contribution, but we had spent disproportionate time and resources to maintain its operation. We believe that the Disposal would enable us to allocate the resources to our core businesses more efficiently.

For details, please refer to the section headed "History, Reorganization and Corporate Structure" in the Prospectus.

## Capital Expenditure

Our principal capital expenditures relate primarily to the purchase of office equipment, softwares as well as leasehold improvements. The following table sets forth our capital expenditures for the periods indicated.

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Purchases of property, plant and equipment	3,957	16,577
Purchases of other intangible assets	<u>7,846</u>	<u>4,832</u>
Total	<u><u>11,803</u></u>	<u><u>21,409</u></u>

## Currency Risk

During the Reporting Period, the Group mainly operated in China and a majority of its transactions were settled in Renminbi, the functional currency of the Company's primary subsidiaries. The Group is exposed to foreign currency risk as a result of certain cash and bank balances denominated in non-functional currency. We currently do not have a foreign currency hedging policy. However, our management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

## Contingent Liabilities

The Group had no material contingent liabilities as at December 31, 2022.

## Employees and Remuneration Policies

As of December 31, 2022, we had 3,210 employees in total. Most of them are stationed in China. We recruit our employees based on a number of factors, including work experience, educational background and the requirements of a relevant vacancy. We assess our employees based on their performance to determine their salary, promotion and career development.

We enter into standard employment agreements and confidentiality agreements or clauses with all of our employees. We also enter into non-compete agreements with our senior management and core personnel. These agreements include a standard non-compete covenant that prohibits such employee from competing with us, directly or indirectly, during his or her employment and for a certain period after termination of his or her employment. We maintain a good working relationship with our employees, and we have not experienced any material labor disputes.

We are committed to establishing a competitive and fair remuneration. In order to effectively motivate our employees, we continually refine our remuneration and incentive policies through market research. We conduct performance evaluation for our employees at least once a year to provide feedback on their performance. Compensation for our employees typically consists of base salary and a performance-based bonus.

## Future Investment Plans and Expected Funding

As of December 31, 2022, we did not have other plans for material investments and capital assets.

## OUTLOOK

We aspire to lead the digital transformation of China's healthcare industry. As our name "Medbanks" suggests, we started our journey by building a robust "bank" of digital solutions and data insights, as well as strong operational capabilities, to support more participants in the healthcare ecosystem. Our journey will ultimately lead us to create an integrated health management network that will bring quality and accessible care to a large population.

We believe, by delivering clear values and serving and connecting the stakeholders in China's healthcare system, including patients, doctors, medical institutions, pharmaceutical companies and payers, we build deep and trusting relationships that can be transformative to the industry landscape.

## SUBSEQUENT EVENTS AFTER THE REPORTING PERIOD

### Acquisition of Smart Pharmacy

On January 6, 2023, the Group entered into a share purchase agreement with Sinopharm Group Hubei Co., Ltd (國藥控股湖北有限公司) ("**Sinopharm Group**") to acquire additional 45.00% equity interests in Sinopharm Holdings Smart Pharmacy (Hubei) Co., Ltd. (國藥控股思維特大藥房(湖北)有限公司) ("**Smart Pharmacy**") for a total cash consideration of RMB3,218,000 (the "**Acquisition**"). The Acquisition was completed on January 6, 2023 when the Company obtained control of the operating and financing activities of Smart Pharmacy. Upon completion of the Acquisition, our Group holds 80.0% of the equity interest in Smart Pharmacy and the remaining 20.0% equity interest is held by an Independent Third Party.

Smart Pharmacy is primarily engaged in the retail of drugs and pharmaceutical products in Hubei Province. Sinopharm Group, a subsidiary of Sinopharm Group Co., Ltd. (國藥控股股份有限公司) (a company listed on the Stock Exchange, stock code: 1099), is a state-owned enterprise primarily engaged in the distribution of pharmaceutical products. The Acquisition of Smart Pharmacy is complementary to our principal businesses and will enhance our presence in Hubei Province. For details, please refer to the section headed "Waivers from Strict Compliance with the Listing Rules and Exemptions From Strict Compliance with The Companies (Winding Up and Miscellaneous Provisions) Ordinance" in the Prospectus.

## **Change of Joint Company Secretary, Authorized Representative, Process Agent in Hong Kong and Principal Place of Business in Hong Kong**

With effect from March 13, 2023:

- (i) due to commercial arrangement between the Company and SWCS Corporate Services Group (Hong Kong) Limited (“**SWCS**”), Ms. TSANG Wing Man, as an employee of SWCS, has resigned as the joint company secretary of the Company (the “**Joint Company Secretary**”), and ceased to act as the authorized representative of the Company as required under Rule 3.05 of the Listing Rules (the “**Authorized Representative**”) and the authorized representative of the Company for accepting on the Company’s behalf service of process or notice to be served on the Company in Hong Kong under Part 16 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the “**Process Agent in Hong Kong**”);
- (ii) Ms. LI Ching Yi (“**Ms. Li**”) has been appointed as the Joint Company Secretary, the Authorized Representative and the Process Agent in Hong Kong, while Ms. REN Na (“**Ms. Ren**”) will continue to act as the other Joint Company Secretary of the Company; and
- (iii) the Company’s principal place of business in Hong Kong will be changed to 14/F, Golden Centre, 188 Des Voeux Road Central, Hong Kong.

