Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

GUSHENGTANG HOLDINGS LIMITED
固 生 堂 控 股 有 限 公 司

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

(Stock Code: 2273)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2021

FINANCIAL HIGHLIGHTS

Revenue of the Group increased by 48.3% to RMB1,372.1 million for the year ended December 31, 2021 from RMB925.4 million for the year ended December 31, 2020.

Loss for the year of the Group increased by 98.5% to RMB506.9 million for the year ended December 31, 2021 from RMB255.3 million for the year ended December 31, 2020.

The adjusted net profit[1] increased by 85% to RMB156.7 million for the year ended December 31, 2021 from RMB84.7 million for the year ended December 31, 2020.

Note:

(1) Adjustments to loss for the year of the Group include: (i) fair value change of financial liabilities at fair value through profit or loss in connection with the convertible redeemable preferred shares and the convertible bonds of the Company; (ii) equity-settled share-based payment in relation to the share options granted under the Pre-IPO Share Option Plan as defined in the prospectus of the Company dated November 30, 2021; (iii) non-recurring expenses which mainly represented the legal and professional fees and miscellaneous expenses related to the Group's non-operating activities such as listing and group reorganization.

The Board is pleased to present the consolidated results of the Group for the year ended December 31, 2021 with the comparative figures as at December 31, 2020 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	**Year ended December 31, 2021** *RMB'000*	2020 *RMB'000*
Revenue	4	**1,372,099**	925,366
Cost of sales		**(751,795)**	(487,876)
Gross profit		**620,304**	437,490
Other income and gains	4	**22,314**	11,506
Selling and distribution expenses		**(413,526)**	(259,704)
Administrative expenses		**(248,034)**	(70,386)
Fair value changes of convertible redeemable preferred shares and convertible bonds		**(419,490)**	(316,194)
Other expenses		**(52,238)**	(11,136)
Finance costs		**(28,403)**	(33,511)
Share of profits of associates		**1,051**	172
Loss before tax	5	**(518,022)**	(241,763)
Income tax credit/(expenses)	6	**11,136**	(13,565)
Loss for the year		**(506,886)**	(255,328)
Other comprehensive income			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**8,284**	20,608
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Translation of the Company's functional currency to presentation currency		**28,737**	58,160
Other comprehensive income for the year, net of tax		**37,021**	78,768
Total comprehensive loss for the year		**(469,865)**	(176,560)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (continued)

	Notes	**Year ended December 31, 2021**	2020
		RMB'000	*RMB'000*
(Loss)/profit attributable to:			
Owners of the parent		**(507,069)**	(255,749)
Non-controlling interests		**183**	421
		(506,886)	(255,328)
Total comprehensive (loss)/income attributable to:			
Owners of the parent		**(470,048)**	(176,981)
Non-controlling interests		**183**	421
		(469,865)	(176,560)
Loss per share attributable to ordinary equity holders of the parent			
Basic and diluted			
— For loss for the year	*8*	**(4.38)**	(3.28)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**As at December 31,** **2021** **_RMB'000_**	2020 *RMB'000*
Non-current assets			
Property, plant and equipment		**64,803**	41,462
Right-of-use assets		**248,143**	184,171
Goodwill	9	**688,615**	545,110
Other intangible assets		**31,425**	22,759
Investments in associates		**11,004**	6,172
Prepayments, other receivables and other assets		**10,814**	11,476
Deferred tax assets		**40,164**	23,376
Total non-current assets		**1,094,968**	834,526
Current assets			
Inventories		**77,364**	57,743
Trade receivables	10	**72,696**	56,576
Prepayments, deposits and other receivables		**109,294**	132,180
Financial assets at fair value through profit or loss		**3,207**	114,425
Restricted cash		**3,567**	—
Cash and cash equivalents	11	**1,030,704**	249,994
Total current assets		**1,296,832**	610,918
Current liabilities			
Trade and bills payables	12	**161,332**	113,110
Other payables and accruals		**276,617**	258,664
Interest-bearing bank and other borrowings	13	**17,478**	83,879
Bonds payable		**—**	329,013
Convertible redeemable preferred shares		**—**	1,204,204
Lease liabilities		**57,458**	40,029
Provisions		**121**	121
Tax payable		**8,129**	9,064
Total current liabilities		**521,135**	2,038,084
Net current assets/(liabilities)		**775,697**	(1,427,166)
Total assets less current liabilities		**1,870,665**	(592,640)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

	Notes	**As at December 31,** **2021** ***RMB'000***	2020 *RMB'000*
Non-current liabilities			
Interest-bearing bank and other borrowings	13	**66,835**	61,259
Convertible bonds		**—**	198,134
Lease liabilities		**203,594**	158,145
Other payables and accruals		**44,638**	118,807
Deferred tax liabilities		**6,187**	4,322
Total non-current liabilities		**321,254**	540,667
Net assets/(liabilities)		**1,549,411**	(1,133,307)
Equity/(deficiency in assets)			
Equity attributable to owners of the Company			
Share capital	14	**147**	—
Reserves		**1,548,747**	(1,133,641)
		1,548,894	(1,133,641)
Non-controlling interests		**517**	334
Total equity/(deficiency in assets)		**1,549,411**	(1,133,307)

NOTES TO STATEMENTS

1. Corporate and group information

GUSHENGTANG HOLDINGS LIMITED (the "**Company**") is an exempted company with limited liability incorporated in the Cayman Islands under the laws of the Cayman Islands on May 8, 2014. The registered office address of the Company at Harneys Fiduciary (Cayman) Limited, 4th Floor, Harbour Place, 103 South Church Street, P.O. Box 10240, Grand Cayman KY1-1002, Cayman Islands.

The Company is an investment holding company. The Company's subsidiaries were principally engaged in the provision of a variety of healthcare businesses, including the provision of healthcare services and sale of healthcare products.

The shares of the Company were listed on the Main Board of the Stock Exchange on December 10, 2021.

2.1 Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for certain financial instruments, including financial assets at fair value through profit or loss, convertible bonds, and convertible redeemable preferred shares and payables for the Incentive Arrangement which have been measured at fair value. These financial statements are presented in RMB and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended December 31, 2021. 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).

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 HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	*Interest Rate Benchmark Reform — Phase 2*
Amendment to HKFRS 16	*Covid-19-Related Rent Concessions*

The application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and financial position for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2.3 Issued but not yet effective hong kong financial reporting standards

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

Amendments to HKFRS 3	*Reference to the Conceptual Framework*(1)
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*(3)
HKFRS 17	*Insurance Contracts*(2)
Amendments to HKFRS 17	*Insurance Contracts*(2),(5)
Amendment to HKFRS 17	*Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information*2
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current*(2),(4)
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*(2)
Amendments to HKAS 8	*Definition of Accounting Estimates*(2)
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*(2)
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*(1)
Amendments to HKAS 37	*Onerous Contracts — Cost of Fulfilling a Contract*(1)
Annual Improvements to HKFRSs 2018–2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16 and HKAS 41(1)

(1) Effective for annual periods beginning on or after 1 January 2022

(2) Effective for annual periods beginning on or after 1 January 2023

(3) No mandatory effective date yet determined but available for adoption

(4) As a consequence of the amendments to HKAS 1, Hong Kong Interpretation 5 *Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised in October 2020 to align the corresponding wording with no change in conclusion

(5) As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023

The management of the Group considers that these new and revised HKFRSs may result in changes in accounting policies but are unlikely to have a significant impact on the Group's results of operations and financial position.

