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# ClouDr Group Limited

## 智雲健康科技集團\*

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 9955)**

### INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2024

The board (the “**Board**”) of directors (the “**Directors**”) of ClouDr Group Limited (the “**Company**”, together with its subsidiaries and consolidated affiliated entities, the “**Group**”) is pleased to announce the unaudited consolidated interim results of the Group for the six months ended June 30, 2024 (the “**Reporting Period**”), together with the comparative figures for the corresponding period in 2023. The interim results have been reviewed by the Company’s audit committee.

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

## FINANCIAL HIGHLIGHTS

	Six months ended June 30		Change (%)
	2024	2023	
	<i>RMB'000</i>	<i>RMB'000</i>	
	(Unaudited)	(Unaudited)	
Revenue	<b>2,124,840</b>	1,802,564	17.9
Gross profit	<b>436,994</b>	473,569	(7.7)
Operating loss	<b>(102,850)</b>	(154,309)	(33.3)
Loss for the period	<b>(118,941)</b>	(159,576)	(25.5)
Adjusted net loss (non-IFRS measure) <sup>(1)</sup>	<b>(32,901)</b>	(58,863)	(44.1)

	Six months ended June 30		Change (%)
	2024	2023	
	<i>RMB'000</i>	<i>RMB'000</i>	
	(Unaudited)	(Unaudited)	
Revenue by product or service type	<b>2,124,840</b>	1,802,564	17.9
— In-hospital Solution	<b>1,688,110</b>	1,404,032	20.2
Value Added Solution	<b>1,439,278</b>	1,067,424	34.8
Subscription Solution			
(i.e. Targeted Marketing)	<b>140,922</b>	271,999	(48.2)
P2M Solution <sup>(2)</sup>	<b>107,910</b>	64,609	67.0
— Out-of-hospital Solution	<b>436,730</b>	398,532	9.6
Subscription Solution	<b>27,647</b>	27,928	(1.0)
Value Added Solution	<b>360,295</b>	297,104	21.3
Others	<b>48,788</b>	73,500	(33.6)

### Notes:

- (1) We define “adjusted net loss (non-IFRS measure)” as loss for the period and adding back (i) share-based compensation expenses, (ii) expense related to subsidiaries’ equity financing activities, and (iii) change in the carrying amounts of financial instruments issued to investors.
- (2) We define P2M Solution as sales of proprietary products of which the Group has ownership or national distribution rights through strategic cooperation with pharmaceutical companies.

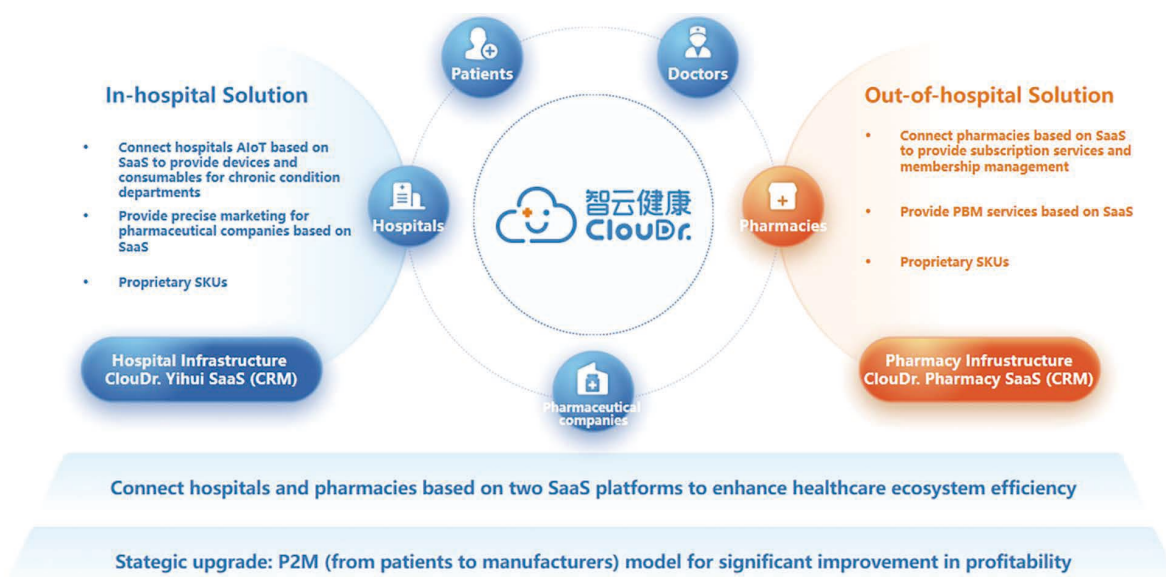
The Board does not recommend the distribution of an interim dividend for the six months ended June 30, 2024.

## BUSINESS REVIEW AND OUTLOOK

### Overview

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

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



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

Our out-of-hospital solution connects doctors and patients, and provides high-quality and trust-worthy medical services including (1) pharmacy SaaS; (2) out-of-hospital medical supplies sales; (3) sales of proprietary chronic condition related drugs based on our SaaS network in pharmacies and (4) supplies of medical services and health insurance brokerage service to individuals. The pharmacy SaaS enables in-store, real-time online consultation and prescription services, identifies pharmacy supplies sales opportunities based on the insights generated from prescription services, and provides new retail and inventory management functions to empower pharmacies to improve operational efficiencies.

During the Reporting Period, the Company updated the classification of its revenue by re-grouping its revenue into: (1) in-hospital solution and (2) out-of-hospital solution. Information that was previously presented under “pharmacy solution” and “individual chronic condition management solution and others” is now combined as “out-of-hospital solution”, and information that was previously presented under “individual chronic condition management solution and others” is now presented under “out-of-hospital solution — others” as the revenue from the individual chronic condition management solution is not significant enough to be disclosed separately, as a result of the Company’s proactive optimization of its revenue structure. The Company believes that the new classification better reflects the current status and future direction of the business development of the Group.

In the first half of 2024, whilst staying committed to our “hospital first” strategy, we continued to strengthen our upgraded “from patients to manufacturers” (“**P2M**”) strategy based on our solid infrastructure in both in-hospital scenarios and out-of-hospital scenarios. Under the P2M strategy, we are able to sell proprietary products of which the Company has ownership, sales rights or other exclusive rights through strategic cooperation with pharmaceutical companies, and we believe this strategy will lead us to the path of profitability. With the steady revenue growth of Ischelium<sup>®</sup> and the launch of Hetangjing<sup>®</sup>, our P2M Solution has already realized a total revenue of RMB107.9 million with a certain amount of net profit as of June 30, 2024. We have already become the gateway for industrial enterprises to enter into hospitals and pharmacies based on our broad and in-depth hospital network and pharmacy network. As a result, our digitization capability can connect industrial enterprises with end hospitals and pharmacies, and ultimately bring high-quality products with competitive pricing and high convenience to patients with chronic conditions.

During the Reporting Period, we continued to strengthen our AI capabilities. The Cloud GPT and Cloud DTx models excelled in physician-patient interactions and medical research respectively. During the Reporting Period, the Cloud GPT model consistently provided clinical decision support to doctors at hospitals and monetized through digital marketing efforts. In pharmacies, it assisted in prescription review using a “traffic light” mechanism and successfully deployed the first digital employee, resulting in significant savings in manpower and compliance costs for the Company. The Cloud DTx model published three articles in top international journals, including two in Journal Citation Reports (“**JCR**”)

Q1 journals and one in a JCR Q2 journal. With an aim of enabling the chronic disease management industry through technologies and improving the efficiency of the healthcare ecosystem, the Company strives to fulfill its responsibilities to increase the accessibility of quality and affordable healthcare services and products to the stakeholders in the healthcare ecosystem, and continues to build digital infrastructure for the chronic condition management industry.