The Stock Exchange has granted a new waiver to the Company from strict compliance with the relevant requirements of Rules 3.28 and 8.17 of the Listing Rules for the remaining period of the waiver previously granted from March 13, 2023 (i.e. date of the appointment of Ms. Li as a Joint Company Secretary to December 22, 2025) in relation to the eligibility of Ms. Ren to act as a Joint Company Secretary.

For details, please refer to the announcement dated March 13, 2023 of the Company.

Save as disclosed above, there was no significant event that took place after the Reporting Period which require additional disclosures or adjustments.

## **USE OF NET PROCEEDS FROM LISTING**

The Shares of the Company were listed on the Main Board of the Stock Exchange on December 23, 2022 by way of Global Offering, and the total net proceeds (the “**Net Proceeds**”) received by the Company from the Global Offering amounted to approximately HK\$120.4 million after deducting professional fees, underwriting commissions and other related listing expenses.

The intended uses and the balance of the Net Proceeds as at December 31, 2022 are set out below:

<b>Intended use of proceeds as stated in the Prospectus</b>	<b>Percentage to total amount %</b>	<b>Net proceeds HK\$'000</b>	<b>Utilized amount as at December 31, 2022 HK\$'000</b>	<b>Unutilized amount as at December 31, 2022 HK\$'000</b>	<b>Expected timeline for unutilized amount</b>
(a) Business expansion:	87	104,800	0	104,800	2024
(i) Further expansion of Specialty Pharmacy Business	35	42,200	0	42,200	2024
(ii) Further expansion of Physician Research Assistance Business	28	33,700	0	33,700	2024
(iii) Further expansion of Health Insurance Services business	24	28,900	0	28,900	2024
(b) Technology research and development	13	15,600	0	15,600	2024
(i) Improvement of the capability of system/application development team	10	12,000	0	12,000	2024
(ii) Further investment in research and development of improving technology infrastructure and new solutions	3	3,600	0	3,600	2024

The Group will utilize the Net Proceeds in accordance with the intended purposes as set out in the Prospectus. The Board is not aware of any material change to the planned use of the Net Proceeds as at the date of this annual results announcement.

## **DIVIDEND**

The Board did not recommend the payment of a final dividend for the year ended December 31, 2022.

## **CLOSURE OF THE REGISTER OF MEMBERS**

The Company will hold the AGM on Monday, June 26, 2023. The register of members of the Company will be closed from Tuesday, June 20, 2023 to Monday, June 26, 2023, both days inclusive, in order to determine the identity of the Shareholders who are entitled to attend the AGM, during which period no share transfers will be registered. To be eligible to attend the AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong no later than 4:30 p.m. on Monday, June 19, 2023.

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2022

	<i>Notes</i>	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
REVENUE	4	4,119,478	3,473,930
Cost of sales		<u>(3,782,126)</u>	<u>(3,190,481)</u>
Gross profit		337,352	283,449
Other income and gains		60,189	51,069
Selling and marketing expenses		(332,851)	(291,461)
Administrative expenses		(575,011)	(670,021)
Research and development expenses		(62,650)	(59,207)
Impairment losses on financial assets and contract assets under expected credit loss model (“ECL”), net		(5,466)	(6,407)
Other expenses		(11,035)	(3,121)
Finance costs		(4,041)	(3,688)
Share of profits of an associate		<u>331</u>	<u>137</u>
Loss before fair value losses on convertible redeemable preferred shares		(593,182)	(699,250)
Change in fair value of convertible redeemable preferred shares		<u>(775,260)</u>	<u>(3,048,428)</u>
LOSS BEFORE TAX	5	(1,368,442)	(3,747,678)
Income tax expense	6	<u>(3,322)</u>	<u>(825)</u>
LOSS FOR THE YEAR		<u><u>(1,371,764)</u></u>	<u><u>(3,748,503)</u></u>
Attributable to:			
Owners of the parent		(1,370,572)	(3,740,455)
Non-controlling interests		<u>(1,192)</u>	<u>(8,048)</u>
		<u><u>(1,371,764)</u></u>	<u><u>(3,748,503)</u></u>

	<b>2022</b>	2021
<i>Notes</i>	<b><i>RMB'000</i></b>	<i>RMB'000</i>
<b>OTHER COMPREHENSIVE (EXPENSE)/INCOME</b>		
<i>Items that may be reclassified to profit or loss in subsequent periods:</i>		
Exchange differences on translation of foreign operations	<b>2,241</b>	13,789
<i>Items that will not be reclassified to profit or loss in subsequent periods:</i>		
Exchange differences on translation of the Company	<u><b>(726,770)</b></u>	<u>102,316</u>
<b>OTHER COMPREHENSIVE (EXPENSE)/INCOME FOR THE YEAR</b>	<u><b>(724,529)</b></u>	<u>116,105</u>
<b>TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR</b>	<u><b>(2,096,293)</b></u>	<u>(3,632,398)</u>
Attributable to		
Owners of the parent	<b>(2,095,101)</b>	(3,624,350)
Non-controlling interests	<u><b>(1,192)</b></u>	<u>(8,048)</u>
	<u><b>(2,096,293)</b></u>	<u>(3,632,398)</u>
<b>LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>		
	8	
Basic and diluted		
For loss for the year ( <i>RMB</i> )	<u><b>(12.19)</b></u>	<u>(37.61)</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*AS AT DECEMBER 31, 2022*