3. Operating segment information

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

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

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

Information about major customers

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

4. Revenue, other income and gains

Revenue

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

	2021	2020
	RMB'000	*RMB'000*
Revenue from contracts with customers	**1,372,099**	925,366

(i) Disaggregated revenue information

	2021	2020
	RMB'000	*RMB'000*
Types of goods or service		
Healthcare solutions	**1,342,996**	891,797
Sale of healthcare products	**29,103**	33,569
	1,372,099	925,366
Timing of revenue recognition		
Revenue from contracts with customers	**1,372,099**	925,366

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

	2021	2020
	RMB'000	*RMB'000*
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Healthcare solutions	**24,429**	16,852

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Sale of healthcare products

Revenue from sale of healthcare products, such as valuable medicinal herbs and nourishment, is recognized at the point in time when control of the asset is transferred to the customer, the customers has full discretion to use the healthcare products, and there is no unfulfilled obligation that could affect the customers' acceptance of the healthcare products. Transactions are settled by payment from commercial insurance, the government's insurance schemes, third-party payment platforms, or directly paid by bank cards, third-party payment platforms or cash from customers.

Healthcare solutions

Revenue from healthcare solutions contain more than one performance obligations, including (i) the provision of consultation services, (ii) the sale of pharmaceutical products and (iii) traditional massage, moxibustion, acupuncture and other therapies. The Group allocates the transaction price to each performance obligation based on the relative stand-alone selling price. The control of services or pharmaceutical products is transferred at a point in time, and revenue is recognised when the customer obtains the control of the completed services or pharmaceutical products as the Group has satisfied its performance obligations with a present right to payment and the collection of the consideration is probable. Transactions are settled by payment from commercial insurance, the government's insurance schemes, third-party payment platforms, or directly paid by bank cards, third-party payment platforms or cash from customers.

The Group has established an integrated membership program, which provide customers with significant rights after purchasing membership cards with a validity period of one year. The Group allocates the transaction prices of prepaid membership cards to each performance obligation according to their stand-alone selling prices. Revenue is recognised when the membership rights are redeemed for control of the goods and services.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) are as follows:

	2021	2020
	RMB'000	*RMB'000*
Amounts expected to be recognised as revenue within one year	**38,834**	24,429

Other income and gains

	2021	2020
	RMB'000	*RMB'000*
Foreign exchange differences, net	**15,303**	—
Interest income	**3,525**	3,246
Rental income	**1,405**	1,125
Government grants*	**825**	1,493
Fair value gains on financial assets at fair value through profit or loss, net	**—**	1,961
Covid-19 — related rent concessions from lessors	**—**	3,487
Others	**1,256**	194
	22,314	11,506

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

5. Loss before tax

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

	2021	2020
	RMB'000	*RMB'000*
Cost of provision of healthcare solutions	**735,635**	467,891
Cost of sale of healthcare products	**16,160**	19,985
Depreciation of property, plant and equipment	**25,985**	22,184
Amortisation of other intangible assets#	**4,058**	1,195
Depreciation of right-of-use assets	**63,800**	42,266
Lease payments not included in the measurement of lease liabilities	**849**	7,131
Auditor's remuneration	**3,300**	772
Listing expenses*	**42,707**	8,482
Employee benefit expense (excluding directors' remuneration):		
Wages and salaries	**187,246**	167,062
Equity-settled share-base payments	**125,032**	15,361
Pension scheme contributions	**31,676**	(1,336)
	343,954	181,087
Fair value losses on convertible redeemable preferred shares	**409,553**	319,844
Fair value loss/(gain) on convertible bonds	**9,937**	(3,650)
Fair value loss/(gain) on financial assets at fair value through profit or loss, net**	**4,755**	(1,961)
Impairment of trade receivables*	**353**	623
Impairment of property, plant and equipment*	**—**	657

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

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

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

6. Income tax expenses/(credit)

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

Cayman Islands

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

Mainland China

Pursuant to the PRC Income Tax Law and the respective regulations, a subsidiary which operates in Mainland China is subject to corporate income tax at a rate of 25% on the taxable income. Certain subsidiaries of the Group in Mainland China are regarded as "small and micro enterprises" and, accordingly, were entitled to a preferential income tax rate of 2.5% to 10% during the reporting period.

Hong Kong

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

	2021	2020
	RMB'000	*RMB'000*
Current	**6,300**	6,465
Deferred	**(17,436)**	7,100
Total tax (credit)/charge for the year	**(11,136)**	13,565

7. Dividends

No dividend was proposed for the years ended December 31, 2021 and 2020.

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 115,752,462 (2020: 78,000,000) in issue during the year, as adjusted to reflect the rights issue during the year.

Because the diluted loss per share amount is decreased when taking the convertible shares into account, the convertible shares have an anti-dilutive effect on the basic loss per share and were ignored in the calculation of diluted loss per share during the years ended December 31, 2021 and 2020. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the years ended December 31, 2021 and 2020, as used in the basic earnings per share calculation.

The calculations of basic and diluted losses per share are based on:

	2021	2020
	RMB'000	*RMB'000*
Loss		
Loss attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculations	**(507,069)**	(255,749)
	Number of shares	
Shares		
Weighted average number of ordinary shares in issue used in the basic earnings per share calculation	**115,752,462**	78,000,000

9. Goodwill

	2021	2020
	RMB'000	*RMB'000*
At the beginning of the year:		
Cost	**547,660**	465,183
Accumulated impairment	**(2,550)**	(2,550)
Net carrying amount	**545,110**	462,633
Cost at the beginning of the year, net of accumulated impairment	**545,110**	462,633
Acquisition of subsidiaries	**143,505**	82,477
At the end of the year	**688,615**	545,110
At the end of the year:		
Cost	**691,165**	547,660
Accumulated impairment	**(2,550)**	(2,550)
Net carrying amount	**688,615**	545,110

10. Trade receivables

	2021	2020
	RMB'000	*RMB'000*
Trade receivables	**73,639**	57,459
Impairment	**(943)**	(883)
	72,696	56,576

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

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

	2021	2020
	RMB'000	*RMB'000*
Within three months	**66,971**	51,042
Three months to one year	**5,129**	5,369
Over one year	**596**	165
	72,696	56,576

At December 31, 2020, certain of the Group's trade receivables with an aggregate net carrying amount of approximately RMB16,256,000, were pledged to secure bank loans granted to the Group (note 13(b)).