During the Reporting Period, led by our “hospital first” strategy and “P2M” strategy, our business has revealed a steady growth momentum. For the six months ended June 30, 2024, our total revenue amounted to RMB2,124.8 million, representing a year-on-year increase of 17.9%. Due to economies of scale, our net loss for the Reporting Period amounted to RMB118.9 million, representing a year-on-year decrease of 25.5%, and our non-IFRS adjusted net loss narrowed down to RMB32.9 million, representing a year-on-year decrease of 44.1%. We continued to serve more patients with chronic conditions, with the average daily online effective prescription volume surpassed 640,000 in the first half of the year.

### **In-hospital Solution**

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

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

As of June 30, 2024, 2,732 hospitals had installed *ClouDr. Yihui* SaaS, including 822 Class III public hospitals and 1,139 Class II public hospitals. Additionally, 40 out of the 822 Class III public hospitals are China’s top 100 hospitals.

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

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

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

Under the upgraded P2M strategy, we recorded P2M solution as a new sub-business line since the financial year ended December 31, 2023, which is sales of proprietary products. During the Reporting Period, this sub-business line mainly includes our proprietary Ischelium®, a drug widely recognized by doctors for treating mild vascular dementia and cerebrovascular disease, and Hetangjing® Dapagliflozin Tablets, a first-line medication for improving glycemic control in adult patients with type 2 diabetes. We believe that P2M solution is an upgraded version of targeted marketing, given that we have stronger relationships with pharmaceutical companies and more involvement in the process including but not limited to research and development, manufacturing, sales and marketing, etc.

As of June 30, 2024, we had contracted with 41 pharmaceutical companies to provide them with targeted marketing services, which represented an increase of 13.9% as compared to that as of June 30, 2023. The total partnered SKUs reached 50 as of June 30, 2024, which represented an increase of 11.1% as compared to that as of June 30, 2023. The maturity of our SaaS network enables us to access hospitals for new SKUs more swiftly, so the number of contracted pharmaceutical companies and the number of SKUs both increased year over year. Due to the impact from the volume-based purchasing program and resource allocation for the ramp-up of P2M solution, revenue from subscription solution decreased during the Reporting Period. The revenue from our subscription solution amounted to RMB140.9 million, representing a decrease of 48.2% as compared to that as of June 30, 2023, whilst the revenue from our P2M solution amounted to RMB107.9 million, representing a significant increase of 67.0% as compared to the six months ended June 30, 2023.



Hospital SaaS significantly improved our customer stickiness for monetization opportunities. Our in-hospital solution has allowed us to successfully build deep connections with hospitals and pharmaceutical companies, laying a solid foundation to extend our businesses to out-of-hospital settings. For the six months ended June 30, 2024, the number of hospitals that installed our *ClouDr. Yihui* SaaS reached 2,732, representing an increase of 74 hospitals, or 2.8% as compared to the six months ended June 30, 2023.

	Six months ended June 30		Change (%)
	2024	2023	
	<i>RMB'000</i> (Unaudited)	<i>RMB'000</i> (Unaudited)	
<b>Revenue</b>			
<b>In-hospital solution</b>	<b>1,688,110</b>	1,404,032	20.2
Value Added Solution	<b>1,439,278</b>	1,067,424	34.8
Subscription Solution (i.e. Targeted Marketing)	<b>140,922</b>	271,999	(48.2)
P2M Solution	<b>107,910</b>	64,609	67.0
<b>Gross profit</b>			
<b>In-hospital solution</b>	<b>368,692</b>	424,406	(13.1)
Value Added Solution	<b>163,485</b>	124,415	31.4
Subscription Solution (i.e. Targeted Marketing)	<b>125,228</b>	246,923	(49.3)
P2M Solution	<b>79,979</b>	53,068	50.7
<b>Gross margin</b>			
<b>In-hospital solution</b>	<b>21.8%</b>	30.2%	(8.4)
Value Added Solution	<b>11.4%</b>	11.7%	(0.3)
Subscription Solution (i.e. Targeted Marketing)	<b>88.9%</b>	90.8%	(1.9)
P2M Solution	<b>74.1%</b>	82.1%	(8.0)
	Six months ended June 30		
	2024	2023	Change (%)
Number of hospital that installed our hospital SaaS <sup>(1)</sup>	<b>2,732</b>	2,658	2.8%
Subscription Solution — Number of partnered pharmaceutical companies <sup>(2)</sup>	<b>41</b>	36	13.9%
Subscription Solution — Number of partnered SKUs <sup>(3)</sup>	<b>50</b>	45	11.1%

*Notes:*

- (1) Number of hospitals that installed our hospital SaaS is the cumulative total number as of the end date of the respective period.
- (2) Number of partnered pharmaceutical companies is the number of pharmaceutical companies to which we provided digital marketing services during the respective period.
- (3) Number of SKUs marketed through digital marketing services during the respective period.

### **License agreement for iloprost solution for infusion**

On June 23, 2024, the Company entered into a license Agreement with Clinect Pty Ltd (as the licensor) and Bluefly Consulting Limited (as the seller), pursuant to which, amongst other things, the Company acquired an exclusive sub-licensable license for the development, manufacturing, marketing, promotion, distribution, and sale of iloprost solution for infusion, in any forms, presentations, strengths, concentrations, delivery technologies, dosages, formulations, package configuration and modalities (the “**Products**”) within the People’s Republic of China (for the purpose of the license agreement only, excludes Taiwan but includes Hong Kong and the Macao Special Administrative Regions).

The Products developed by the licensor are the only type of generic drug in the world and there is currently no injectable products with the same content in the Chinese market. After being approved and launched, the Products are expected to meet the clinical needs of prostacyclin analogue injectable therapy for patients with severe pulmonary arterial hypertension and New York Heart Association (NYHA) Class IV heart function; improving blood supply in patients with thromboangiitis obliterans (also known as Buerger’s disease); and addressing symptoms and improving quality of life in patients with peripheral arterial occlusive disease.

Although the proposed first indication of the Products (pulmonary arterial hypertension) is a rare disease, the market size has exceeded US\$12 billion globally. With the publication of the 2021 Pulmonary Arterial Hypertension Treatment Guidelines, awareness, diagnosis rate, and treatment rate in China are expected to increase continuously. It is anticipated that the market will maintain a compound annual growth rate of 30% over the next 5 years.



The Products, given its eligibility for orphan drug designation, will be allowed for expedited review and approval through priority review programs, thereby shortening the time for launch. It is expected that the Products, after launch, will be at a competitive price and help reduce the financial burden on patients in the Chinese market to some extent. Based on the expected market prices, patient numbers, and estimated target patients, the revenue scale after the Products' launch is expected to be no less than that of the comparable products in the Chinese market.

The Company believes that the license agreement will broaden the portfolio of the Group's proprietary products, strengthen our research and development capabilities and deepen our strategic cooperation with pharmaceutical companies, which represents a further step to achieve our P2M strategy and is expected to bring additional revenue stream to the Group in the future and contribute to the long-term growth and success of the Group.

For further details of the license agreement, please refer to the announcement of the Company dated June 24, 2024.