	<i>Notes</i>	<b>2022</b>	2021
		<b>RMB'000</b>	<b>RMB'000</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		17,854	24,692
Other intangible assets		56,182	61,525
Prepayments, other receivables and other assets		7,384	147,792
Right-of-use assets		71,009	89,108
Investment in an associate		1,967	1,636
Goodwill		79,823	79,823
		<hr/>	<hr/>
Total non-current assets		234,219	404,576
<b>CURRENT ASSETS</b>			
Inventories	9	280,332	269,035
Contract cost		2,590	2,337
Trade and bills receivables	10	241,256	171,195
Contract assets		94,739	103,266
Prepayments, other receivables and other assets		134,166	160,347
Amounts due from related parties		883	7,666
Financial assets at fair value through profit or loss (“FVTPL”)		–	1,067,321
Time deposits		75,146	5,048
Pledged deposits		76,170	–
Cash held on behalf of clients		334,599	166,179
Cash and cash equivalents		1,455,454	535,849
		<hr/>	<hr/>
Total current assets		2,695,335	2,488,243
<b>CURRENT LIABILITIES</b>			
Trade payables	11	340,051	237,155
Other payables and accruals		508,099	367,114
Amounts due to related parties		2,381	2,878
Contract liabilities		170,724	167,285
Lease liabilities		29,019	34,123
Contingent consideration payables		3,677	20,790
Income tax payable		1,391	1,455
		<hr/>	<hr/>
Total current liabilities		1,055,342	830,800
<b>NET CURRENT ASSETS</b>		<hr/> <b>1,639,993</b>	<hr/> <b>1,657,443</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<hr/> <b>1,874,212</b>	<hr/> <b>2,062,019</b>

	<i>Notes</i>	<b>2022</b> <b>RMB'000</b>	2021 <i>RMB'000</i>
<b>NON-CURRENT LIABILITIES</b>			
Lease liabilities		<b>38,745</b>	52,895
Convertible redeemable preferred shares	<i>12</i>	–	7,434,838
Deferred tax liabilities		<b>1,335</b>	1,519
Contingent consideration payables		–	3,677
		<hr/>	<hr/>
Total non-current liabilities		<b>40,080</b>	7,492,929
		<hr/>	<hr/>
Net assets/(liabilities)		<b>1,834,132</b>	(5,430,910)
		<hr/> <hr/>	<hr/> <hr/>
<b>EQUITY</b>			
Equity attributable to owners of the parent			
Share capital	<i>13</i>	<b>517</b>	138
Reserves		<b>1,836,384</b>	(5,429,362)
		<hr/>	<hr/>
		<b>1,836,901</b>	(5,429,224)
		<hr/>	<hr/>
<b>Non-controlling interests</b>		<b>(2,769)</b>	(1,686)
Total equity/(deficits)		<b>1,834,132</b>	(5,430,910)
		<hr/> <hr/>	<hr/> <hr/>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

## 1. CORPORATE INFORMATION

Sipai Health Technology Co., Ltd. (the “**Company**”, formerly known as Medbanks Health Technology Co., Ltd. and ThinkGeek Network Technology Co., Ltd.) is limited liability company incorporated in the Cayman Islands (“**Cayman**”) under the laws of the Cayman Islands. The registered office address of the Company is located at Floor 4, Willow House, Cricket Square, Grand Cayman KY1-9010, Cayman Islands.

During the year, the Group is principally engaged in (i) the business of specialty pharmacy business (the “**Specialty Pharmacy Business**”, including specialty pharmacy network and the provision of pharmacist service), (ii) the business of physician research assistance (the “**Physician Research Assistance Business**”, including the provision of site management organisation services and services for image management in clinical trials) and (iii) the provision of health insurance services (the “**Health Insurance Services Business**”, including health management services). The Group’s principal place of operations and geographical markets are in the People’s Republic of China (the “**PRC**”).

The Company was listed on the Main Board of the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on December 23, 2022.

### 2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards (“**IFRSs**”) (which include all IFRSs, International Accounting Standards (“**IASs**”) and Interpretations) issued by the International Accounting Standards Board (the “**IASB**”) and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss, convertible redeemable preferred shares and contingent consideration payables which have been measured at fair value. These financial statements are presented in Renminbi (“**RMB**”) and all values are rounded to the nearest thousand (RMB’000) except when otherwise indicated.

#### **Basis of consolidation**

The consolidated financial statements include the financial statements of the Group for the year ended December 31, 2022. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised IFRSs for the first time for the current year's financial statements.

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

The new or amended IFRSs that are effective from January 1, 2022 did not have any significant impact on the Group's accounting policies.

