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, 2022

FINANCIAL HIGHLIGHTS

Revenue of the Group increased by 18.4% to RMB1,624.6 million for the year ended December 31, 2022 from RMB1,372.1 million for the year ended December 31, 2021.

Net profit of RMB183.6 million for the year ended December 31, 2022, compared to net loss of RMB506.9 million for the year ended December 31, 2021.

The adjusted net profit[(1)] increased by 28.1% to RMB200.8 million for the year ended December 31, 2022 from RMB156.7 million for the year ended December 31, 2021.

Note:

(1) Adjustments to net profit 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; and (iii) listing expense.

The Board is pleased to present the audited consolidated results of the Group for the year ended December 31, 2022 with the comparative figures for the same period in 2021 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended December 31,	
	Notes	**2022**	2021
		RMB'000	*RMB'000*
Revenue	*4*	**1,624,561**	1,372,099
Cost of sales		**(1,125,025)**	(751,795)
Gross profit		**499,536**	620,304
Other income and gains	*4*	**33,562**	22,314
Selling and distribution expenses		**(207,324)**	(413,526)
Administrative expenses		**(100,220)**	(248,034)
Fair value changes of convertible redeemable preferred shares and convertible bonds		**—**	(419,490)
Other expenses		**(9,791)**	(52,238)
Finance costs		**(17,615)**	(28,403)
Share of profits of associates		**561**	1,051
Profit/(Loss) before tax	*5*	**198,709**	(518,022)
Income tax (expenses)/credit	*6*	**(15,158)**	11,136
Profit/(Loss) for the year		**183,551**	(506,886)
Other comprehensive income			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**(122,813)**	8,284
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		**114,557**	28,737
Other comprehensive (loss)/income for the year, net of tax		**(8,256)**	37,021
Total comprehensive income/(loss) for the year		**175,295**	(469,865)

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

	Notes	Year ended December 31, 2022 RMB'000	2021 RMB'000
Profit/(loss) attributable to:			
Owners of the parent		**183,294**	(507,069)
Non-controlling interests		**257**	183
		183,551	(506,886)
Total comprehensive income/(loss) attributable to:			
Owners of the parent		**175,038**	(470,048)
Non-controlling interests		**257**	183
		175,295	(469,865)
Earnings/(Loss) per share attributable to ordinary equity holders of the parent			
Basic			
— For profit/(loss) for the year	*8*	**0.80**	(4.38)
Diluted			
— For profit/(loss) for the year	*8*	**0.77**	(4.38)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at December 31,	
	Notes	**2022**	2021
		RMB'000	*RMB'000*
Non-current assets			
Property, plant and equipment		**70,863**	64,803
Right-of-use assets		**268,469**	248,143
Goodwill	*9*	**816,672**	688,615
Other intangible assets		**27,757**	31,425
Investments in associates		**6,069**	11,004
Prepayments, other receivables and other assets		**28,407**	10,814
Deferred tax assets		**35,775**	40,164
Total non-current assets		**1,254,012**	1,094,968
Current assets			
Inventories		**104,855**	77,364
Trade receivables	*10*	**89,411**	72,696
Prepayments, deposits and other receivables		**135,583**	109,294
Financial assets at fair value through profit or loss		**35,432**	3,207
Restricted cash		**—**	3,567
Cash and cash equivalents	*11*	**994,330**	1,030,704
Total current assets		**1,359,611**	1,296,832
Current liabilities			
Trade and bills payables	*12*	**164,305**	161,332
Other payables and accruals		**299,958**	276,617
Interest-bearing bank and other borrowings	*13*	**18,214**	17,478
Lease liabilities		**57,418**	57,458
Provisions		**—**	121
Tax payable		**14,422**	8,129
Total current liabilities		**554,317**	521,135
Net current assets		**805,294**	775,697
Total assets less current liabilities		**2,059,306**	1,870,665