### **Out-of-hospital Solution**

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

Our pharmacy SaaS, *ClouDr. Pharmacy*, was launched in the first half of 2019. It plays a critical role in our out-of-hospital medical services by empowering pharmacies with in-store, real-time consultation and prescription services for walk-in customers. We currently have three internet hospitals as part of our platform to deliver these services in compliance with relevant regulations. These internet hospitals allow us to provide online consultation and prescription services through our online applications to patients in different provinces across China. We had approximately 104,300 registered doctors and approximately 33.2 million registered users as of June 30, 2024. During the Reporting Period, the number of online prescriptions provided through our services reached 116.1 million, i.e. the average daily online prescription volume surpassed 640,000, representing a significant year-on-year increase of 43.9%, which proves the high customer recognition of our pharmacy SaaS. We also provide advanced features, such as a new retail function that offers e-commerce solutions on private domain traffic management such as WeChat mini programs, public domain traffic management and inventory management services. As of June 30, 2024, 228,331 pharmacies had installed *ClouDr. Pharmacy*, representing an increase of 27,900 pharmacies from that as of June 30, 2023, covering approximately 35% of pharmacies in China.

Leveraging the data insights generated from the pharmacy SaaS prescription services, we effectively connect pharmaceutical companies and pharmacies for pharmacy supply purchases. The number of transacting customers for our pharmacy supplies amounted to 858 for the six months ended June 30, 2024, representing an increase of 92 customers, or 12.0% as compared to that for the six months ended June 30, 2023.

The revenue of our out-of-hospital subscription solution business line amounted to RMB27.6 million, representing a slight decrease of 1.0% as compared to that for the six months ended June 30, 2023, due to market competition. The revenue of our out-of-hospital value-added solution business line amounted to RMB360.3 million, representing an increase of 21.3% as compared to that for the six months ended June 30, 2023, due to sustained growth momentum from pharmacy supply purchases and the launch of a new business related to the sales of drug substance.

	<b>Six months ended June 30</b>		<b>Change (%)</b>
	<b>2024</b>	<b>2023</b>	
	<b><i>RMB'000</i></b> <b>(Unaudited)</b>	<b><i>RMB'000</i></b> <b>(Unaudited)</b>	
<b>Revenue</b>			
<b>Out-of-hospital solution</b>	<b>436,730</b>	398,532	9.6
Subscription Solution	<b>27,647</b>	27,928	(1.0)
Value Added Solution	<b>360,295</b>	297,104	21.3
Others	<b>48,788</b>	73,500	(33.6)
<b>Gross profit</b>			
<b>Out-of-hospital solution</b>	<b>68,302</b>	49,163	38.9
Subscription Solution	<b>27,067</b>	27,326	(0.9)
Value Added Solution	<b>17,147</b>	6,696	156.1
Others	<b>24,088</b>	15,141	59.1
<b>Gross margin</b>			
<b>Out-of-hospital solution</b>	<b>15.6%</b>	12.3%	3.3
Subscription Solution	<b>97.9%</b>	97.8%	0.1
Value Added Solution	<b>4.8%</b>	2.3%	2.5
Others	<b>49.4%</b>	20.6%	28.8

	<b>Six months ended June 30</b>		
	<b>2024</b>	<b>2023</b>	<b>Change (%)</b>
Number of pharmacy stores that installed our pharmacy SaaS <sup>(1)</sup>	<b>228,331</b>	200,431	13.9%
Number of registered users (in millions) <sup>(2)</sup>	<b>33.2</b>	29.7	11.8%
Number of registered doctors (in thousands) <sup>(3)</sup>	<b>104.3</b>	100.9	3.4%
Number of online prescriptions (in millions)	<b>116.1</b>	80.7	43.9%
Subscription Solution — Number of SaaS-paying pharmacy stores	<b>112,854</b>	81,765	38.0%
Value Added Solution — Number of transacting customers	<b>858</b>	766	12.0%
Value Added Solution — Average revenue per transacting customer (in thousands)	<b>419</b>	388	8.0%

*Notes:*

- (1) Number of pharmacy stores that installed our pharmacy SaaS is the cumulative total number as of the end date of the respective period.
- (2) Number of registered users is the cumulative total number as of the end date of the respective period.
- (3) Number of registered doctors is the cumulative total number as of the end date of the respective period.

### **Significant Events/Recent Developments after the Reporting Period**

The launch event for the proprietary product Hainuoxin<sup>®</sup> Sevelamer Carbonate for Oral Suspension, of which the Company holds sales rights, was held on August 18, 2024, marking the commencement of the marketing of the product after it officially obtained drug registration certificates (Guo Yao ZHun Zi No. H20243077 and H20243078) from the National Medical Products Administration (國家藥品監督管理局) of China in January 2024. Sevelamer carbonate tablets, as a first-line phosphate binder, have been on the market in China for over a decade and have the effect of improving the achievement rate of target blood phosphorus levels for a large number of dialysis and non-dialysis patients, while also reducing overall mortality and cardiovascular events. However, large tablet size and high number of tablets per dose resulted in difficulty in swallowing, and thus patient compliance of sevelamer carbonate tablets is poor, leading to continued challenges in achieving target blood phosphorus levels. With the introduction of the sevelamer carbonate for oral suspension, these shortcomings of single tablet dosage specification and inconvenience in administration are addressed, making it easier for patients to take and thereby improving treatment compliance and increasing the rate of achieving target blood phosphorus levels.

## **Business outlook**

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

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

In respect of the out-of-hospital solution, we focus on providing high quality and trust-worthy medical services to our users. We will continue to expand our pharmacy network by increasing SaaS installation base, and enriching our pharmacy product portfolio and services to meet various needs of pharmacies such as offline and online operation, membership management, inventory management, and supply chain. We will continue to implement our P2M strategy to the out-of-hospital solution business to improve business line profitability by leveraging our existing pharmacy infrastructure.

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

## MANAGEMENT DISCUSSION AND ANALYSIS

### Revenues

Our revenues increased by 17.9% from approximately RMB1,802.6 million for the six months ended June 30, 2023 to approximately RMB2,124.8 million for the six months ended June 30, 2024. The increase was primarily attributable to steady growth in both in-hospital solution and out-of-hospital solution.

*In-hospital solution.* Revenue from the in-hospital solution increased by 20.2% from approximately RMB1,404.0 million for the six months ended June 30, 2023 to approximately RMB1,688.1 million for the six months ended June 30, 2024, primarily due to further SaaS penetration in hospitals, and strong growth in P2M solution which primarily included our proprietary product Ischelium® and Hetangjing® Dapagliflozin tablets.

*Out-of-hospital solution.* Revenue from the out-of-hospital solution increased by 9.6% from approximately RMB398.5 million for the six months ended June 30, 2023 to approximately RMB436.7 million for the six months ended June 30, 2024, primarily due to increased number of pharmacies that subscribed to our SaaS for prescription services and membership management services, an increased number of transacting customers served by our enriched supply chain capabilities, and the launch of a new business of the sales of drug substance.

### Cost of Sales

Our cost of sales increased by 27.0% from approximately RMB1,329.0 million for the six months ended June 30, 2023 to approximately RMB1,687.8 million for the six months ended June 30, 2024. The main reason for the increase of cost of sales being faster than the increase of revenue was the decrease of our revenue from high-margin subscription solution (i.e. targeted marketing) of the in-hospital solution business line.

### Gross profit and gross margin

As a result of the foregoing, our overall gross profit for the six months ended June 30, 2023 and 2024 were approximately RMB473.6 million and approximately RMB437.0 million, respectively, and our overall gross margin for the same periods was 26.3% and 20.6%, respectively. The decrease of our overall gross profit was primarily attributable to decrease in the high-margin subscription solution (i.e. targeted marketing) of the in-hospital solution business line due to our focus on P2M strategy and impact from the volume-based purchasing program. The decrease of our overall gross margin was a result of the revenue mix between the higher gross margin business, such as the subscription solution, and comparatively lower gross margin business, such as the value added solution.