## 2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>1</sup>
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback <sup>4</sup>
IFRS 17	Insurance Contracts <sup>2</sup>
Amendments to IFRS 17	Insurance Contracts <sup>2,3</sup>
Amendment to IFRS 17	Initial Application of IFRS 17 and IFRS 9 – Comparative Information <sup>5</sup>
Amendments to IAS 1	Classification of Liabilities as Current or Non-current (the “ <b>2020 Amendments</b> ”) <sup>4,6</sup>
Amendments to IAS 1	Non-current Liabilities with Covenants (the “ <b>2020 Amendments</b> ”) <sup>4</sup>
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies <sup>2</sup>
Amendments to IAS 8	Definition of Accounting Estimates <sup>2</sup>
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>2</sup>

<sup>1</sup> No mandatory effective date yet determined but available for adoption

<sup>2</sup> Effective for annual periods beginning on or after January 1, 2023

<sup>3</sup> As a consequence of the amendments to IFRS 17 issued in June 2020, IFRS 4 was amended to extend the temporary exemption that permits insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before January 1, 2023.

<sup>4</sup> Effective for annual periods beginning on or after January 1, 2024

<sup>5</sup> An entity that chooses to apply the transition option relating to the classification overlay set out in this amendment shall apply it on initial application of IFRS 17

<sup>6</sup> As a consequence of the 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1 January 2024.

These issued but not yet effective IFRSs are not expected to have any significant impact on the Group’s financial statements.

### 3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has three reportable operating segments as follows:

Specialty Pharmacy Business	Operation of specialty pharmacy stores and distribution of pharmaceutical products to pharmaceutical companies and other distributors.
Physician Research Assistance Business	Offering pharmaceutical companies and other clinical trial institutions site management organisation services, including site feasibility, site initiation, patient recruitment, patient management, data entry and document management, on-site drug management and bio-sample management, site closure and others; and offering services for image management in clinical trials.
Health Insurance Services Business	Providing insurance brokerage services to insurance companies and health management services to insurance carriers and enterprise clients.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment gross profit. No analysis of segment assets and liabilities is presented as management does not regularly review such information for the purposes of resource allocation and performance assessment. Therefore, only segment revenue and segment results are presented.

For the year ended December 31, 2022

	<b>Specialty Pharmacy Business</b> <i>RMB'000</i>	<b>Physician Research Assistance Business</b> <i>RMB'000</i>	<b>Health Insurance Services Business</b> <i>RMB'000</i>	<b>Total</b> <i>RMB'000</i>
Segment revenue	3,661,809	319,449	138,220	4,119,478
Segment results	183,345	66,238	87,769	337,352
<b>Reconciliation:</b>				
Other income and gains				60,189
Selling and marketing expenses				(332,851)
Administrative expenses				(575,011)
Research and development expenses				(62,650)
Impairment losses under ECL model				(5,466)
Change in fair value of convertible redeemable preferred shares				(775,260)
Other expenses				(11,035)
Finance costs				(4,041)
Share of profits and losses of an associate				331
Group's loss before tax				<u><u>(1,368,442)</u></u>

For the year ended December 31, 2021

	<b>Specialty Pharmacy Business</b>	<b>Physician Research Assistance Business</b>	<b>Health Insurance Services Business</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Segment revenue	3,136,484	244,857	92,589	3,473,930
Segment results	<u>185,444</u>	<u>44,859</u>	<u>53,146</u>	<u>283,449</u>
<b>Reconciliation:</b>				
Other income and gains				51,069
Selling and marketing expenses				(291,461)
Administrative expenses				(670,021)
Research and development expenses				(59,207)
Impairment losses under ECL model				(6,407)
Change in fair value of convertible redeemable preferred shares				(3,048,428)
Other expenses				(3,121)
Finance costs				(3,688)
Share of profits and losses of an associate				<u>137</u>
Group's loss before tax				<u><u>(3,747,678)</u></u>

### Geographical information

During the reporting period, almost all of the Group's revenues were derived from operations in the PRC and nearly all of the Group's non-current assets were located in Mainland China. No geographical segment information is presented in accordance with IFRS 8 Operating Segments.

### Information about major customers

No further information about major customers is presented as there was no single customer from which over 10% or more of the Group's revenue was derived during the reporting period.

#### 4. REVENUE

An analysis of revenue is as follows:

##### Revenue from contracts with customers

(a) *Disaggregated revenue information*

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
<b>Types of segmentation of business</b>		
Specialty Pharmacy Business	3,661,809	3,136,484
Physician Research Assistance Business	319,449	244,857
Health Insurance Services Business	138,220	92,589
	<hr/>	<hr/>
Total revenue from contracts with customers	4,119,478	3,473,930
	<hr/>	<hr/>
<b>Timing of revenue recognition</b>		
Recognised at a point in time	3,800,029	3,229,073
Recognised over time	319,449	244,857
	<hr/>	<hr/>
Total revenue from contracts with customers	4,119,478	3,473,930
	<hr/> <hr/>	<hr/> <hr/>

The following table shows the amounts of revenue recognised during the reporting period that were included in the contract liabilities at the beginning of each reporting period and recognised from performance obligations satisfied in previous periods:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
<b>Revenue recognised that was included in contract liabilities at the beginning of the reporting period:</b>		
Specialty Pharmacy Business	11,359	2,392
Physician Research Assistance Business	120,437	57,572
Health Insurance Services Business	—	17
	<hr/>	<hr/>
	131,796	59,981
	<hr/> <hr/>	<hr/> <hr/>

(b) *Performance obligations*

The aggregated amounts of the transaction price allocated to performance obligations that are unsatisfied (or partially unsatisfied) at December 31, 2022 was RMB901 million (2021: RMB992 million). Management of the Group expects the majority of the transaction price allocated to the unsatisfied contracts as at the end of reporting period will be recognised as revenue within four years from the reporting date.