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

	Notes	**As at December 31, 2022** **RMB'000**	2021 *RMB'000*
Non-current liabilities			
Interest-bearing bank and other borrowings	*13*	**52,957**	66,835
Lease liabilities		**222,698**	203,594
Other payables and accruals		**56,062**	44,638
Deferred tax liabilities		**5,455**	6,187
Total non-current liabilities		**337,172**	321,254
Net assets		**1,722,134**	1,549,411
Equity			
Equity attributable to owners of the Company			
Share capital		**147**	147
Shares held for share award schemes		**(20,121)**	—
Reserves		**1,741,040**	1,548,747
		1,721,066	1,548,894
Non-controlling interests		**1,068**	517
Total equity		**1,722,134**	1,549,411

NOTES TO FINANCIAL 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.

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

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

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

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

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

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

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

2.2 Changes in accounting policies and disclosures

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

Amendment to HKFRS 3	*Reference to the Conceptual Framework*
Amendment to HKFRS 16	*Covid-19-Related Rent Concessions beyond 30 June 2021*
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*
Amendments to HKAS 37	*Onerous Contracts — Cost of Fulfilling a Contract*
Annual Improvements to HKFRSs 2018–2020	*Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16 and HKAS 41*

The nature and the impact of the revised HKFRSs that are applicable to the Group are described below:

(a) Amendments to HKFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* (the "**Conceptual Framework**") issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the year, the amendments did not have any impact on the financial position and performance of the Group.

(b) Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items as determined by HKAS 2 Inventories, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced prior to the property, plant and equipment being available for use, the amendments did not have any impact on the financial position or performance of the Group.

(c) Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

(d) Annual Improvements to HKFRSs 2018–2020 sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendment that is applicable to the Group are as follows:

HKFRS 9 Financial Instruments: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively from 1 January 2022. As there was no modification or exchange of the Group's financial liabilities during the year, the amendment did not have any impact on the financial position or performance of the Group.

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 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendment to HKFRS 16	*Lease Liability in a Sale and Leaseback*[2]
HKFRS 17	*Insurance Contracts*[1]
Amendments to HKFRS 17	*Insurance Contracts*[1,5]
Amendment to HKFRS 17	*Initial Application of HKFRS 17 and HKFRS 9 — Comparative Information*[6]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current (the "**2020 Amendments**")* [2,4]
Amendments to HKAS 1	*Non-current Liabilities with Covenants (the "**2022 Amendments**")*[2]
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*[1]
Amendments to HKAS 8	*Definition of Accounting Estimates*[1]
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[1]

1 Effective for annual periods beginning on or after 1 January 2023

2 Effective for annual periods beginning on or after 1 January 2024

3 No mandatory effective date yet determined but available for adoption

4 As a consequence of the 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1 January 2024. In addition, as a consequence of the 2020 Amendments and 2022 Amendments, 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 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

6 An entity that chooses to apply the transition option relating to the classification overlay set out in this amendment shall apply it on initial application of HKFRS 17

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:

	2022	2021
	RMB'000	*RMB'000*
Revenue from contracts with customers	**1,624,561**	1,372,099

(i) Disaggregated revenue information

	2022	2021
	RMB'000	*RMB'000*
Types of goods or service		
Healthcare solutions	**1,595,717**	1,342,996
Sale of healthcare products	**28,844**	29,103
	1,624,561	1,372,099
Timing of revenue recognition		
Revenue from contracts with customers	**1,624,561**	1,372,099

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:

	2022	2021
	RMB'000	*RMB'000*
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Healthcare solutions	**38,834**	24,429

(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 recognised 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:

	2022 ***RMB'000***	2021 *RMB'000*
Amounts expected to be recognised as revenue within one year	**38,834**	24,429

Other income and gains

	2022	2021
	RMB'000	*RMB'000*
Interest income	**14,055**	3,525
Government grants*	**11,779**	825
Covid-19-related rent concessions from lessors	**4,355**	—
Fair value gains on financial assets at fair value through profit or loss, net	**1,093**	—
Rental income	**1,084**	1,405
Foreign exchange differences, net	**—**	15,303
Gain on disposal of partial interest in an associate	**310**	—
Others	**886**	1,256
	33,562	22,314