11. Cash and cash equivalents

	2021	2020
	RMB'000	*RMB'000*
Cash and bank balances	**634,271**	249,994
Non-pledged time deposits with original maturity of less than three months when acquired	**400,000**	—
	1,034,271	249,994
Less: Restricted cash	**(3,567)**	—
Cash and cash equivalents	**1,030,704**	249,994
Denominated in:		
RMB	**834,639**	232,948
USD	**1,888**	17,009
HK$	**194,177**	37
	1,030,704	249,994

12. Trade and bills payables

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

	2021	2020
	RMB'000	*RMB'000*
Within three months	**118,508**	84,065
Three months to one year	**26,940**	11,097
Over one year	**15,884**	17,948
	161,332	113,110

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

13. Interest-bearing bank and other borrowings

	2021			2020		
	Effective interest rate (%)	**Maturity**	***RMB'000***	Effective interest rate (%)	Maturity	*RMB'000*
Current						
Bank loan — secured	**—**	**—**	**—**	3.75–6.50	2021	11,740
Bank loan — unsecured	**4.04–4.09**	**2022**	**9,508**	3.75–6.50	2021	72,139
Other borrowing	**6.00**	**2022**	**7,970**	—	—	—
			17,478			83,879
Non-current						
Bank loans — secured	**—**	**—**	**—**	4.25–6.50	2022–2023	194
Bank loans — unsecured	**4.20–5.60**	**2023–2024**	**19,017**	5.60	2022–2023	61,065
Other borrowing	**6.00**	**2023–2029**	**47,818**	—	—	—
			66,835			61,259
			84,313			145,138

	2021	2020
	RMB'000	*RMB'000*
Analysed into:		
Bank loans:		
Within one year or on demand	**9,508**	83,879
In the second year	**9,508**	36,816
In the third year	**9,509**	24,443
	28,525	145,138
Other borrowing:		
Within one year or on demand	**7,970**	—
In the second year	**7,970**	—
In the third year	**7,970**	—
Over three years	**31,878**	—
	55,788	—
	84,313	145,138

Notes:

(a) Except for other borrowings, which are denominated in USD, all interest-bearing bank loans are in RMB.

(b) The following assets were pledged as security for interest-bearing bank borrowings:

	2021	2020
	USD'000	*USD'000*
Trade receivables	**—**	16,256
Prepayments, other receivables and other assets	**—**	60,317
	—	76,573

(c) The Group's bank and other facilities amounted to RMB569,393,000 (2020: RMB534,050,000) of which RMB92,282,000 (2020: RMB164,822,000) had been utilized as at 31 December 2021.

14. Share capital

	2021	2020
	USD'000	*USD'000*
Authorised:		
264,430,287 (2020: 232,790,113) ordinary share of USD0.0001 each	**26**	23
	RMB'000	*RMB'000*
Issued and fully paid:		
230,396,458 (2020: nil) ordinary shares of USD0.0001(equivalent to RMB0.0006) each	**147**	—

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

	Number of ordinary shares in issue	Share capital *RMB'000*	Share premium *RMB'000*	Total *RMB'000*
At January 1, and December 31, 2020	78,000,000	—	—	—
Issuance of ordinary shares (note (a))	9,130,456	6	191,313	191,319
Issuance of ordinary shares (note (b))	9,823,948	6	127,941	127,947
Issuance of ordinary shares (note (c))	809,582	1	9,999	10,000
Issuance of ordinary shares (note (d))	1,927,808	1	20,175	20,176
Share options exercised (note (e))	17,191,534	11	98,618	98,629
Issue of shares in connection with the IPO (note f)	27,878,000	18	660,447	660,465
Share issue expenses	—	—	(46,322)	(46,322)
Transfer from convertible redeemable preferred shares (note (g))	85,635,130	104	2,024,484	2,024,588
At December 31, 2021	**230,396,458**	**147**	**3,086,655**	**3,086,802**

Notes:

(a) Pursuant to a series of share subscription agreements dated April 27, 2021, 9,130,456 shares were issued and allotted by the Company to various BVI holding platforms held by employees and external investors. Besides 1,970,443 shares were issued to external investors at the issue price of RMB18.27 per share, the remaining 7,160,013 shares were issued to employees at a 85% discounted price of RMB15.53 per share. The total cash consideration received by the Company is RMB147,571,000.

(b) On 27 April 2021, 9,823,948 ordinary Shares were issued and allotted by the Company to various BVI holding platforms of certain external investors ("**External Investors**") at various share prices ranging from RMB8.58 to RMB19.99 per share as part of the corporate restructuring of the Company in exchange for certain equity interest in Guangdong Gushengtang held by the relevant External Investors, with total consideration of RMB127,947,000.

(c) On 27 April 2021, 809,582 shares of par value of USD0.0001 each, were issued by the Company to Hua Jinming (an independent third party) who converted the convertible loan to ordinary share.

(d) On 27 April 2021, 1,927,808 ordinary shares were issued and allotted by the Company to various BVI holding platforms of certain employees and consultants of the Company at the issue prices arranging from RMB10.73 to RMB11.94 each, with total consideration of RMB20,176,000.

(e) On 27 April 2021, the subscription rights attaching to 17,191,534 share options were exercised at the subscription price of USD0.35 per share, resulting in the issue of 17,191,534 ordinary shares for a total cash consideration, before expenses, of USD6,017,000 (equivalent to approximately RMB36,754,000). An amount of RMB61,875,000 was transferred from the share option reserve to the share premium upon the exercise of the share options.

(f) In connection with the IPO, 27,878,000 ordinary shares of a par value of US$0.0001 each were issued at a price of HK$29.00 per share for a total cash consideration, before deducting the underwriting fees and commissions and other estimated listing expenses, of approximately HK$808,462,000 (approximately RMB660,465,000).

(g) All Preferred Shares were converted into ordinary shares upon the completion of the IPO.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is a TCM healthcare service provider in China. Through our offline medical institutions and online healthcare platforms, the Group provides customers with a comprehensive range of TCM healthcare services and products to address their diverse medical and healthcare management needs. Focusing on primary care, the Group has established a TCM platform with the integration of online healthcare platforms and offline medical institutions, combining TCM and western medicine, to provide comprehensive healthcare solutions throughout the whole process of disease diagnosis and treatment and healthcare management.

The Group adheres to the philosophy of maintaining the finest quality with the utmost precision and continues to improve the medical service network, healthcare solutions, healthcare products and customers' experience. Leveraging on the multi-disciplinary foundation technology platform developed over the years as well as the proven commercialization and marketing strength, the Group has achieved substantial breakthroughs in a number of new businesses, and is committed to providing high-quality, inclusive and integrated medical solutions that can prolong and reshape lives for citizens in China.

Integration of online healthcare platforms and offline medical institutions

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

Combining TCM and western medicine

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

During the year ended December 31, 2021, the Group had generated revenue primarily from (i) the provision of healthcare solutions and (ii) sale of healthcare products. Revenue generated from the provision of healthcare solutions was primarily affected by the scale of the Group's offline and online medical service network, the number of our customers and our customers' spending in the relevant years or periods. Revenue derived from the sale of healthcare products fluctuated primarily attributable to the volume and type of valuable medicinal and nourishment sold during the year ended December 31, 2021, the unit price of which may vary significantly. In general, when the sales volume of valuable medicinal and nourishment with high unit price increased, the Group would generate more revenue from sale of healthcare products.