## 5. LOSS BEFORE TAX

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

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Cost of inventories sold	3,478,464	2,942,987
Cost of services provided	303,662	247,494
Depreciation of property, plant and equipment	9,205	14,316
Depreciation of right-of-use assets	31,807	32,432
Amortization of other intangible assets	8,411	7,134
Government grants	(20,157)	(9,219)
Bank interest income	(17,144)	(10,370)
Interest income on loan due from non-controlling shareholders of subsidiaries	(105)	—
Foreign exchange difference, net	(8)	(3,952)
Impairment losses under ECL model	5,466	6,407
Auditor's remuneration	2,136	200
Expense relating to short-term leases	2,694	3,265
Expense relating to leases of low-value assets	1,565	2,733
Gains on financial assets at FVTPL	(22,355)	(25,658)
Loss on disposal of property, plant and equipment	702	77
Listing expense	21,970	28,783
	<u>3,806,313</u>	<u>3,236,629</u>
Staff cost (excluding directors' and chief executive's remuneration):		
– Wages and salaries	599,295	581,953
– Pension scheme contributions	45,563	42,875
– Share-based payment compensation	181,856	181,033

\* The depreciation of plant and equipment, depreciation of right-of-use assets and amortisation of other intangible assets for each reporting period are set out in “Administrative expenses” and “Selling and marketing expenses” in the consolidated statements of profit or loss and other comprehensive income.

## 6. 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

Under the current laws of the Cayman Islands, the Company is not subject to tax on income or capital gains.

## Hong Kong

On March 21, 2018, the Hong Kong Legislative Council passed the Inland Revenue (Amendment) (No. 7) Bill 2017 (the “**Bill**”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on March 28, 2018 and was gazette on the following day.

Under the two-tiered profits tax rates regime, the first HK\$2,000,000 of profits of qualifying corporations will be taxed at 8.25%, and profits above HK\$2,000,000 will be taxed at 16.5%. The two-tiered profits tax rates regime is applicable to the Group’s Hong Kong subsidiaries with estimated assessable profits for its annual reporting period ended on or after April 1, 2018.

## Mainland China

Under the Law of the PRC on Enterprise Income Tax (the “**EIT Law**”) and Implementation Regulation of the EIT Law, the EIT rate of the PRC subsidiaries is 25% during the reporting period unless subject to tax concession set out below.

A reconciliation of the tax expense applicable to loss before tax at the statutory rate to the tax expense at the effective tax rate is as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Loss before tax	<u>(1,368,442)</u>	<u>(3,747,678)</u>
Tax at the applicable tax rate of 25%	(342,111)	(936,920)
Expenses not deductible for tax	86,028	89,339
Different tax rates enacted by local authority	193,815	762,107
Deductible temporary differences and tax losses not recognised or utilised	<u>65,590</u>	<u>86,299</u>
Tax charge at the Group’s effective tax rate for the year	<u><u>3,322</u></u>	<u><u>825</u></u>

Deferred tax assets have not been recognised in respect of the following items:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Tax losses	1,195,364	991,078
Deductible temporary differences	<u>72,008</u>	<u>13,935</u>
	<u><u>1,267,372</u></u>	<u><u>1,005,013</u></u>

The accumulated tax losses at December 31, 2022 was RMB1,195,364,000 (2021: RMB991,078,000). The tax losses in the PRC can be carried forward for five years to offset future taxable profit. The tax losses of those companies in the PRC will expire in one to five years for offsetting against taxable profits.

Deferred tax assets have not been recognised in respect of these losses as it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

## 7. DIVIDEND

No dividend has been paid or declared by the Company during the year (2021: Nil).

## 8. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic loss per share amounts is based on the loss for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 112,475,216 (2021: 99,449,315) in issue during the year. The calculation of weighted average number of ordinary shares has excluded the treasury shares held in trust of the Company.

No adjustment has been made to the basic loss per share amounts presented for the years ended December 31, 2022 and 2021 in respect of a dilution as the impact of the share option scheme and the conversion of preferred shares had an anti-dilutive effect on the basic loss per share amounts presented.