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

5. Profit/(Loss) before tax

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

	2022	2021
	RMB'000	*RMB'000*
Cost of provision of healthcare solutions	**1,107,644**	735,635
Cost of sale of healthcare products	**17,381**	16,160
Depreciation of property, plant and equipment	**31,627**	25,985
Amortisation of other intangible assets#	**4,204**	4,058
Depreciation of right-of-use assets	**72,062**	63,800
Lease payments not included in the measurement of lease liabilities	**4,045**	849
Auditor's remuneration	**3,828**	3,300
Listing expenses*	**—**	42,707
Employee benefit expense (excluding directors' remuneration):		
Wages and salaries	**231,005**	187,246
Equity-settled share-base payments	**2,272**	124,126
Pension scheme contributions	**39,911**	31,676
	273,188	343,048
Foreign exchange differences, net	**4,550***	(15,303)**
Fair value losses on convertible redeemable preferred shares	**—**	409,553
Fair value loss on convertible bonds	**—**	9,937
Fair value (gain)/loss on financial assets at fair value through profit or loss, net	**(1,093)****	4,755*
Impairment of trade receivables*	**679**	353
Loss on disposal of items of property, plant and equipment*	**285**	—
Gain on disposal of partial interest in an associate**	**(310)**	—

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

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

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

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 5% during the reporting period.

Hong Kong

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

	2022	2021
	RMB'000	*RMB'000*
Current	**11,501**	6,300
Deferred	**3,657**	(17,436)
Total tax charge for the year	**15,158**	(11,136)

7. Dividends

No dividend was proposed for the years ended December 31, 2022 and 2021.

8. Earnings/(loss) per share attributable to ordinary equity holders of the parent

The calculation of the basic earnings (2021: loss) per share amounts is based on the earnings (2021: loss) for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 230,272,209 (2021: 115,752,462) in issue during the year, as adjusted to reflect the rights issue during the year.

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

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

	2022	2021
	RMB'000	*RMB'000*
Earnings/(loss)		
Earnings/(loss) attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculations	**183,294**	(507,069)
	Number of shares	
Shares		
Weighted average number of ordinary shares in issue	**230,396,458**	115,752,462
Weighted average number of ordinary shares held for the share award scheme	**(124,249)**	—
Weighted average number of ordinary shares in issue used in the basic earnings per share calculation	**230,272,209**	115,752,462
Effect of dilution — weighted average number of ordinary shares:		
Share options	**8,777,679**	—*
	239,049,888	115,752,462

* No adjustment has been made to the basic loss per share amount for the year ended 31 December 2021 in respect of a dilution as the impact of share option outstanding had an anti-dilution effect on the basic loss per share amount.

9. Goodwill

	2022	2021
	RMB'000	*RMB'000*
At the beginning of the year:		
Cost	**691,165**	547,660
Accumulated impairment	**(2,550)**	(2,550)
Net carrying amount	**688,615**	545,110
Cost at the beginning of the year, net of accumulated impairment	**688,615**	545,110
Acquisition of subsidiaries	**128,057**	143,505
At the end of the year	**816,672**	688,615
At the end of the year:		
Cost	**819,222**	691,165
Accumulated impairment	**(2,550)**	(2,550)
Net carrying amount	**816,672**	688,615

10. Trade receivables

	2022	2021
	RMB'000	*RMB'000*
Trade receivables	**90,740**	73,639
Impairment	**(1,329)**	(943)
	89,411	72,696

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:

	2022	2021
	RMB'000	*RMB'000*
Within three months	**80,970**	66,971
Three months to one year	**7,624**	5,129
Over one year	**817**	596
	89,411	72,696

11. Cash and cash equivalents

	2022	2021
	RMB'000	*RMB'000*
Cash and bank balances	**684,330**	634,271
Non-pledged time deposits with original maturity of less than three months when acquired	**310,000**	400,000
	994,330	1,034,271
Less: Restricted cash	**—**	(3,567)
Cash and cash equivalents	**994,330**	1,030,704
Denominated in:		
RMB	**935,646**	834,639
USD	**8,240**	1,888
HK$	**50,444**	194,177
	994,330	1,030,704