During the Reporting Period, *Several Policies and Measures on Promoting the Development of Traditional Chinese Medicine*《關於加快中醫藥特色發展的若干政策措施》was promulgated on February 2021 to serve as a government incentive policy to drive the development of TCM healthcare industry in China. Further, during the COVID-19 pandemic, TCM healthcare had high degree of engagement with positive effect and has been widely recognized by its unique role in providing preventative care, alleviating COVID-19 symptoms and reducing fatality rate, which significantly enhanced people's awareness and acceptance of TCM healthcare worldwide.

The Group has actively promoted the development of its businesses in China. As of December 31, 2021, the Group owned and operated 42 medical institutions in Beijing, Shanghai, Guangzhou, Shenzhen, Foshan, Zhongshan, Fuzhou, Nanjing, Suzhou, Ningbo and Wuxi. All of our medical institutions are private for-profit medical institutions operated under our brand name "Gushengtang (固生堂)".

During the year ended December 31, 2021, the Group has expanded medical service network through strategic acquisitions of offline medical institutions and online healthcare platforms. Our Group acquired Wanjia Platform in April 2021 for online healthcare platforms specializing in traditional Chinese medical healthcare solutions to further strengthen our online medical service network.

Below are major accomplishments of the Group during the year ended December 31, 2021:

(a) among all TCM healthcare providers in China with both offline and online medical service network:

- the largest number of TCM physicians as of December 31, 2021;

- the largest number of offline medical institutions as of December 31, 2021; and

- the largest number of cities covered by offline medical institution network as of December 31, 2021.

(b) among all private TCM healthcare providers in China with both offline and online medical service network:

- the highest revenue generated from providing healthcare solutions in 2020.

Business Analysis by Business Segment

The following table sets forth the revenue and operating profit for our business lines of the Group for the years indicated:

Revenue by segment

	Year ended		
			Fluctuation
	2021	2020	2021/2020
	RMB'000	*RMB'000*	%
Provision of healthcare solutions	**1,342,996**	891,797	50.6%
Sale of healthcare products	**29,103**	33,569	(13.3%)
Total	**1,372,099**	925,366	48.3%

The revenue of provision of healthcare solutions increase by 50.6% in 2021 as compared with the same period of 2020, which was mainly due to the fact that (a) the Group kept enlarging its business scales through business acquisitions and standardising the business operation of its offline clinics via synergizing the Group's supply chain system and resource pools of reputable TCM physicians and (b) the revenue of online TCM healthcare for year 2021 significantly increased as compared with that in year 2020. Sale of healthcare products decrease by 13.3% in 2021 as compared with the same period of 2020, since the Group ceased product line for certain non-performing products.

Gross Profit by segment

	2021		2020	
	RMB'000	*%*	*RMB'000*	*%*
Provision of healthcare solutions	**607,361**	**45.2**	423,906	47.5
Sale of healthcare products	**12,943**	**44.5**	13,584	40.5
Total	**620,304**	**45.2**	437,490	47.3

The Group's gross profit margin on the provision of healthcare solutions decreased by 2.3% in 2021 as compared with that in 2020, which was mainly caused by increase in human resources costs of our online healthcare platforms to attract TCM physicians outweighs the increase in revenue contribution from Internet hospital. The Gross profit margin of the sale of healthcare products in 2021 increased by 4.0% as compared with that in 2020, which was mainly due to the high-margin products such as ready-to-eat bird's nest (即食燕窩) and fish maws (花膠) sold on the online platforms.

Impact of COVID-19

The spread of the disease has materially and adversely affected global economy. In light of the epidemic brought by COVID-19, local healthcare administrative authorities have imposed controls on healthcare services except for those in need for urgent medical attention. Patients suffering from other diseases generally avoided attending to medical institutions to minimize the risk of infection. During the Reporting Period, 4 offline medical institutions were closed by us due to the pandemic and they suspended operation for 23 days on average. In light of the continuous spread of COVID-19 and government control on offline business, customers' demand for offline healthcare solutions and products may be adversely affected. However, we will continue to closely monitor the indicators for any further waves of COVID-19 outbreaks and proactively take anti-transmission measures in our medical institutions in a timely manner.

Nevertheless, a grow in health awareness has escalated healthcare consumption per capita. Healthcare consumption has become an important portion of an individual's consumption, given the rising awareness and accessibility of health screening and early disease detection. The outbreak of COVID-19 has further enhanced the awareness of preventative care. Healthcare consumption per capita in China is expected to increase from RMB1,843 in 2020 to RMB4,359 in 2030, accounting for 8.7% and 9.8% of the total consumption per capita in 2020 and 2030, respectively, according to National Bureau of Statistics of the PRC and the forecast of Frost & Sullivan. On the other hand, the outbreak of COVID-19 has promoted certain government policies to encourage online healthcare services and the growing health awareness; and strengthen the popularization of TCM. Despite the severe challenges brought on by the global spread of COVID-19, the Group's total consolidated revenue increased by 48.3% from approximately RMB925.4 million for the year ended December 31, 2020 to approximately RMB1,372.1 million for the year ended December 31, 2021. For details on our liquidity and working capital position, see section headed "Liquidity, Financial Resources and Capital Structure" in this announcement.

To better cope with the coronavirus pandemic, the Group has allocated more resources to improve its business performance and boost promotion. The Board, therefore, is of the view that the Group would benefit from such factors to expand the business of the Group.

BUSINESS PROSPECT

In the context of China's continuous promotion of the development of TCM and the continuous introduction of various incentive policies, we will continue to (a) develop the deepening resource advantages of the OMO platform model of the Group and the brand value advantage of "GUSHENGTANG", (b) attract excellent medical resources to join the platform, and (c) solve the pain points of "difficult and expensive medical services" for patients. The Group is committed to expanding our online and offline primary medical service network to provide high-quality TCM services to more patients.

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

We will continue to adhere to the "mentorship" model of TCM talents training, aiming to cultivate and build a high-quality team of young physicians. Meanwhile, the training of young physicians by the "GUSHENGTANG" Reputable TCM Great Master Inheritance Studio ("固生堂"名中醫傳承工作室) and the OMO platform has achieved its initial success. Through the OMO platform, the geographical restrictions have been lifted, and the clinical experience and academic achievements of outstanding experts in various regions can be quickly shared among the young talents on our platform.

1. The clinical experience and academic achievements of local outstanding experts can be quickly shared with the young physicians on the platform, which can accelerate the team building of full-time physicians. The "GUSHENGTANG" Reputable TCM Great Master Inheritance Studio provides quality assurance for all-rounded TCM services with sufficient talent physician resources (i.e., prevention, treatment, health management, personalized medical services), so that outstanding experts can focus more on patients' efficacy and customer experience in the process of diagnosis and treatment, thereby achieving a win-win service model for physicians and patients.