The calculation of basic loss per share is based on:

	<b>2022</b> <i>RMB'000</i>	2021 <i>RMB'000</i>
<b>Loss</b>		
Loss attributable to ordinary equity holders of the parent ( <i>RMB'000</i> )	<u>(1,370,572)</u>	<u>(3,740,455)</u>
<b>Ordinary shares</b>		
Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculation	<b>112,475,216</b>	99,449,315
Loss per share ( <i>RMB per share</i> )	<u><b>(12.19)</b></u>	<u>(37.61)</u>

## 9. INVENTORIES

	<b>2022</b> <i>RMB'000</i>	2021 <i>RMB'000</i>
Trading merchandise	<b>283,889</b>	271,506
<i>Less:</i> Provision for impairment	<u><b>(3,557)</b></u>	<u>(2,471)</u>
	<u><b>280,332</b></u>	<u>269,035</u>

Movements in provision for impairment of inventories are as follows:

	<b>2022</b>	2021
	<i>RMB'000</i>	<i>RMB'000</i>
At beginning of year	2,471	3,340
Provision for the year	3,382	2,389
Write-off for the year	<u>(2,296)</u>	<u>(3,258)</u>
At end of year	<u><u>3,557</u></u>	<u><u>2,471</u></u>

#### 10. TRADE AND BILLS RECEIVABLES

	<b>2022</b>	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Bills receivables	5,327	4,607
Trade receivables	248,180	175,261
Less: Allowance for credit losses	<u>(12,251)</u>	<u>(8,673)</u>
	<u><u>241,256</u></u>	<u><u>171,195</u></u>

The Group's trading terms with its customers are mainly on credit, except for individual customers, where payment in advance is normally required. The credit period is generally from one month to two months. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade and bills receivables balances. The balances of trade and bills receivables are non-interest-bearing.

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

	<b>2022</b>	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 month	138,125	128,512
1 to 2 months	29,733	25,120
2 to 6 months	46,326	11,005
6 to 12 months	24,114	6,558
Over 12 months	<u>2,958</u>	<u>—</u>
	<u><u>241,256</u></u>	<u><u>171,195</u></u>

## 11. TRADE PAYABLES

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Trade payables	<u>340,051</u>	<u>237,155</u>

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Within 1 month	239,059	185,322
1 to 3 months	78,316	31,386
3 to 6 months	16,772	16,710
Over 6 months	<u>5,904</u>	<u>3,737</u>
	<u>340,051</u>	<u>237,155</u>

Trade payables are non-interest-bearing and are normally settled within three months.

## 12. CONVERTIBLE REDEEMABLE PREFERRED SHARES

From 2015 to 2021, the Company entered into share purchase agreements with several independent investors and issued 30,212,766 series A convertible redeemable preferred shares (“**Series A Preferred Shares**”), 10,734,346 series A-1 convertible redeemable preferred shares (“**Series A-1 Preferred Shares**”), 61,597,648 series B convertible redeemable preferred shares (“**Series B Preferred Shares**”), 51,961,063 series C convertible redeemable preferred shares (“**Series C Preferred Shares**”), 68,367,102 series D convertible redeemable preferred shares, 86,584,964 series D+ convertible redeemable preferred shares (“**Series D+ Preferred Shares**”), 191,188,762 series E convertible redeemable preferred shares (“**Series E Preferred Shares**”), 35,928,808 series F convertible redeemable preferred shares (“**Series F Preferred Shares**”).

Series A Preferred Shares, Series A-1 Preferred Shares, Series B Preferred Shares, Series C Preferred Shares, Series D Preferred Shares, Series D+ Preferred Shares, Series E Preferred Shares and Series F Preferred Shares are collectively referred to as Preferred Shares.

Details of the key terms of the Preferred Shares, were set out in note 31 of Appendix I in the prospectus published on December 12, 2022.

The Group and the Company have designated the Preferred Shares as whole as financial liabilities carried at FVTPL. The change in fair value of the Preferred Shares is charged to profit or loss except for the portion attributable to credit risk change that shall be charged to other comprehensive income. Management considered that the fair value change in the Preferred Shares attributable to changes of own credit risk is not significant.

All issued Preferred Shares had been automatically converted into 536,575,459 ordinary shares upon the successful Global Offering of the Company on December 23, 2022 and the then fair value of financial liabilities of RMB8,924,829,000 had been reclassified to equity accordingly.

The movements of the Preferred Shares of the Group are set out as follows:

	Series A	Series A-1	Series B	Series C	Series D	Series D+	Series E	Series F	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2022	396,667	141,153	814,104	690,498	917,994	1,176,216	2,748,614	549,592	7,434,838
Change in fair value	66,823	23,509	130,562	106,174	129,697	149,906	171,282	(2,693)	775,260
Exchange adjustments	39,037	13,882	79,884	67,593	89,455	114,041	260,136	50,703	714,731
Conversion into ordinary shares upon IPO	(502,527)	(178,544)	(1,024,550)	(864,265)	(1,137,146)	(1,440,163)	(3,180,032)	(597,602)	(8,924,829)
At December 31, 2022	-	-	-	-	-	-	-	-	-
	Series A	Series A-1	Series B	Series C	Series D	Series D+	Series E	Series F	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2021	192,778	76,279	403,095	389,626	572,219	648,491	1,336,244	-	3,618,732
Change in fair value	210,774	78,191	425,222	371,421	524,202	549,004	853,640	35,974	3,048,428
Issuance for cash	-	-	-	-	-	-	606,330	520,416	1,126,746
Repurchase (note a)	-	(10,745)	-	(57,763)	(161,291)	-	-	-	(229,799)
Exchange adjustments	(6,885)	(2,572)	(14,213)	(12,786)	(17,136)	(21,279)	(47,600)	(6,798)	(129,269)
At December 31, 2021	396,667	141,153	814,104	690,498	917,994	1,176,216	2,748,614	549,592	7,434,838