*In-hospital solution.* Our gross margin for the in-hospital solution decreased from 30.2% for the six months ended June 30, 2023 to 21.8% for the six months ended June 30, 2024, primarily attributable to the revenue mix between the in-hospital subscription solution and the in-hospital value added solution and market impact.

*Out-of-hospital solution.* Our gross margin for the out-of-hospital solution increased from 12.3% for the six months ended June 30, 2023 to 15.6% for the six months ended June 30, 2024, primarily due to higher quality growth of the value-added solution of the out-of-hospital business line and improved gross margin of our individual business.

### **Selling and marketing expenses**

Our selling and marketing expenses decreased by 15.7% from approximately RMB454.9 million for the six months ended June 30, 2023 to approximately RMB383.6 million for the six months ended June 30, 2024, primarily attributable to economies of scales and refined expense management. More than 75% of our selling and marketing expenses are people related costs (including share-based compensation).

We enjoyed significant operating leverage and customer stickiness with high recurring purchases, the selling and marketing expense to revenue ratio decreased from 24.1% for the six months ended June 30, 2023 to 16.9% for the six months ended June 30, 2024.

### **Administrative expenses**

Our administrative expenses decreased by 18.3% from RMB147.6 million for the six months ended June 30, 2023 to RMB120.6 million for the six months ended June 30, 2024. The decrease was primarily attributable to effective management and proactive control of administrative expenses.

The administrative expenses to revenue ratio decreased from 3.9% for the six months ended June 30, 2023 to 3.4% for the six months ended June 30, 2024.

### **Research and development expenses**

Our research and development expenses increased from approximately RMB40.4 million for the six months ended June 30, 2023 to approximately RMB41.8 million for the six months ended June 30, 2024.

The research and development expense to revenue ratio decreased from 2.0% for the six months ended June 30, 2023 to 1.7% for the six months ended June 30, 2024.

### **Loss from operations**

As a result of the foregoing, our loss from operations decreased by 33.3% from approximately RMB154.3 million for the six months ended June 30, 2023 to approximately RMB102.9 million for the six months ended June 30, 2024. The decreased was primarily due to steady revenue growth and improved operating leverage.

### **Finance costs**

Our finance costs increased by 20.8% from approximately RMB6.4 million for the six months ended June 30, 2023 to approximately RMB7.8 million for the six months ended June 30, 2024, primarily attributable to higher interest expense resulting from an increase in bank and other loans to support our business expansion.

### **Change in the carrying amounts of financial instruments issued to investors**

We recorded change in the carrying amounts of financial liabilities of nil and a loss of approximately RMB6.5 million for the six months ended June 30, 2023 and 2024, respectively. The losses were due to the amortized interest expense on the redemption liability of our subsidiaries' equity financing with the redemption rights, which was recognized as financial instruments issued to investors.

### **Income tax**

We recorded income tax credits of approximately RMB1.2 million for the six months ended June 30, 2023 as compared to income tax expenses of approximately RMB1.8 million for the six months ended June 30, 2024. The change was primarily due to an increase in income tax arising from net profit from certain subsidiaries and consolidated affiliated entities of the Group and the changes of deferred tax liabilities.

### **Loss for the period**

As a result of the foregoing, our loss decreased by 25.5% from approximately RMB159.6 million for the six months ended June 30, 2023 to approximately RMB118.9 million for the six months ended June 30, 2024. The decrease was primarily due to steady revenue growth and improved operating leverage.



## **Adjusted Net Loss (Non-IFRS Measure)**

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

We define “adjusted net loss (non-IFRS measure)” as loss for the period and adding back (1) share-based compensation expenses, (2) expense related to subsidiaries’ equity financing activities, and (3) change in the carrying amounts of financial instruments issued to investors.

For the six months ended June 30, 2023 and 2024, our adjusted net loss (non-IFRS measure) was approximately RMB58.9 million and approximately RMB32.9 million, respectively.

The following table sets forth the reconciliations of our non-IFRS financial measure for the six months ended June 30, 2023 and 2024 to the nearest measure prepared in accordance with IFRS:

	<b>Six months ended June 30</b>	
	<b>2024</b>	<b>2023</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Loss for the period	<b>(118,941)</b>	(159,576)
Add:		
Share-based compensation related items <sup>(1)</sup>	<b>79,422</b>	97,211
Expense related to subsidiaries' equity financing activities <sup>(2)</sup>	<b>139</b>	3,502
Change in the carrying amounts of financial instruments issued to investors <sup>(3)</sup>	<b>6,479</b>	—
<b>Adjusted net loss (non-IFRS measure)</b>	<b>(32,901)</b>	(58,863)
<b>Adjusted net loss margin (non-IFRS measure) (%)<sup>(4)</sup></b>	<b>(1.5)</b>	(3.3)

*Notes:*

- (1) Share-based compensation related items relate to the share awards we offered to our employees, directors and consultants under the pre-IPO equity incentive scheme and post-IPO share award scheme of the Company, which are primarily non-cash in nature and commonly added back to IFRS measures in calculating similar non-IFRS measures adopted by other companies in our industry.
- (2) Expense related to subsidiaries' equity financing activities is commonly added back to IFRS measures in calculating similar non-IFRS financial measures, primarily because it represents the professional service expense in connection with the subsidiaries' equity financing with the redemption rights granted to investors and only relates to the scale of financing from investors.
- (3) Change in the carrying amounts of financial instruments issued to investors represents the amortised interest expense on the redemption liability of our subsidiaries' equity financing with the redemption rights, which was recognized as financial instruments issued to investors. Such change is non-cash in nature.
- (4) Represents adjusted net loss (non-IFRS measure) divided by the total revenue for the period indicated.

## **Liquidity and capital resource**

During the six months ended June 30, 2024, we funded our cash requirements principally from capital contribution from shareholders and bank loans. We had cash and cash equivalents of approximately RMB243.4 million and approximately RMB224.2 million as of December 31, 2023 and June 30, 2024, respectively. In addition, we had RMB254.1 million financial assets measured at fair value and RMB5.0 million time deposits with initial term over three months as of June 30, 2024, and those financial assets are short term and for treasury management purposes.

As of June 30, 2024, we had bank and other loans of RMB366.0 million (as of December 31, 2023: RMB235.0 million). Borrowings are classified as current liabilities and non-current liabilities. RMB342.4 million are repayable within one year and RMB23.6 million are payable over one year as of June 30, 2024. The effective annual interest rates of borrowings ranged from 3.05% to 5.6% as of June 30, 2024.

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

## **Significant investments**

The Group did not make or hold any significant investments (including any investment in an investee company with a value of 5% or more of the Company's total assets as at June 30, 2024) during the six months ended June 30, 2024.

## **Material acquisitions and disposals**

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

Save as disclosed above, the Group did not have any material acquisitions or disposals of subsidiaries, consolidated affiliated entities, associates or joint ventures for the six months ended June 30, 2024.

## **Pledge of assets**

As at June 30, 2024, approximately RMB27.6 million of plant and buildings were pledged as security for bank and other loans (which are payable over one year) granted to the Group.

## **Future plans for material investments or capital asset**

As at June 30, 2024, the Group did not have detailed future plans for material investments or capital assets.