2. Empowering healthcare services through digitalization and "Internet +". In line with the PRC government's policy to encourage "Internet +" TCM services, we plan to launch smart hardware devices such as four-examination instruments (四診儀) to improve the auxiliary diagnosis and treatment capabilities in remote medical services, and to achieve a more comprehensive customer reach through remote TCM diagnosis and treatment services. Through digitalization, the Group can elaborate the patient services in a more sophisticated way, and continuously improve the Group's customer retention rate as well as average revenue per user (ARPU). Through digital capabilities, we will continue to improve the economics of scale and operational efficiency of the supply chain while ensuring the constant stability of medical service quality. In the future, we will continue to explore new membership service models (such as family doctor services) to attract new members and continue to provide quality services to our members.

3. We will further strengthen our investment in research and development to achieve the productization and standardization of medical solutions. We have completed trial production for several varieties of our in-hospital preparations including hair loss, rhinitis, infertility and digestion, and will apply for filing and receive the preparation registration number. Currently, our preparation center has completed its engineering construction, equipment verification and variety trial production, and has submitted the application for inspection of preparation center application to the relevant authorities. After obtaining the registration number of in-hospital preparations and the completion of inspection and acceptance of our preparation center, our in-hospital preparation will be mass-produced in our preparation center and achieve the productization of medical resolutions products. We are expected to further increase investment in this aspect in the future, so as to obtain more in-hospital preparation production.

FINANCIAL REVIEW

Revenue by Business Segment

Total consolidated revenue increased by 48.3% from approximately RMB925.4 million for the year ended December 31, 2020 to approximately RMB1,372.1 million for the year ended December 31, 2021, primarily due to the business expansion through acquisition, increase in the provision of TCM healthcare service and growth in provision of the healthcare products online.

Provision of healthcare solutions

Revenue from the provision of healthcare solutions increased by 50.6% from approximately RMB891.8 million for the year ended December 31, 2020 to approximately RMB1,343.0 million for the year ended December 31, 2021, primarily attributable to expanded service capacity in line with the increased scale in offline and online medical service network operated by the Group.

Sale of healthcare products

Revenue from the sales of healthcare products decreased by 13.3% from approximately RMB33.6 million for the year ended December 31, 2020 to approximately RMB29.1 million for the year ended December 31, 2021, primarily due to the Group ceased product line for certain non-performing products.

Revenue breakdown by settlement methods

Depending on the relevant practice with respect to national reimbursement programs (國家醫保報銷方案), our medical institutions which are Designated Medical Institutions may be subject to government approved annual quota for the medical fees that they are allowed to recover from the relevant public medical insurance bureau. The following table sets forth the Group's revenue breakdown by settlement methods for the years indicated:

	Year ended 2021		Year ended 2020		Fluctuation 2021/2020
	RMB'000	**%**	*RMB'000*	%	%
Revenue within the scope of public medical insurance program	**380,858**	**27.8%**	267,088	28.9%	42.6%
— From social pooling	***181,044***	***13.2%***	*131,446*	*14.2%*	*37.7%*
— From individual accounts	***199,814***	***14.6%***	*135,642*	*14.7%*	*47.3%*
Revenue out of the scope of public medical insurance program	**991,241**	**72.2%**	658,278	71.1%	50.6%
Total	**1,372,099**	**100%**	925,366	100%	48.3%

Percentage of revenue within the scope of public medical insurance program decreased by 1.1% in 2021 as compared with the same period of 2020, which was mainly due to the fact that our strong customer loyalty enhances their willingness to accept our premium all-round healthcare services, which included certain self-paying items.

Revenue by stream

The following table sets forth the Group's revenue breakdown by stream for the years indicated:

	Year ended 2021		Year ended 2020		Fluctuation 2021/2020
	RMB'000	*%*	*RMB'000*	*%*	*%*
Offline medical institutions	**1,218,892**	**88.8%**	901,288	97.4%	35.2%
Online healthcare platforms	**153,207**	**11.2%**	24,078	2.6%	536.3%
Total	**1,372,099**	**100.0%**	925,366	100.0%	48.3%

Revenue from offline medical institutions increased by 35.2% from approximately RMB901.3 million for the year ended December 31, 2020 to approximately RMB1,218.9 million for the year ended December 31, 2021, primarily attributable to the organic growth of our Group and the increased scale in offline medical service network operated by the Group. Revenue from online healthcare platforms increased by 536.3% from approximately RMB24.1 million for the year ended December 31, 2020 to approximately RMB153.2 million for the year ended December 31, 2021, primarily due to (a) the acquisition of Bailu was only completed on October 2020, (b) our Group further acquired Wanjia Platform on April 2021, (c) the synergy effect between our offline medical institutions and online healthcare platforms, and (d) the continuous spread of COVID-19 increased the customer demand for online healthcare solutions.

Cost of Sales

The Group's cost of sales primarily consists of human resources costs and cost of healthcare products. During the year ended December 31, 2021, cost of sales has increased by 54.1% from approximately RMB487.9 million for the year ended December 31, 2020 to approximately RMB751.8 million for the year ended December 31, 2021, primarily due to the continuous increase in human resources costs caused by the expansion in physician base and the increase of cost of healthcare products which is in line with the enlarged business scale of the Group.

Gross Profit and Gross Profit Margin

During the year ended December 31, 2021, gross profit grew to RMB620.3 million from RMB437.5 million for the year ended December 31, 2020 primarily due to the increase in the gross profit generated from the provision of healthcare solutions, which was generally in line with the increase in revenue generated from the provision of healthcare solutions. Gross profit margin slightly decreased from 47.3% for the year ended December 31, 2020 to 45.2% for the year ended December 31, 2021, primarily due to a decrease in the gross profit margin for providing healthcare solutions, which was caused by our expanding online operations and the higher human resources costs our online healthcare platforms.

Other Income and Gains

During the Reporting Period, the Group's other income and gains increased from approximately RMB11.5 million for the year ended December 31, 2020 to approximately RMB22.3 million for the year ended December 31, 2021 primarily due to the recognition of foreign exchange differences of approximately RMB15.3 million for the year ended December 31, 2021.

Selling and Distribution Expenses

	31 December 2021		31 December 2020		Fluctuation
	RMB'000	**%**	*RMB'000*	%	%
Operating expenses for offline medical institutions	**228,850**	**55.3%**	158,950	61.2%	44.0%
Regional operating management expenses	**162,120**	**39.2%**	92,022	35.4%	76.2%
Equity-settled share-base payments	**18,621**	**4.5%**	4,232	1.6%	340.0%
Third-party client acquisition costs	**3,935**	**1.0%**	4,500	1.7%	(12.6%)
Total	**413,526**	**100.0%**	259,704	100.0%	59.2%

The Group's selling and distribution expenses mainly comprised of operating expense for offline medical institution, regional operating management expenses, employee stock ownership plan and third-party client acquisition costs. Operating expenses for offline medical institutions mainly represented the regular operating expense of offline medical institutions such as salaries, bonus and depreciation. Regional operating management expenses mainly represent operating expenses and salaries and bonus for the employee of our regional operating department. Equity-settled share-base payments mainly represented the one-off share-based payment for senior management of the Group's sales department. The third-party client acquisition costs mainly represent costs and expenses our Group incurred under the cooperation with third-party online platforms which provide our Group with customer traffic.