*Note a:* In April and June 2021, the Company entered into a series of share repurchase agreements with certain of existing holders of preferred shares to repurchase 1,148,936 Series A-1 Preferred Shares, 6,110,920 Series C Preferred Shares and 12,000,000 Series D Preferred Shares with reference to the share price of the latest round of financing immediately before the relevant repurchase for repurchase consideration of RMB10,745,000, RMB57,763,000 and RMB161,291,000 respectively.

### 13. SHARE CAPITAL

The Company was incorporated in May 2015 with authorised share capital of USD10,000 divided into 100,000,000 ordinary shares (“ordinary shares”) with a par value of USD0.0001 each.

#### Shares

	2022	2021
	RMB'000	RMB'000
Issued and fully paid:		
763,025,314 (2021: 219,199,231) ordinary shares of USD0.0001 each	517	138

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

	Number of shares in issue	Share capital <i>RMB'000</i>
At January 1, 2021	100,000,000	61
Issue of new treasury shares held in trust ( <i>note a</i> )	120,199,231	78
Repurchase of ordinary share ( <i>note b</i> )	<u>(1,000,000)</u>	<u>(1)</u>
At December 31, 2021 and January 1, 2022	<u>219,199,231</u>	<u>138</u>
Issue of shares from IPO ( <i>note c</i> )	9,919,400	7
Repurchase of ordinary share ( <i>note d</i> )	(2,668,776)	(2)
Conversion of redeemable convertible preferred shares to ordinary shares upon IPO ( <i>note e</i> )	<u>536,575,459</u>	<u>374</u>
At December 31, 2022	<u>763,025,314</u>	<u>517</u>

*Note a:* From April to June 2021, the Company allotted and issued a total of 120,199,231 ordinary shares of the Company to certain special purpose vehicle companies in order to facilitate the administration of the 2017 Share Option Plan and 2021 RSU Scheme. The interests of these special purpose vehicle companies are held in several trusts for the benefit of grantees of 2017 Share Option Plan and 2021 RSU Scheme.

*Note b:* From April to June 2021, the Company entered into a series of share repurchase agreements with certain of the shareholders of the Company to repurchase 1,000,000 ordinary shares and certain number of preferred shares of the Company based on the negotiation among parties with reference to the share price of the latest round of financing immediately before the relevant repurchase.

*Note c:* On December 23, 2022, the Company issued a total of 9,919,400 ordinary shares of USD0.0001 each at the price of HK\$18.60 per share by means of Global offering.

*Note d:* In October 2022, the Company repurchased 2,668,776 ordinary shares with par value of USD0.0001 from two special purpose vehicle shareholders. The repurchased ordinary shares were reserved for 2017 Share Option Plan and had not been granted to any eligible award recipient before the repurchase.

*Note e:* All the 536,575,459 outstanding Preferred Shares were automatically converted into ordinary shares based upon the completion of Global offering on December 23, 2022.

## CORPORATE GOVERNANCE

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 of the Listing Rules on the Stock Exchange as its own code of corporate governance. The Company has complied with all applicable code provisions of the CG Code during the Reporting Period, save for the deviations from the code provisions C.2.1, C.5.1, D.3.3 and F.1.1 as explained below. The Company will continue to review and monitor its corporate governance practices to ensure compliance with the CG Code.

Code provision C.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be segregated and should not be performed by the same individual. According to the current structure of the Board, the positions of the Chairman and Chief Executive Officer of the Company are held by Mr. MA Xuguang.

The Board believes that this structure will not impair the balance of power and authority between the Board and the management of the Company, given that: (i) decision to be made by the Board requires approval by at least a majority of the Directors and that the Board comprises three independent non-executive Directors out of seven Directors, and the Board believes there is sufficient check and balance on the Board, (ii) Mr. MA Xuguang and the other Directors are aware of and undertake to fulfil their fiduciary duties as Directors, which require, among other things, that they act for the benefit and in the best interests of the Company and will make decisions of the Group accordingly, and (iii) the balance of power and authority is ensured by the operations of the Board which comprises experienced and high caliber individuals who meet regularly to discuss issues affecting the operations of the Group. Moreover, the overall strategic and other key business, financial and operational policies of the Group are made collectively after thorough discussion at both the Board and senior management levels. Finally, as Mr. MA Xuguang is one of our co-founders, the Board believes that vesting the roles of both chairman and chief executive officer in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board will continue to review the effectiveness of the corporate governance structure of the Group in order to assess whether separation of the roles of chairman and chief executive officer is necessary.