## **Gearing ratio**

The Group monitors capital on basis of the gearing ratio, which is calculated as dividing liabilities excluded financial instruments issued to investors by total assets. As at June 30, 2024, the gearing ratio was 36.8%, as compared with 33.2% as at December 31, 2023. The increase was primarily due to the increase of bank loan.

## **Foreign exchange exposure**

During the six months ended June 30, 2024, the Group mainly operated in China with most of the transactions settled in Renminbi (“**RMB**”). The functional currency of our Company and the subsidiaries and consolidated affiliated entities operating in China is RMB. Our management considers that the business is not exposed to any significant foreign exchange risk as there are no significant financial assets or liabilities denominated in the currencies other than the respective functional currencies of our group entities. For the six months ended June 30, 2024, we had currency translation loss of approximately RMB74 thousand, as compared with currency translation loss of approximately RMB76 thousand for the six months ended June 30, 2023. We did not hedge against any fluctuation in foreign currency during the six months ended June 30, 2023 and 2024.

## **Contingent liabilities**

As at June 30, 2024, we did not have any material contingent liabilities (as at June 30, 2023: nil).

## **Indebtedness**

As at June 30, 2024, the Group had bank and other loans of RMB366.0 million and lease liabilities of RMB28.1 million, as compared to RMB235.0 million and RMB32.0 million, respectively, as at December 31, 2023.

## **Employees and remuneration**

As at June 30, 2024, the Group had a total of 1,558 employees, of which 468 employees are in Hangzhou, 148 employees are in Shanghai and 942 employees are in other offices in China. The Group also had over 1,900 flexible staffing as of June 30, 2024 to support business penetration into lower tier cities, and to access over 10,000 hospitals and over 220,000 pharmacies.

The following table sets forth the total number of employees by function as at June 30, 2024:

<b>Function</b>	<b>Number of full-time employees</b>
Selling and marketing	1,304
Research and development	120
General and administrative	64
Others <sup>1</sup>	70
	<hr/>
<b>Total</b>	<b>1,558</b>
	<hr/> <hr/>

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

The total people related cost incurred by the Group for the six months ended June 30, 2024 was approximately RMB423.6 million, as compared to approximately RMB517.8 million for the six months ended June 30, 2023. The full-time staff cost incurred for the six months ended June 30, 2024 was approximately RMB280.2 million as compared to approximately RMB283.6 million for the six months ended June 30, 2023. The flexible staffing cost incurred for the six months ended June 30, 2024 was approximately RMB143.4 million as compared to approximately RMB234.2 million for the six months ended June 30, 2023.

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

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

<sup>1</sup> The total people related cost and full time staff cost exclude the costs related to the 70 employees in the manufacturing function which are included in the manufacturing cost.

## CORPORATE GOVERNANCE AND OTHER INFORMATION

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

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

### Compliance with the Corporate Governance Code

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

The Company adopted the principles and code provisions of the Corporate Governance Code (the “**Corporate Governance Code**”) contained in Part 2 of Appendix C1 to The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) as the basis of our corporate governance practice.

During the Reporting Period, the Company has adopted and complied with all applicable code provisions set out in the Corporate Governance Code except for the deviation as set out below.

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



## **Compliance with the Model Code**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules (the “**Model Code**”) as the code of conduct regarding the Directors’ dealings in the securities of the Company. The Company’s employees who are likely to be in possession of unpublished inside information of the Company are also subject to the Model Code.

Specific enquiry has been made of all the Directors and the relevant employees and they have confirmed that they have complied with the Model Code during the Reporting Period.

## **Audit committee**

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

The audit committee has reviewed the unaudited consolidated financial statements of the Group for the six months ended June 30, 2024. The audit committee has also discussed matters with respect to the accounting policies and practices adopted by the Company and internal control and financial reporting matters with senior management members of the Company. The audit committee considered that the interim financial results for the six months ended June 30, 2024 are in compliance with the relevant accounting standards, rules and regulations and appropriate disclosures have been duly made.

## **OTHER INFORMATION**

### **Purchase, sale or redemption of the Company’s listed securities**

During the Reporting Period, 2,282,700 shares of the Company at an aggregate consideration of approximately HK\$12.7 million were purchased by trustee of the Company’s share scheme on the Stock Exchange to satisfy share awards to be vested in subsequent periods.

Save as disclosed above, during the Reporting Period, neither the Company nor any of its subsidiaries or consolidated affiliated entities purchased, sold or redeemed any of the Company’s listed securities (including sale of treasury shares as defined under the Listing Rules). The Company did not hold any treasury shares as at June 30, 2024.

### **Material litigation**

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

## Use of proceeds from the global offering

On July 6, 2022, the shares of the Company were listed on the Main Board of the Stock Exchange. The net proceeds from the global offering, after deducting the underwriting fees and other estimated expenses paid and payable by us in connection with the global offering and discretionary incentive fee, were approximately HK\$425.7 million. As of the date of this announcement, there was no change in the intended use of proceeds as previously disclosed in the section headed “Future Plans and Use of Proceeds” in the prospectus of the Company dated June 23, 2022. To the extent that the net proceeds are not immediately required for the intended purposes or if we are unable to put into effect any part of our plan as intended, we will hold such funds in short-term deposits in licensed bank(s) only so long as it is deemed to be in the best interests of the Company. In such event, we will comply with the appropriate disclosure requirements under the Listing Rules. The Board currently expects full utilization of the proceeds by December 31, 2026.

Set out below is the status of use of proceeds from the global offering as at June 30, 2024.

Purpose	% of use of proceeds	Net proceeds HK\$ million	Unutilized amount as at December 31, 2023 HK\$ million	Utilized amount during the six months ended June 30, 2024 HK\$ million	Unutilized amount as at June 30, 2024 HK\$ million
Business expansion	60%	255.4	185.7	43.3	142.4
To advance our medical know-how and technology capabilities to reinforce our leadership in the digital healthcare industry	25%	106.4	69.6	19.5	50.1
To broaden our ecosystem through strategic partnerships, investments and acquisitions in other businesses that complement our organic growth strategies	5%	21.3	—	—	—
Working capital and general corporate purposes	10%	42.6	30.2	7.6	22.6
<b>Total</b>	<b>100%</b>	<b>425.7</b>	<b>285.5</b>	<b>70.4</b>	<b>215.1</b>

## Dividend

The Board does not recommend the distribution of an interim dividend for the six months ended June 30, 2024 (for the six months ended June 30, 2023: nil).