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:

	2022	2021
	RMB'000	*RMB'000*
Within three months	**114,621**	118,508
Three months to one year	**38,379**	26,940
Over one year	**11,305**	15,884
	164,305	161,332

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

13. Interest-bearing bank and other borrowings

	2022			2021		
	Effective interest rate (%)	**Maturity**	***RMB'000***	Effective interest rate (%)	Maturity	*RMB'000*
Current						
Bank loan-unsecured	**4.04–4.50**	**2022**	**9,508**	4.04–4.09	2022	9,508
Other borrowing	**6.00**	**2022**	**8,706**	6.00	2022	7,970
			18,214			17,478
Non-current						
Bank loans-unsecured	**4.04–4.50**	**2024–2025**	**9,428**	4.20–5.60	2023–2024	19,017
Other borrowing	**6.00**	**2023–2029**	**43,529**	6.00	2023–2029	47,818
			52,957			66,835
			71,171			84,313

	2022	2021
	RMB'000	*RMB'000*
Analysed into:		
Bank loans:		
Within one year or on demand	**9,508**	9,508
In the second year	**9,428**	9,508
In the third to fifth years, inclusive	**—**	9,509
	18,936	28,525
Other borrowing:		
Within one year or on demand	**8,706**	7,970
In the second year	**8,706**	7,970
In the third to fifth years, inclusive	**26,118**	23,909
Beyond five years	**8,705**	15,939
	52,235	55,788
	71,171	84,313

Notes:

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

(b) There was no asset pledged as security for interest-bearing bank borrowings (2021: Nil)

(c) The Group's bank and other facilities amounted to RMB254,115,000 (2021: RMB569,393,000), of which RMB98,171,000 (2021: RMB92,282,000) had been utilized as at 31 December 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

As a TCM healthcare service provider in China, we provide customers with a comprehensive range of TCM healthcare services and products through our offline medical institutions and online healthcare platforms. For the year ended December 31, 2022, we continued to focus on primary care and adhere to our core value of better serving our customers with "conscientious physicians, reliable pharmaceuticals (良心醫, 放心藥)." Our comprehensive healthcare solutions that cover the whole process of disease diagnosis and treatment and healthcare management have the following key characteristics:

Integration of offline medical institutions and online healthcare platforms

With the rapid development of internet technology, more and more TCM healthcare service providers in China are integrating offline medical institutions and online healthcare platforms 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. Since we launched online appointment, follow-up consultation, diagnosis and prescription services on our official WeChat account in 2018, we have been capable of providing both offline and online healthcare solutions through our medical service network. We believe we are one of the first TCM healthcare service providers to utilize online healthcare platforms and effectively connect offline medical service network with online platforms and are thus well positioned to benefit from favorable government policies encouraging the development of online healthcare services. On the one hand, the development of our online healthcare services enables us to utilize medical resources and expand our customer coverage more effectively. On the other hand, we are able to strategically choose cities for offline expansion based on the activeness of online physicians and customers.

Combination of TCM and western medicine

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

Standardized and digitalized operations

We have been continuously strengthening the standardization and digitalization of our operations to provide an optimized customer experience and achieve better operational efficiency as well as resource sharing within our medical service network.

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

2. We have established a client relationship management (the "**CRM**") system on the medical-affair side to integrate our development and management of medical professional teams. Capitalizing on the CRM system, we are able to conduct digital analytics on daily operations and management of medical professional teams using digital statistics, thereby improving their operational efficiency.

3. We have built an intelligent prescription review platform embedded with compliance requirements under national reimbursement programs (國家醫保報銷方案), thereby conducting compliance control leveraging information technologies.

4. We have built a closed-loop enterprise resource planning (the "**ERP**") system that covers our whole business process to enhance our digital operation and management, thereby further improving management efficiency through comprehensive and systematic management of supply chain, sales, inventories and accounting.