Selling and distribution expenses increased by 59.2% from approximately RMB259.7 million for the year ended December 31, 2020 to approximately RMB413.5 million for the year ended December 31, 2021, primarily due to (a) the growth in operating expenses for offline clinics which is in line with the enlarged business scale and (b) increase in regional operating management expenses in order to cooperate with the Group's strategy to expand our market share and lay firm foundations for our future regional development.

Our efficient customer acquisition will drive sustainable long-term growth. We have an advantage in efficient customer acquisition, empowered by our superior brand reputation. Our leading resources of physicians coupled with product and service excellence, has enabled us to develop long-term customer relationship with our customers. The stable customer relationship among our high-quality and loyal customer base, laying the foundation for high revenue growth. Since our customers demonstrated strong willingness for "word-of-mouth" referral of our brand to their private traffic, we are able to drive sustainable growth without incurring high customer acquisition cost.

In 2021, 95% of the customers come from our official WeChat account, walk-in customers, proprietary online healthcare platform, mini programs and customer service appointment where 5% of our new customers are from third-party online platforms. In 2020, 96% of the customers come from our official WeChat account, walk-in customers, proprietary online healthcare platform, mini programs and customer service appointment where 4% of our customers are from third-party online platforms. Third-party client acquisition costs incurred for the year ended 2020 and 2021 amount to RMB4.5 million and RMB3.9 million, respectively.

Administrative Expenses

During the Reporting Period, the Group's administrative expenses significantly increased by 252.4% from approximately RMB70.4 million for the year ended December 31, 2020 to approximately RMB248.0 million for the year ended December 31, 2021 primarily due to the significant increase in employee benefit expenses as a result of equity-settled share-base payment expense in relation to the grant of ordinary shares to certain employees at a discounted subscription price.

Fair value changes of convertible redeemable preferred share and convertible bonds

Fair value changes of convertible redeemable preferred shares and convertible bonds represented the fair value fluctuation of convertible redeemable preferred shares and convertible bonds. The fair value of convertible redeemable preferred shares and convertible bonds was determined with reference to the valuation of the Shares and embedded derivatives by an independent third-party valuer, which was mainly affected by financial forecast for the Group's future performance.

As at December 31, 2021, the Group's fair value of convertible redeemable preferred shares and convertible bonds amounted to approximately RMB419.5 million (2020: approximately RMB316.2 million), which was primarily due to changes in fair value of convertible redeemable preferred shares.

Other Expenses

During the Reporting Period, the Group's other expenses primarily consist of listing expenses, impairment of non-financial assets, donation, impairment of financial assets and loss on early termination of lease. Other expenses significantly increased by 369.1% from approximately RMB11.1 million for the year ended December 31, 2020 to approximately RMB52.2 million for the year ended December 31, 2021, primarily due to the listing expenses of approximately RMB42.7 million incurred.

Finance Costs

Finance cost decreased by 15.2% from approximately RMB33.5 million for the year ended December 31, 2020 to approximately RMB28.4 million for the year ended December 31, 2021, primarily due to the repayment of convertible bonds in 2021.

Income Tax Expenses

Income tax decreased by 182.1% from approximately RMB13.6 million for the year ended December 31, 2020 to approximately RMB11.1 (negative) million for the year ended December 31, 2021, primarily due to the recognition of deferred tax on tax losses from previous periods.

Loss for the Year

Loss for the year increased by 98.5% from approximately RMB255.3 million for the year ended December 31, 2020 to approximately RMB506.9 million for the year ended December 31, 2021, primarily due to (i) increase in fair value change of financial liabilities at fair value through profit or loss in the amount of approximately RMB103.3 million in connection with the convertible redeemable preferred shares and the convertible bonds of the Company; (ii) increase in equity-settled share-based payment in the amount of approximately RMB156.0 million in relation to the share options granted under the Pre-IPO Share Option Plan; and (iii) increase in listing expense in the amount of approximately RMB34.2 million.

Non-HKFRS Measure — Adjusted Net Profit

To supplement its historical financial information which are presented in accordance with HKFRS, the Group also uses adjusted net profit as an additional financial measure, which is unaudited in nature and is not required by, or presented in accordance with, HKFRS. The Group believes that this non-HKFRS measure facilitates comparisons of operating performance from period to period by eliminating potential impacts of items that the management does not consider to be indicative of its operating performance. The Group believes that this measure provides useful information to investors and others in understanding and evaluating its results of operations in the same manner as it helps the Group's management. However, the Group's presentation of adjusted net profit may not be comparable to similarly titled measures presented by other companies. The use of this non-HKFRS measure has limitations as an analytical tool, and the investors should not consider it in isolation from, or as substitute for analysis of, the Group's results of operations or financial condition as reported under HKFRS.

The Group defined adjusted net profit as losses for the period adjusted for items which are non-recurring or extraordinary, including (i) fair value change of financial liabilities at fair value through profit or loss in connection with the convertible redeemable preferred shares and the convertible bonds of the Company; (ii) equity-settled share-based payment in relation to the share options granted under the Pre-IPO Share Option Plan as defined in the prospectus of the Company dated November 30, 2021 and (iii) the non-recurring expense(2). The Group eliminates the potential impacts of these items that the management does not consider to be indicative of the Group's operating performance, as they are either non-operating or non-recurring expenses of the Group.

Adjusted net profit for the year ended December 31, 2021 increased by 85% from approximately RMB84.7 million for the year ended December 31, 2020 to approximately RMB156.7 million for the year ended December 31, 2021, primarily due to the continuous and rapid growth in revenue of existing medical institutions.

	31 December 2021	31 December 2020
Losses for the year	**(506,886)**	(255,328)
Adjustments for[(1)]:		
Fair value changes of financial instrument	**419,490**	316,194
Equity-settled share option expense	**171,405**	15,361
Non-recurring expense[(2)]	**72,710**	8,482
Adjusted net profit	**156,719**	84,709

Notes:

(1) Non-cash, non-recurring or extraordinary items, is to be adjusted only if the amount is equal to or greater than RMB1 million.

(2) Non-recurring expenses mainly represented the legal and professional fees and miscellaneous expenses related to the Group's non-operating activities such as listing and group reorganization.

Liquidity, Financial Resources and Capital Structure

The Shares of the Company were successfully listed on the Main Board of the Stock Exchange on December 10, 2021. There has been no change in the capital structure of the Group since then. As at December 31, 2021, the issued share capital of the Company was US$23,039.6458 and the number of Share in issue was 230,396,458 of US$0.0001 each.