# **CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE SIX MONTHS ENDED JUNE 30, 2024 — UNAUDITED**

*(Expressed in thousands of Renminbi, unless otherwise stated)*

		<b>Six months ended June 30</b>	
	<i>Note</i>	<b>2024</b>	<b>2023</b>
		<b>RMB'000</b>	<b>RMB'000</b>
<b>Revenue</b>	<b>3</b>	<b>2,124,840</b>	1,802,564
Cost of sales		<u>(1,687,846)</u>	<u>(1,328,995)</u>
<b>Gross profit</b>		<b>436,994</b>	473,569
Other net income	<b>4</b>	<b>19,277</b>	34,015
Selling and marketing expenses		<b>(383,599)</b>	(454,891)
Administrative expenses		<b>(120,595)</b>	(147,598)
Research and development expenses		<b>(41,798)</b>	(40,371)
Impairment losses on trade receivables and other receivables		<u><b>(13,129)</b></u>	<u>(19,033)</u>
<b>Loss from operations</b>		<b>(102,850)</b>	(154,309)
Finance costs	<b>5(a)</b>	<b>(7,783)</b>	(6,441)
Change in the carrying amounts of financial instruments issued to investors		<u><b>(6,479)</b></u>	<u>—</u>
<b>Loss before taxation</b>	<b>5</b>	<b>(117,112)</b>	(160,750)
Income tax	<b>6</b>	<u><b>(1,829)</b></u>	<u>1,174</u>
<b>Loss for the period</b>		<u><b>(118,941)</b></u>	<u>(159,576)</u>
<b>Attributable to:</b>			
— Equity shareholders of the Company		<b>(115,838)</b>	(156,002)
— Non-controlling interests		<u><b>(3,103)</b></u>	<u>(3,574)</u>
<b>Loss for the period</b>		<u><b>(118,941)</b></u>	<u>(159,576)</u>
<b>Loss per share</b>	<b>7</b>		
Basic and diluted ( <i>RMB</i> )		<u><b>(0.20)</b></u>	<u>(0.29)</u>

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED JUNE 30,  
2024 — UNAUDITED**

*(Expressed in thousands of Renminbi, unless otherwise stated)*

	<b>Six months ended June 30</b>	
	<b>2024</b>	<b>2023</b>
	<b>RMB'000</b>	<b>RMB'000</b>
<b>Loss for the period</b>	<b>(118,941)</b>	<b>(159,576)</b>
<b>Other comprehensive income for the period (after tax)</b>		
Item that is or may be reclassified subsequently to profit or loss:		
Exchange difference on translation of:		
— Financial statements of overseas subsidiaries	<b>404</b>	<b>16,725</b>
<b>Total comprehensive income for the period</b>	<b>(118,537)</b>	<b>(142,851)</b>
<b>Attributable to:</b>		
— Equity shareholders of the Company	<b>(115,434)</b>	<b>(139,277)</b>
— Non-controlling interests	<b>(3,103)</b>	<b>(3,574)</b>
<b>Total comprehensive income for the period</b>	<b>(118,537)</b>	<b>(142,851)</b>

# **CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT JUNE 30, 2024 — UNAUDITED**

*(Expressed in thousands of Renminbi, unless otherwise stated)*

		At June 30, 2024 RMB'000	At December 31, 2023 RMB'000
	Note		
<b>Non-current assets</b>			
Property, plant and equipment	8	230,038	207,962
Intangible assets		248,446	250,532
Goodwill		86,619	86,469
Financial assets measured at fair value through profit or loss (“FVPL”)		40,000	40,000
Other non-current assets	9	37,708	56,798
		<u>642,811</u>	<u>641,761</u>
<b>Current assets</b>			
Financial assets measured at FVPL	10	254,080	346,721
Inventories	11	298,577	298,134
Trade and bills receivables	12	845,871	814,751
Prepayments, deposits and other receivables	13	744,021	571,623
Restricted bank deposits		43,329	23,700
Time deposits with initial term over three months		5,000	5,000
Cash and cash equivalents	14	224,181	243,375
		<u>2,415,059</u>	<u>2,303,304</u>
<b>Current liabilities</b>			
Trade payables	15	212,479	233,249
Other payables and accrued expenses	16	391,814	361,514
Contract liabilities		84,167	71,412
Bank and other loans		342,403	220,023
Lease Liabilities		9,246	13,679
Financial instruments issued to investors		208,069	201,590
		<u>1,248,178</u>	<u>1,101,467</u>
<b>Net current assets</b>		<u>1,166,881</u>	<u>1,201,837</u>
<b>Total assets less current liabilities</b>		<u>1,809,692</u>	<u>1,843,598</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT JUNE 30,  
2024 — UNAUDITED (CONTINUED)**

*(Expressed in thousands of Renminbi, unless otherwise stated)*

		At <b>June 30,</b> <b>2024</b> <i>RMB'000</i>	At December 31, 2023 <i>RMB'000</i>
	<i>Note</i>		
<b>Non-current liabilities</b>			
Bank and other loans		<b>23,565</b>	15,000
Lease liabilities		<b>18,808</b>	18,349
Deferred tax liabilities		<b>42,612</b>	44,943
		<u><b>84,985</b></u>	<u>78,292</u>
<b>NET ASSETS</b>		<u><b>1,724,707</b></u>	<u>1,765,306</u>
<b>CAPITAL AND RESERVES</b>			
Share capital	<i>17(b)</i>	<b>391</b>	391
Reserves	<i>17(c)</i>	<b>1,779,766</b>	1,824,939
<b>Total equity attributable to equity shareholders of the Company</b>		<b>1,780,157</b>	1,825,330
<b>Non-controlling interests</b>		<b>(55,450)</b>	(60,024)
<b>TOTAL EQUITY</b>		<u><b>1,724,707</b></u>	<u>1,765,306</u>

# NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

*(Expressed in thousands of Renminbi, unless otherwise stated)*

## 1 BASIS OF PREPARATION

This interim financial statements have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard (“IAS”) 34, *Interim financial reporting*, issued by the International Accounting Standards Board (“IASB”). It was authorised for issue on August 21, 2024.

The interim financial statements have been prepared in accordance with the same accounting policies in the 2023 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2024 annual financial statements. Details of any changes in accounting policies are set out in note 2.

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

This interim financial statements contain condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2023 financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with IFRS Accounting Standards (“IFRSs”).

The financial information relating to the financial year ended December 31, 2023 that is included in the interim financial statements as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that financial year but is derived from those financial statements.



## 2 CHANGES IN ACCOUNTING POLICIES

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

- Amendments to IAS 1, Presentation of financial statements: Classification of liabilities as current or non-current (“**2020 amendments**”)
- Amendments to IAS 1, Presentation of financial statements: Non-current liabilities with covenants (“**2022 amendments**”)
- Amendments to IFRS 16, Leases: Lease liability in a sale and leaseback
- Amendments to IAS 7, Statement of cash flows and IFRS 7, Financial instruments: Disclosures — Supplier finance arrangements

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

## 3 REVENUE AND SEGMENT REPORTING

### (a) *Revenue from contracts with customers*

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

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

- Patient to manufacturer (“**P2M**”) solutions include sales of pharmaceutical products to hospitals, of which the Group had ownership or national distribution rights through strategic cooperation with pharmaceutical companies;
- Value added solutions include sales of hospital supplies excluding the sales of pharmaceutical products included in the P2M solutions, pharmacy supplies and providing hospital SaaS;
- Subscription solutions include providing digital marketing services and pharmacy SaaS;
- Others include sales of chronic condition products to individual customers, providing premium membership services, insurance brokerage services and others.