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

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

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

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

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

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

In October 2022, the National Administration of Traditional Chinese Medicine issued the *14th Five-year Plan for the Development of Traditional Chinese Medicine Talent* (《「十四五」中醫藥人才發展規劃》), which provided policy support in terms of (i) improving the system of TCM talent cultivation; (ii) increasing the number of TCM talent; (iii) enhancing the quality of TCM talent; (iv) optimizing the deployment of TCM talent; and (v) improving the evaluation system for TCM talent. Such plan accelerates the cultivation of high-quality TCM talent and helps us acquire more physician resources.

In November 2022, the National Health Commission, the National Administration of Traditional Chinese Medicine and the National Administration of Disease Control and Prevention (國家疾病預防控制局) jointly issued the *14th Five-year Plan for the National Health Informatization* (《「十四五」全民健康信息化規劃》), which deployed the action of "Internet + TCM healthcare services," the demonstrative action of establishing intelligent hospitals, etc., to further promote the in-depth integration of new-generation information technology and healthcare industry. With the application of internet technology in the TCM healthcare services, an industry chain of "Internet + TCM healthcare services" covering the preventative care before consultation, treatment during consultation and rehabilitation after consultation is forming. The plan rejuvenates the conventional TCM healthcare services and provides long-term policy support for our OMO operations.

During the Reporting Period, we generated our revenue primarily from (i) provision of healthcare solutions; and (ii) sale of healthcare products. Our revenue derived from provision of healthcare solutions for the year ended December 31, 2022 was primarily affected by a series of factors including the scale of our offline and online medical service network, the number of our customers and their spending during the year. Our revenue derived from sale of healthcare products for the year ended December 31, 2022 was primarily affected by the type and volume of valuable medicinal and nourishment sold during the year, the unit price of which may vary significantly. Generally, when the sales volume of valuable medicinal and nourishment with high unit price increased, we would generate more revenue from sale of healthcare products.

We have been actively expanding our business footprint in China. As of December 31, 2022, we owned and operated 48 medical institutions in Beijing, Shanghai, Guangzhou, Shenzhen, Foshan, Zhongshan, Fuzhou, Nanjing, Suzhou, Ningbo, Wuxi, Hangzhou, Zhengzhou and Wenzhou, all of which were private for-profit medical institutions operated under our brand name "Gushengtang (固生堂)." In addition, we owned and operated a variety of online channels as of December 31, 2022, including official websites, mobile applications, official WeChat accounts and mini programs. We also owned and operated five offline pharmacies for our sale of healthcare products as of December 31, 2022. Moreover, we had established collaborative relationships with 13 third-party online platforms as of December 31, 2022, through which we primarily provided online appointment services to customers.