Code provision C.5.1 of the CG Code provides that Board meetings should be held at least four times a year at approximately quarterly intervals with active participation of the majority of the Directors, either in person or through electronic means of communication. As the Company was only listed on the Stock Exchange on December 23, 2022, no Board meeting was held during the period from the Listing Date to December 31, 2022. The Company expects to continue to convene at least four regular meetings in each financial year at approximately quarterly intervals in accordance with code provision C.5.1 of the CG Code.

Code provision D.3.3 of the CG Code provides that members of the Audit Committee should liaise with the Board and senior management and the committee must meet, at least twice a year, with the auditors. As the Company was only listed on the Stock Exchange on December 23, 2022, no Audit Committee meeting was held during the period from the Listing Date to December 31, 2022. The Company expects to continue to convene at least two regular meetings in each financial year at approximately semi-annually intervals in accordance with code provision D.3.3 of the CG Code.

Code provision F.1.1 of the CG Code provides that the issuer should have a policy on payment of dividends. As the Company intends to retain most, if not all, of the Company's available funds and any future earnings to fund the development and growth of the Company's business and has not yet adopted a dividend policy to declare or pay any dividends in the near future, the Board will review the Company's status periodically and consider adopting a dividend policy if and when appropriate.

A detailed Corporate Governance Report setting out the Group's framework of governance and explanations about how the provisions of the CG Code have been applied will be included in the Company's 2022 annual report to be published.

## **MODEL CODE FOR SECURITIES TRANSACTIONS**

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding directors' securities transactions. Having made specific enquiries of all Directors, each of the Directors has confirmed that he/she has complied with the required standards as set out in the Model Code during the Reporting Period.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

During the Reporting Period, except for the Global Offering in connection with the Listing, neither the Company nor any of its subsidiaries or consolidated affiliated entities has purchased, sold or redeemed any of the Company's listed securities.

## **AUDIT COMMITTEE**

The Audit Committee had, together with the Board and external auditor of the Company, reviewed the accounting standards and practices adopted by the Group and the annual results for the year ended December 31, 2022.

## **PUBLICATION OF THE ANNUAL RESULTS AND 2022 ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY**

This annual results announcement is published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.medbankshealthtech.com](http://www.medbankshealthtech.com)), and the 2022 annual report containing all the information required by the Listing Rules will be dispatched to the Shareholders and published on the respective websites of the Stock Exchange and the Company in due course.

## DEFINITIONS AND GLOSSARY

In this annual results announcement, unless the context otherwise requires, the following expressions shall have the following meanings.

“AGM”	the annual general meeting of the Company to be held on Monday, June 26, 2023
“Audit Committee”	the audit committee of the Board
“Board of Directors” or “Board”	the board of Directors
“CG Code”	the “Corporate Governance Code” as contained in Appendix 14 to the Listing Rules
“China” or “PRC”	the People’s Republic of China, which, for the purpose of this interim results announcement and for geographical reference only, excludes Hong Kong, Macau and Taiwan
“Company”, “our Company”	Sipai Health Technology Co., Ltd., an exempted company with limited liability incorporated under the laws of the Cayman Islands on May 19, 2015
“Director(s)”	the director(s) of the Company or any one of them
“Global Offering”	the Hong Kong Public Offering and the International Offering
“GP(s)”	the general practitioner who treat common medical conditions and refer patients to hospitals and other medical services for urgent and specialist treatment
“Group”, “our Group”, “our”, “we”, or “us”	the Company and all of its subsidiaries, or any one of them as the context may require or, where the context refers to any time prior to its incorporation, the business which its predecessors or the predecessors of its present subsidiaries, or any one of them as the context may require, were or was engaged in and which were subsequently assumed by it
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong dollars” or “HK dollars” or “HK\$”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong

“IASB”	International Accounting Standards Board
“IFRS”	International Financial Reporting Standards, as issued from time to time by the International Accounting Standards Board
“Independent Third Party(ies)”	any entity or person who is not a connected person of our Company within the meaning ascribed to it under the Listing Rules to the knowledge of our Directors after all reasonable enquires
“Listing”	the listing of the Shares on the Main Board of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended, supplemented or otherwise modified from time to time)
“Model Code”	the “Model Code for Securities Transactions by Directors of Listed Issuers” set out in Appendix 10 to the Listing Rules
“Reporting Period”	for the year ended December 31, 2022
“Prospectus”	the prospectus of the Company dated December 12, 2022
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) with nominal value of US\$0.0001 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“SMO”	site management organization, an organization that provides clinical trial related services to medical device companies having adequate infrastructure and staff to meet the requirements of the clinical trial protocol
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“United States” or “U.S.”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“US\$”	United States Dollars, the lawful currency of the United States

%

per cent

By order of the Board  
**Sipai Health Technology Co., Ltd.**  
**Ma Xuguang**  
*Chairman of the Board and Executive Director*

Hong Kong, March 15, 2023

*As at the date of this announcement, the board of directors of the Company comprises Mr. Ma Xuguang and Mr. Li Ji as executive directors, Mr. Yao Leiwen and Mr. Zhang Ziquan as non-executive directors, Mr. Chang Stanley Yi (張翊, alias 張翌軒), Mr. He Haijian and Ms. Huang Bei as independent non-executive directors.*