As at December 31, 2021, we had cash and cash equivalents of RMB1,030.7 million (December 31, 2020: RMB250.0 million), which were denominated in RMB. As at December 31, 2021 we had interest-bearing bank and other borrowings of an aggregate amount of RMB84.3 million (December 31, 2020: RMB145.1 million), which were denominated in RMB with interest rates from 4.04% to 6.00% per annum. Interests are charged at fixed rates and floating rates. The Group did not carry out any interest rate hedging policy.

The Group aims to maintain sufficient cash and credit lines to meet its liquidity requirements. The Group finances its working capital requirements through a combination of funds generated from operations and alternative funding resources from equity and debt. The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

Treasury Policy

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

Contingent Liabilities

As at December 31, 2021, we did not have any contingent liabilities.

Gearing Ratio

As of December 31, 2021, the gearing ratio (being the total interest-bearing borrowings divided by the total equity as of the end of the year) of the Group was 5.4%.

Foreign Currency Risk

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

Pledge of Assets

The following assets were pledged as securities for interest-bearing bank and other borrowings:

	2021	2020
	RMB'000	*RMB'000*
Trade receivables	—	16,256
Prepayments, other receivables and other assets	—	60,317
	—	76,573

Capital Expenditures

The capital expenditure during the year ended December 31, 2021 was primarily related to (i) purchases of property, plant and equipment; (ii) expenditures on renovation of our medical institutions, and (iii) expenditures on purchases of intangible assets such as software. For the year ended December 31, 2021, the Group incurred capital expenditure in an aggregate amount of approximately RMB53.0 million (2020: approximately RMB17.0 million), which are primarily attributable to the increase of expenditures on renovation.

Significant Investments Held

The Group did not hold any significant investments during the year ended December 31, 2021.

Material Acquisitions and Disposals

Save as the acquisitions, deregistration and disposals of certain subsidiaries disclosed in the Prospectus, the Company has no other material acquisitions or disposals of subsidiaries, associates and joint ventures during the year ended December 31, 2021.

Future Plans for Material Investments or Capital Assets

As at December 31, 2021, save for the "Future Plans and Use of Proceeds" disclosed in the Prospectus, the Group did not have any existing plan for acquiring other material investments or capital assets.

EMPLOYMENT AND REMUNERATION POLICY

As at December 31, 2021, the Group had 1,661 employees (December 31, 2020: 1,411 employees). For the year ended December 31, 2021, the staff cost of Group were approximately RMB218.9 million (2020: approximately RMB165.7 million), including pension and housing fund.

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

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

To maintain and enhance the knowledge and skill levels of workforce, employees are provided with internal training, including orientation programs for new employees and technical training for existing employees. External training opportunities are offered to management team and medical professionals.

FINAL DIVIDENDS

The Board does not recommend the distribution of a final dividend for the fiscal year ended December 31, 2021.

USE OF PROCEEDS FROM GLOBAL OFFERING

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

The following table sets out the intended use of the Net Proceeds, actual usage up to December 31, 2021, as well as the expected timeline for utilization:

	Net Proceeds and utilization				
	% of the Net Proceeds	**Amount available for utilization** *HK$ million*	**Utilized amount as of December 31, 2021** *HK$ million*	**Remaining amount as of December 31, 2021** *HK$ million*	**Expected timeline for utilization**[(1)]
To expand our offline and online operations and enhance the integration between them	69.9%	541.3	—	541.3	by the end of 2025
To enhance our research and development capabilities, including the research and development of in-hospital preparation and TCM solution packages	9.6%	74.8	—	74.8	by the end of 2025
To strengthen our supply chain capability, including upgrading our existing decocting centers and establishing new decocting centers according to our business expansion and setting up our own GMP facility in mid to long term based on business needs	9.6%	74.8	—	74.8	by the end of 2025
For marketing and branding activities	4.9%	38.3	—	38.3	by the end of 2025
For working capital and general corporate purposes	6.0%	46.7	8.0	38.7	by the end of 2025
Total	100.0%	775.9	8.0	767.9	

Note:

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

During the period from the Listing Date to the date of this announcement, the Group has utilized net proceeds of approximately HK$8.0 million from the global offering. The remaining net proceeds were deposited in banks as of the date of this announcement. The Group will gradually utilize the proceeds from the global offering in accordance with the intended purposes as set out in the Prospectus.

CORPORATE GOVERNANCE PRACTICES

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. During the Relevant Period, the Company has adopted the CG Code as set out in Appendix 14 to the Listing Rules as its own code of corporate governance. Save as disclosed below, the Company has complied with all applicable code provisions under the CG Code during the Relevant Period. 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 states that the roles of chairman of the board and chief executive should be separate and should not be performed by the same individual.

Mr. Tu is currently serving as the chairman of the Board as well as the chief executive officer of our Company. As Mr. Tu is the founder of our Group and has been managing our Group's business and overall strategic planning since its establishment. The Directors consider that vesting the roles of chairman and chief executive officer in Mr. Tu is beneficial to the business prospects and management of our Group by ensuring consistent leadership within our Group. The Board therefore considers it is appropriate to deviate from Code Provision C.2.1 of the CG Code in such circumstances. The Board will continue to review and consider splitting the roles of chairman of our Board and the chief executive officer of the Company at an appropriate time if necessary, taking into account the circumstances of our Group as a whole. Notwithstanding the foregoing, the Board considers that the management structure is effective for the operation of the Group and those adequate checks and balances have been put in place.

Code provision C.2.7 of the CG Code provides that the Chairman should at least annually hold a meeting with the independent non-executive directors without the presence of other Directors. As the Company was only listed on the Stock Exchange on December 10, 2021, which is less than one month away from December 31, 2021, the Chairman did not hold any meeting with the independent non-executive Directors from the Listing Date to December 31, 2021.

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. As the Company was only listed on the Stock Exchange on December 10, 2021, which is less than one month away from December 31, 2021, the Company did not hold four regular board meeting from the Listing Date to December 31, 2021. In the financial year of 2022, the Company will hold at least four regular board meetings.

Code provision D.3.3(e)(i) of the CG Code provides that the Audit Committee should liaise with the board and senior management and the Audit Committee must meet, at least twice a year, with the issuer's auditor. As the Company was only listed on the Stock Exchange on December 10, 2021, which is less than one month away from December 31, 2021, no Audit Committee meeting was held for the period from the Listing Date to December 31, 2021. In the financial year of 2022, the Audit Committee will hold at least two Audit Committee meetings.

Code provision E.1.2 of the CG Code and the terms of reference of the Remuneration Committee provide that the Remuneration Committee should make recommendations to the Board on the Company's policy and structure for all Directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy at least annually. As (i) there has been discussion among the Directors on the relevant matters prior to the Listing Date; and (ii) the Company was only listed on the Stock Exchange on December 10, 2021, which is less than one month away from December 31, 2021, there was no meeting convened by the Remuneration Committee since the Listing Date and up to December 31, 2021.