During the Reporting Period, we had expanded our medical service network through strategically acquiring offline medical institutions and establishing new offline medical institutions. We acquired Beijing Guozong Jishi Traditional Chinese Medicine Hospital Co., Ltd. (北京國宗濟世中醫醫院有限公司) in May 2022. In addition, Beijing City Kunlun Hospital Co., Ltd. (北京市昆侖醫院有限公司), which was acquired by us in January 2021, commenced operations in June 2022 upon the completion of its renovation. As a result of the foregoing, we owned and operated four offline medical institutions in Beijing as of December 31, 2022, which enhanced our TCM healthcare service capability, brand influence and competitiveness in Beijing, increased our market share in the local TCM healthcare service market, and facilitated as well as consummated our deployment in the TCM healthcare service industry in Beijing. In October 2022, we entered into an equity transfer agreement with the shareholders of Hangzhou Datong Traditional Chinese Medicine Out-patient Department Co., Ltd. (杭州大同中醫門診部有限公司) (the "**Hangzhou Datong**") to acquire 93% equity interest of Hangzhou Datong. Such acquisition was completed in November 2022. In the same month, we entered into an equity transfer agreement with the shareholders of Shanghai Qiancheng Nursing Home Co., Ltd. (上海千誠護理院有限公司) (the "**Qiancheng Nursing Home**") and the shareholders of Hangzhou Huiyuantang Sinopharm Co., Ltd. (杭州回元堂國藥館有限公司) (the "**Huiyuantang Sinopharm**"), respectively, to acquire 100% equity interest of Qiancheng Nursing Home and Huiyuantang Sinopharm. Both acquisitions were completed in January 2023. These acquisitions further expanded our offline medical service network and enlarged our market share in East China. Furthermore, our three self-established medical institutions, namely Zhengzhou Gushengtang TCM Health Consulting Co., Ltd. (Zhengzhou Jinshui Branch) (鄭州固生堂中醫健康諮詢有限公司(鄭州金水分院)), Shenzhen Gushengtang Longhua TCM Out-patient Department Co., Ltd. (Shenzhen Longhua Branch) (深圳固生堂隆樺中醫門診部(深圳隆樺分院)) and Wenzhou Lucheng Gushengtang TCM Out-patient Department Co., Ltd. (Wenzhou Lucheng Branch) (溫州鹿城固生堂中醫門診部有限公司(溫州鹿城分院)), commenced operations in December 2022, which expanded our business footprints in new cities while securing a steady growth for our existing business presence. Adhering to our existing strategies, we strive to achieve high-quality business expansion and increase the geographic coverage and market share of our medical service network.

We have also enhanced our collaboration in medical consortia and collaborated with more public hospitals and TCM universities, fully unleashing the potential of medical consortia to facilitate the sinking of high-quality physician resources to the grass-roots level in an orderly manner. During the Reporting Period, we successively entered into collaboration agreements or letters of intent on collaboration with multiple hospitals.

In December 2022, we obtained the Registration Approval for Medical Institutions on TCM In-hospital Preparations (醫療機構傳統中藥製劑備案憑證) from Guangdong Medical Products Administration (廣東省藥品監督管理局) for our first TCM in-hospital preparation named Nasal Congestion Relief Granules (通竅止涕鼻舒顆粒), which marked a substantial progress for our development of TCM in-hospital preparations. The Nasal Congestion Relief Granules were derived from a proven TCM formula intended for the treatment of allergic rhinitis, sinusitis, adenoid hypertrophy and snoring, which has been used clinically in our medical service network for over five years. As a giant step forward for the productization of our healthcare solutions, obtaining such registration approval can improve our prescription efficiency and better monetize our high-quality healthcare resources.

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

	Year ended December 31,	
	2022	2021
New customers[1]	**551,999**	526,820
Accumulated customers at the end of each year[2]	**2,732,824**	2,180,825
Customer visits (thousands)	**2,945**	2,673
Accumulated customer visits at the end of each year (thousands)	**12,874**	9,929
Customer return rate[3] (%)	**64.0**	62.8
Average spending per customer visit (RMB)	**552**	513

Notes:

(1) Refer to customers who received healthcare solutions or purchased healthcare products provided by us for the first time.

(2) Refer to, as of the end of any financial year, the total number of customers who had ever visited our medical service network to receive any healthcare solution or purchase any healthcare product at any time on or before the end of such financial year.

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

We endeavour to establish long-term relationships with our customers and attract customers to join our membership program to enhance customer loyalty. Through our dedicated efforts, our members have shown higher loyalty and consumption willingness compared with our other customers. We benefit from the word-of-mouth publicity arising from the recognition of our services, products and brand by our members. The following table sets forth certain key information in connection with our membership program for the years indicated:

	Year ended December 31,	
	2022	2021
Number of members who had made spending in our medical service network	**203,108**	138,328
Member visits (thousands)	**897**	752
Member return rate[1] (%)	**86.4**	87.3
Average spending per member (RMB)	**2,673**	3,118
Average spending per non-member customer (RMB)	**1,596**	1,537

Note:

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

IMPACT OF THE COVID-19 PANDEMIC

The outbreak and spread of the COVID-19 pandemic had materially and adversely affected global economy. During the Reporting Period, the highly transmissible Delta and Omicron variants of the COVID-19 caused many government authorities to reimpose measures to contain the spread of the pandemic. Local healthcare administrative authorities in China imposed controls on healthcare services except for those in need for urgent medical attention. Patients suffering from chronic diseases generally avoided visiting medical institutions and pharmacies to minimize the risk of infection. During the Reporting Period, 30 offline medical institutions in our medical service network suspended operations for approximately 31 days on average. Specifically, during the Reporting Period, four offline medical institutions in Beijing suspended operations for approximately six days on average, seven offline medical institutions in Guangzhou, Guangdong province suspended operations for approximately 12 days on average, two offline medical institutions in Nanjing, Jiangsu province suspended operations for approximately 31 days on average, five offline medical institutions in Shenzhen, Guangdong province suspended operations for approximately 29 days on average, seven offline medical institutions in Shanghai suspended operations for approximately 53 days on average, three offline medical institutions in Suzhou, Jiangsu province suspended operations for approximately 75 days on average, one offline medical institution in Wuxi, Jiangsu province suspended operations for 10 days, and one offline medical institution in Fuzhou, Fujian province suspended operations for three days. Any prolonged spread or emergence of variation of COVID-19 pandemic could materially and adversely affect customer demand for our offline healthcare services and products.

However, the outbreak and spread of the COVID-19 pandemic have improved public awareness on health and sanitation in China. In the meantime, the outbreak and spread of the COVID-19 pandemic have facilitated the popularization of TCM healthcare services and products as well as the promulgation of favorable government policies which encourage the development of online healthcare services.

Since early December 2022, the government authorities in China announced 10 new measures for dealing with COVID-19 pandemic, which eased the restrictions previously imposed to contain the spread of the pandemic. The surge in infected population in China in late 2022 caused impacts on our business operations. We promptly expanded our service scope to include the treatment of COVID-19 through both offline and online channels. As many COVID-19 convalescents were suffering from sequelae such as cough and fatigue, we launched COVID-19 rehabilitation services capitalizing on the superiority of TCM in treating such symptoms and have served a large number of patients.

Our Directors consider the negative impacts caused by the COVID-19 pandemic were immaterial to the operational and financial performance of our Group during the Reporting Period. As there remain uncertainties as to the development of the pandemic, we will continue to closely monitor the indicators of the COVID-19 pandemic and proactively take timely measures to prevent its transmission within our medical service network and minimize any potential negative impact on our operations. To better cope with the COVID-19 pandemic, we have also allocated more resources to improve our business performance and boost promotion.

BUSINESS PROSPECT

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

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

1. **Continue to adopt the mentorship model in training TCM talents, aiming to cultivate and build a high-caliber team of young physicians.** The "Gushengtang" Reputable TCM Great Master Inheritance Studio (「固生堂」名中醫傳承工作室) and our OMO platform have achieved initial success in training young physicians. Our OMO platform has lifted the geographical restrictions and allows outstanding experts from various geographical regions to share their clinical experience and academic achievements with young talents efficiently, which can accelerate our team building of full-time physicians. With sufficient physician resources, the "Gushengtang" Reputable TCM Great Master Inheritance Studio provides quality assurance for comprehensive TCM healthcare services (including prevention, treatment, healthcare management and other personalized healthcare services) and allows outstanding experts to focus on clinical efficacy and customer experience in the process of diagnosis and treatment, thereby achieving a win-win service model for physicians and customers.

2. **Empower healthcare services with digitalization and "Internet +."** In line with the policies to encourage the development of "Internet +" TCM healthcare services as promulgated by the PRC government, we plan to launch smart hardware devices (such as four-examination instruments (四診儀)) to improve our auxiliary diagnosis and treatment capabilities in remote TCM healthcare services, leveraging which we expect to achieve a more extensive customer outreach. Through digital operations, we can provide customer service in a sophisticated way to improve customer retention rate as well as average revenue per customer constantly. Leveraging our digitalization capabilities, we expect to enhance economies of scale and operational efficiency of supply chain while securing the consistent quality of our healthcare services. In the future, we will continue to explore new membership service models (such as family doctor services) to attract new members. We will also continue to provide high-quality services to our members.