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

	<b>Six months ended June 30</b>	
	<b>2024</b>	<b>2023</b>
	<b>RMB'000</b>	<b>RMB'000</b>
<b>Type of goods or services:</b>		
In-hospital		
Value added solution	<b>1,439,278</b>	1,067,424
Subscription solution	<b>140,922</b>	271,999
P2M	<b>107,910</b>	64,609
Out-of-hospital		
Value added solution	<b>360,295</b>	297,104
Subscription solution	<b>27,647</b>	27,928
Others	<b>48,788</b>	73,500
	<b><u>2,124,840</u></b>	<b><u>1,802,564</u></b>
<b>Timing of revenue recognition:</b>		
Point in time	<b>2,093,961</b>	1,774,387
Over time	<b>30,879</b>	28,177
	<b><u>2,124,840</u></b>	<b><u>1,802,564</u></b>

**(b) Segment reporting**

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

**4 OTHER NET INCOME**

	<b>Six months ended June 30</b>	
	<b>2024</b>	<b>2023</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Government grants	<b>14,953</b>	25,068
Interest income	<b>782</b>	1,226
Fair value gains on financial assets measured at FVPL	<b>2,444</b>	9,881
Foreign exchange loss	<b>(74)</b>	(76)
Others	<b>1,172</b>	(2,084)
	<b><u>19,277</u></b>	<b><u>34,015</u></b>

**5 LOSS BEFORE TAXATION**

Loss before taxation is arrived at after charging:

**(a) Finance costs**

	<b>Six months ended June 30</b>	
	<b>2024</b>	<b>2023</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Interest expenses	<b>6,901</b>	5,266
Interest on lease liabilities	<b>695</b>	664
Other financial cost	<b>187</b>	511
	<b><u>7,783</u></b>	<b><u>6,441</u></b>

**(b) Staff costs**

	<b>Six months ended June 30</b>	
	<b>2024</b>	<b>2023</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Salaries, wages and other benefits	<b>191,218</b>	177,410
Contributions to defined contribution retirement plan (i)	<b>9,529</b>	8,971
Equity-settled share-based payment expenses	<b>79,422</b>	97,211
	<b><u>280,169</u></b>	<b><u>283,592</u></b>

*Note:*

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

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

**(c) Other items**

	<b>Six months ended June 30</b>	
	<b>2024</b>	<b>2023</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Amortisation of intangible assets	<b>24,570</b>	41,673
Depreciation expenses		
— owned property, plant and equipment	<b>17,234</b>	11,821
— right-of-use assets	<b>7,466</b>	6,734
Cost of inventories	<b>1,663,377</b>	1,261,046

## 6 INCOME TAX

	Six months ended June 30	
	2024	2023
	RMB'000	RMB'000
<b>Current tax expense</b>		
Provision for PRC income tax for the period	1,110	2,084
Under-provision in respect of prior years	3,050	—
<b>Deferred tax expense</b>		
Reversal of temporary differences	(2,331)	(3,258)
	<u>1,829</u>	<u>(1,174)</u>

### Notes:

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

According to the PRC income tax law and its relevant regulations, entities that qualified as small and low profit enterprise are entitled to a preferential income tax rate of 5% (for taxable income less than RMB3,000,000). Certain subsidiaries of the Group were qualified as small and low profit enterprise and entitled preferential income tax rate for the six months ended June 30, 2023 and 2022.

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

- (ii) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (“**BVI**”), the Company and the Group’s BVI subsidiaries are not subject to income tax in those jurisdictions.
- (iii) The Company’s subsidiary incorporated in Hong Kong is subject to Hong Kong profit tax at 16.5% of the estimated assessable profit. No provision for Hong Kong Profits Tax has been made, as the subsidiary of the Group incorporated in Hong Kong did not have assessable profits which are subject to Hong Kong Profits Tax during the reporting periods.
- (iv) Effective from January 1, 2023, an additional 100% of qualified research and development expenses incurred by the Group is allowed to be deducted from taxable income under the PRC income tax law and its relevant regulations.

## **7 LOSS PER SHARE**

### **(a) *Basic loss per share***

The calculation of basic loss per share is based on the loss attributable to ordinary equity shareholders of the Company of RMB116 million (six months ended June 30, 2023: RMB156 million) and the weighted average of 572,911,000 ordinary shares (six months ended June 30, 2023: 532,223,000 ordinary shares) in issue during the interim period.

### **(b) *Diluted earnings per share***

The restricted share units were excluded from the calculation of diluted loss per share because their effect would have been anti-dilutive. The diluted loss per share is the same as the basic loss per share.

## **8 PROPERTY, PLANT AND EQUIPMENT**

### **(a) *Right-of-use assets***

During the six months ended June 30, 2024, the Group entered into a number of lease agreements for use of offices, warehouses and retail stores and therefore recognized the additions to right-of-use assets of RMB1 million (six months ended June 30, 2023: RMB2 million).

### **(b) *Acquisitions and disposal of owned assets***

During the six months ended June 30, 2024, the Group acquired items of plant and buildings, electronic equipment and machinery, office equipment, motor vehicles and leasehold improvement with a cost of RMB48 million (six months ended June 30, 2023: RMB16 million). Motor vehicles, machinery and electronic equipment with a net book value of RMB2,242,559 were disposed of during the six months ended June 30, 2024 (six months ended June 30, 2023: RMB729,927), resulting in a gain on disposal of RMB144,462 (six months ended June 30, 2023: a loss of RMB87,593). As of June 30, 2024, approximately RMB27.6 million of plant and buildings, electronic equipment and machinery, office equipment were pledged as security for bank and other loans which are payable less than one year and over one year.

## 9 OTHER NON-CURRENT ASSETS

The other non-current assets mainly represent prepayments for the amounts already paid to acquire the intangible assets as at June 30, 2024 and December 31, 2023.

## 10 FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

	At June 30, 2024 RMB'000	At December 31, 2023 RMB'000
<b>Non-current</b>		
Unlisted equity instrument ( <i>note (i)</i> )	<u>40,000</u>	<u>40,000</u>
<b>Current</b>		
Financial products issued by financial institutions		
— Wealth management products ( <i>note (ii)</i> )	46,740	46,650
— Fund management products ( <i>note (iii)</i> )	<u>207,340</u>	<u>300,071</u>
	<u><u>254,080</u></u>	<u><u>346,721</u></u>

*Note:*

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

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

- (ii) The Group invested in the wealth management products from a trust management company registered in Hong Kong. As of June 30, 2024, the investment objectives were mainly to invest in cash and cash equivalents, government bonds and related financial instruments and other money market instruments.



- (iii) The investments represented the Group's investment in four fund portfolios issued by four fund companies registered in Cayman Islands, and the Group's investment in a fund portfolio issued by a fund company registered in British Virgin Islands. As of June 30, 2024, the investment objectives of these funds were mainly to invest in cash and cash equivalents, government bonds, notes, monetary fund, structured deposits and other money market instruments.

The financial products have expected annual rates of return ranging from 1.05% to 5.45% (2023: 1.14% to 5.71%). Considering the contractual cash flows do not qualify for solely payments of principal and interest due to the variable returns, the investments have been accounted for as financial assets measured at fair value through profit or loss.

## 11 INVENTORIES

	At <b>June 30,</b> <b>2024</b> <i>RMB'000</i>	At December 31, 2023 <i>RMB'000</i>
Finished goods	<u><b>298,577</b></u>	<u>298,134</u>

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

	Six months ended June 30 <b>2024</b> <i>RMB'000</i>	2023 <i>RMB'000</i>
Carrying amount of inventories sold	<u><b>1,663,377</b></u>	<u>1,261,046</u>

## 12 TRADE AND BILLS RECEIVABLES

	At <b>June 30,</b> <b>2024</b> <i>RMB'000</i>	At December 31, 2023 <i>RMB'000</i>
Trade receivables	<b>870,556</b>	838,304
Less: Loss allowance	<b>(42,548)</b>	(35,053)
	<b>828,008</b>	803,251
Bills receivables	<b>17,863</b>	11,500
	<b>845,871</b>	814,751

### (a) Ageing analyses

As of the end of each reporting period, the ageing analysis of trade and bills receivable, based on the date revenue is recognised and net of loss allowance, of the Group are as follows:

	At <b>June 30,</b> <b>2024</b> <i>RMB'000</i>	At December 31, 2023 <i>RMB'000</i>
Within 3 months	<b>597,758</b>	609,653
4 to 6 months	<b>117,441</b>	103,080
7 to 12 months	<b>106,296</b>	85,282
Over 12 months	<b>24,376</b>	16,736
	<b>845,871</b>	814,751