Code provision B.3.1 of the CG Code and the terms of reference of the Nomination Committee, provide that the Nomination Committee should review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy. As (i) there has been discussion among the Directors on the relevant matters prior to the Listing Date; and (ii) the Company was only listed on the Stock Exchange on December 10, 2021, which is less than one month away from December 31, 2021, there was no meeting convened by the Nomination Committee since the Listing Date and up to December 31, 2021.

MODEL CODE FOR SECURITIES TRANSACTIONS

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

Having made specific enquiries of all Directors, each of the Directors has confirmed that he/ she has complied with the required standards as set out in the Model Code for the Relevant Period. In addition, the Company is not aware of any non-compliance of the Model Code by the senior management members or relevant employees of the Group for the Relevant Period.

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

Since the Listing Date and up to December 31, 2021, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

MATERIAL LITIGATION

The Company was not involved in any material litigation or arbitration during the year ended December 31, 2021. The Directors are also not aware of any material litigation or claims that are pending or threatened against the Group since the Listing Date and up to the date of this announcement.

SUBSEQUENT EVENT

There is no subsequent event after the Reporting Period which has material impact to the Group.

SUFFICIENCY OF PUBLIC FLOAT

Based on information publicly available to the Company and to the best knowledge of the Directors, at least 25% of the Company's total issued Shares, the prescribed minimum percentage of public float approved by the Stock Exchange and permitted under the Listing Rules, was held by the public at all times during the period from the Listing Date to the date of this announcement.

AUDIT COMMITTEE

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

The Audit Committee has, together with the management of the Company, reviewed the accounting practice and policies adopted by the Group and the consolidated financial statements for the year ended December 31, 2021, and has recommended for the Board's approval thereof.

REVIEW OF PRELIMINARY ANNOUNCEMENT OF RESULTS BY THE INDEPENDENT AUDITOR

The figures in respect of the Group's results for the year ended December 31,2021 as set out in this preliminary announcement have been agreed by the Group's independent auditor to the amounts set out in the Group's consolidated financial statements for the year. The work performed by the Group's independent auditors in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently, no assurance has been expressed by the Group's independent auditors on this preliminary announcement of results.

ANNAUL GENERAL MEETING

The AGM of the Company will be held on June 16, 2022. A notice convening the AGM will be published on the Company's website and the Stock Exchange's website and despatched to the Shareholders in accordance with the requirements of the Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from June 13, 2022 to June 16, 2022, both days inclusive. During such period, no transfer of Shares of the Company will be registered. The record date for determining the eligibility to attend the forthcoming AGM to be held on June 16, 2022 will be June 16, 2022. In order to be eligible for attending the AGM, all completed transfer forms accomplished by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen‘s Road East, Hong Kong, for registration not later than 4:30 p.m. on June 10, 2022.

PUBLICATION OF THE ANNUAL RESULT AND THE 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) and the Company (www.gstzy.cn), and the 2021 annual report containing all the information required by the Listing Rules will be despatched to the Shareholders and published on the respective websites of the Stock Exchange and the Company on or before April 30, 2022.

DEFINITIONS AND GLOSSARIES

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

"AGM"	annual general meeting of the Company
"associates"	has the meaning ascribed thereto under the Listing Rules
"Audit Committee"	the audit committee of the Board
"Bailu"	an online healthcare platform operated by our Group after the acquisition
"Board"	the board of directors of the Company
"CAGR"	compound annual growth rate
"CG Code"	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"Chairman"	the Chairman of the Board
"China" or the "PRC"	the People's Republic of China, but for the purpose of this announcement and for geographical reference only, reference herein to "China" and the "PRC" do not apply to Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Company"	GUSHENGTANG HOLDINGS LIMITED (固生堂控股有限公司), an exempted company with limited liability incorporated under the laws of the Cayman Islands on May 8, 2014
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented, or otherwise modified from time to time
"Controlling Shareholder(s)"	has the meaning ascribed thereto under the Listing Rules and, unless the context otherwise requires, refers to Mr. Tu, Action Thrive Group Limited, Celestial City Investment Limited, Dream True Limited and Wumianshan Ltd.

"COVID-19"	Novel coronavirus pneumonia
"Designated Medical Institutions"	medical institutions designated by the relevant local medical insurance authority as ones that are permitted to treat patients covered by public medical insurance programs
"Director(s)"	director(s) of the Company
"ERP"	enterprise resource planning system, a business process management system consisting of integrated software applications that help manage a business and automate many back office functions related to technology, service and human resources
"Frost & Sullivan"	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., a global market research and consulting company, which is an independent third party
"GMP"	Good Manufacturing Practice of Pharmaceutical Products (藥品生產質量管理規範), which are guidelines and regulations issued to ensure that pharmaceutical products within those guidelines and regulations are consistently produced and controlled to the quality and standards appropriate for their intended use
"Group", "we", or "our"	our Company, our subsidiaries and controlled affiliated entities controlled by us through contractual arrangements at the relevant time
"HK$"	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
"HKFRS"	Hong Kong Financial Reporting Standards
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Stock Exchange" or "Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange on December 10, 2021

"Listing Date"	the date, namely December 10, 2021, on which the Shares were listed on the Stock Exchange and from which dealings in the Shares were permitted to commence on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the GEM of the Stock Exchange
"Model Code"	the Model Code for Securities Transaction by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"Mr. Tu"	Mr. Tu Zhiliang (涂志亮), the executive Director, the chairman of the Board, the chief executive officer of our Company, and one of our Controlling Shareholders
"Nomination Committee"	the nomination committee of the Board
"OMO"	online-merge-offline
"Pre-IPO Share Option Plan"	the pre-IPO share option plan approved and adopted by our Company on March 31, 2021
"Prospectus"	the prospectus of the Company published on November 30, 2021
"Relevant Period"	the period from the Listing Date to the end of the Reporting Period
"Remuneration Committee"	the remuneration committee of the Board
"Reporting Period"	the twelve-month period from January 1, 2021 to December 31, 2021
"RMB" or "Renminbi"	the lawful currency of the PRC
"Share(s)"	ordinary share(s) in the share capital of the Company with nominal value of US$0.0001 each
"Shareholder(s)"	holder(s) of the Shares

"subsidiary(ies)"	has the meaning ascribed thereto under the Listing Rules
"TCM"	traditional Chinese medicine
"US$", "USD" or "U.S. dollars"	United States dollars, the lawful currency of the United States
"Wanjia Platform"	an online healthcare platform acquired by our Group and the business of which has been merged into Bailu upon the acquisition

By order of the Board
GUSHENGTANG HOLDINGS LIMITED
固生堂控股有限公司
TU Zhiliang
Chairman of the Board

Hong Kong, March 30, 2022

As at the date of this announcement, the Board of the Company comprises Mr. TU Zhiliang as Chairman and executive Director, Mr. JIANG Xiaodong, Mr. HUANG Jingsheng, Mr. XU Yongjiu, Mr. LIU Kanghua and Mr. GAO Jian as non-executive Directors, Ms. JIN Xu, Mr. LI Tie and Mr. WU Taibing as independent non-executive Directors.