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

**(b) Impairment of trade receivables**

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

	<b>Six months ended June 30</b>	
	<b>2024</b>	<b>2023</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Balance at January 1	<b>35,053</b>	43,463
Impairment losses recognised	<b>8,579</b>	14,909
Write-off	<b>(1,084)</b>	(15,069)
	<hr/>	<hr/>
At the end of the period	<b>42,548</b>	43,303
	<hr/>	<hr/>

**13 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES**

	<b>At June 30, 2024 RMB'000</b>	<b>At December 31, 2023 RMB'000</b>
Prepayments for inventories and services	<b>440,143</b>	262,185
Deposits	<b>166,907</b>	157,865
Amounts due from third parties ( <i>note (i)</i> )	<b>43,851</b>	49,379
Purchase rebate with suppliers	<b>27,991</b>	24,372
Value-added tax recoverable	<b>44,524</b>	42,152
Amounts due from staffs ( <i>note (i)</i> )	<b>13,343</b>	8,283
Investment receivable from an investor in a subsidiary financing	—	10,000
Prepayment for the repurchase of the Company's shares	<b>2,255</b>	7,083
Amounts due from non-controlling interest of the Group ( <i>note (i)</i> )	<b>5,121</b>	7,000
Receivables from disposal of a subsidiary	<b>1,467</b>	—
Others	<b>12,297</b>	12,632
	<hr/>	<hr/>
	<b>757,899</b>	580,951
Less: loss allowance ( <i>note (ii)</i> )	<b>(13,878)</b>	(9,328)
	<hr/>	<hr/>
	<b>744,021</b>	571,623
	<hr/>	<hr/>

*Notes:*

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

- (i) Amounts due from third parties, staffs and non-controlling interest of the Group were non-trade, unsecured, non-interest-bearing and repayable on demand.
- (ii) The Group determines the expected credit losses for other receivables by assessment of probability of default, loss given default and exposure at default. As at June 30, 2024, in view of the nature of these balances and historical settlement record, the Group considers that the provision of ECL allowance for these assets was RMB13.9 million (December 31, 2023: RMB9.3 million).

## 14 CASH AND CASH EQUIVALENTS

	At <b>June 30,</b> <b>2024</b> <i>RMB'000</i>	At December 31, 2023 <i>RMB'000</i>
Cash at bank and on hand	<b>272,510</b>	272,075
Less: Time deposits with initial term over three months	<b>5,000</b>	5,000
Less: restricted bank deposits	<b>43,329</b>	23,700
	<hr/>	<hr/>
Cash and cash equivalents	<b>224,181</b>	243,375
	<hr/> <hr/>	<hr/> <hr/>

The restricted bank deposits mainly consist of frozen bank deposits as of June 30, 2024 and December 31, 2023.

## 15 TRADE PAYABLES

	At <b>June 30,</b> <b>2024</b> <i>RMB'000</i>	At December 31, 2023 <i>RMB'000</i>
Payables for inventories and services	<b><u>212,479</u></b>	<b><u>233,249</u></b>

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

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

	At <b>June 30,</b> <b>2024</b> <i>RMB'000</i>	At December 31, 2023 <i>RMB'000</i>
Within 1 year	<b>203,498</b>	228,721
More than 1 year	<b><u>8,981</u></b>	<b><u>4,528</u></b>
	<b><u>212,479</u></b>	<b><u>233,249</u></b>

## 16 OTHER PAYABLES AND ACCRUED EXPENSES

	At June 30, 2024 RMB'000	At December 31, 2023 RMB'000
Salary and welfare payables	68,954	72,104
Payables for flexible staffs	166,739	156,276
VAT payable and other tax payables	15,588	16,087
Payables for acquiring exclusive rights	1,245	—
Payables for acquiring of subsidiaries and non-controlling interest	23,172	21,500
Investment deposits received from an investor	40,000	20,000
Refund liabilities	22,821	16,570
Amounts due to non-controlling interest of the Group	50	1,050
Amounts due to third parties and staffs	5,921	8,902
Payables for issuance cost of the financial instruments issued to investors	—	3,741
Payables for property, plant and equipment purchase	—	6,514
Deposits and others	47,324	38,770
	<b>391,814</b>	<b>361,514</b>

All of the other payables and accrued expenses are expected to be settled or recognised as income within one year or are repayable on demand.

## 17 CAPITAL, RESERVES AND DIVIDENDS

### (a) *Dividends*

No dividends have been paid or declared by the Company for the six months ended June 30, 2024 and 2023.

### (b) *Share capital*

#### (i) *Authorized share capital*

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

As of June 30, 2024 and December 31, 2023, the authorized share capital of the Company was USD100,000 divided into 1,000,000,000 ordinary shares of a nominal or par value of US\$0.0001 each.

#### (ii) *Issued share capital*

	Number of shares	Share capital RMB'000
Ordinary shares issued and fully paid At June 30, 2024 and December 31, 2023	<u>587,038,219</u>	<u>391</u>

#### (iii) *Shares repurchased for share award scheme*

During the six months ended June 30, 2024, Prime Forest Assets Limited (“**Prime Forest**”) purchased a total of 2,282,700 ordinary shares of the Company on the Stock Exchange at a consideration of RMB12.7 million for the settlement of Post-IPO share award scheme.



**(c) *Nature and purpose of reserves***

**(i) *Treasury share reserve***

The treasury share reserve represents the shares held by employee share trust, Prime Forest, controlled by the Company for the equity settled share-based payment plan. As the Company has power to govern the relevant activities of Prime Forest and can derive benefits from the contributions of the eligible employees who are awarded with the shares under the equity settled share-based payment plan, the directors of the Company consider that it is appropriate to regard Prime Forest as a branch of the Company.

**(ii) *Capital reserve***

The capital reserve comprises: a) the capital contribution from the equity holders of the Group's subsidiaries; b) the excess of the total proceeds received from the Company share issuance over the total par value of shares issued; c) the reserve resulted from transactions with the Group's non-controlling interests and d) amounts in relation to the initial recognition of the redemption liabilities.

**(iii) *Share-based payments reserve***

The share-based payments reserve represents the portion of the grant date fair value of share option and the difference between the granted price and the fair value of the restricted share units granted to the directors and employees of the Group.

**(iv) *Exchange reserve***

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

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

The Group granted share-based awards to qualified directors and employees pursuant to the 2015 Global Share Plan, which was adopted in August 2015, or the Post-IPO share award scheme, which was adopted on June 10, 2022. The qualified participants of the share-based awards are required to satisfy certain vesting service for the entitlement. The restricted share units (“RSUs”) granted are generally vested over a four-year period, with one-fourth of such RSUs vesting on each anniversary of the date of the grant, or two years period, with one-second of such RSUs vesting on each anniversary of the date of the grant, subject to the grantees continuing to be employed by, or continuing to provide services to, the Group on the applicable vesting date.

During the six months ended June 30, 2024, 8,801,042 restricted share units (which will be satisfied by existing shares of the Company) were granted to employees of the company under the company’s employee share-based awards (2023: nil). 21,790,467 restricted share units were vested and delivered to the grantees during the six months ended June 30, 2024 (2023: 35,549,000 restricted share units).

**PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT**

This interim results announcement is published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.clouDr.cn](http://www.clouDr.cn)). The interim report of the Company for the six months ended June 30, 2024 will be made available for review on the same websites in due course.

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

Hong Kong, August 21, 2024

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

\* *For identification purpose only*