3. **Further enhance our investments in research and development to achieve the productization and standardization of healthcare solutions.** We have completed trial production for several in-hospital preparations, the indications of which include hair loss, rhinitis, infertility and digestive symptoms, for which we plan to apply for registration numbers. Our in-hospital preparation center has completed engineering construction, equipment acceptance and trial production, and has obtained the Medical Institution Preparation License (《醫療機構製劑許可證》). Consequently, it can be used to conduct mass production for in-hospital preparations for which we have obtained registration numbers, thereby achieving the productization of healthcare solutions. In December 2022, we obtained the Registration Approval for Medical Institutions on TCM In-hospital Preparations for our first TCM in-hospital preparation named Nasal Congestion Relief Granules, which marked a substantial progress for our development of TCM in-hospital preparations. See "— Business Review" for details. In the future, we expect to further increase our investments in this regard to produce more in-hospital preparations.

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

For details on the use of proceeds from global offering, see the section headed "Use of Proceeds from Global Offering" in this announcement.

FINANCIAL REVIEW

Revenue Breakdown

Revenue by Business Segment

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

	Year ended December 31,				Year on year fluctuation
	2022		2021		2022/2021
	Revenue *(RMB'000)*	**% of total** (%)	Revenue *(RMB'000)*	% of total (%)	(%)
Provision of healthcare solutions	**1,595,717**	**98.2**	1,342,996	97.9	18.8
Sale of healthcare products	**28,844**	**1.8**	29,103	2.1	(0.9)
Total	**1,624,561**	**100.0**	1,372,099	100.0	18.4

Our consolidated revenue increased by 18.4% from RMB1,372.1 million for the year ended December 31, 2021 to RMB1,624.6 million for the year ended December 31, 2022, primarily attributable to the increase in revenue generated from provision of healthcare solutions.

Revenue from Provision of Healthcare Solutions

Our revenue derived from provision of healthcare solutions increased by 18.8% from RMB1,343.0 million for the year ended December 31, 2021 to RMB1,595.7 million for the year ended December 31, 2022, primarily attributable to the business expansion of our online healthcare platforms and the increased revenue generated by our newly acquired and existing offline medical institutions.

Revenue from Sale of Healthcare Products

Our revenue derived from sale of healthcare products remained relatively stable at RMB29.1 million for the year ended December 31, 2021 and RMB28.8 million for the year ended December 31, 2022.

Revenue by Settlement Method

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

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

	Year ended December 31,				Year on year fluctuation
	2022		2021		2022/2021
	Revenue	**% of total**	Revenue	% of total	
	(RMB'000)	**(%)**	*(RMB'000)*	(%)	(%)
National reimbursement programs	**468,395**	**28.8**	380,858	27.8	23.0
— *Social pooling*	**257,401**	**15.8**	181,044	13.2	42.2
— *Individual accounts*	**210,994**	**13.0**	199,814	14.6	5.6
Others(1)	**1,156,166**	**71.2**	991,241	72.2	16.6
Total	**1,624,561**	**100.0**	1,372,099	100.0	18.4

Note:

(1) Refer to revenue generated from customers' settlements through commercial medical insurances, cash, bank cards and third-party online payment platforms.

The proportion of our revenue derived from settlement through national reimbursement programs in our total revenue increased from 27.8% for the year ended December 31, 2021 to 28.8% for the year ended December 31, 2022, primarily because (i) certain of our offline medical institutions became qualified as Designated Medical Institutions in 2022 and therefore became eligible for settling medical fees through national reimbursement programs; and (ii) certain local public medical insurance bureaus increased the specific percentages of medical fees that could be settled through national reimbursement programs.

Revenue by Channel

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

	Year ended December 31,				Year on year fluctuation
	2022		2021		2022/2021
	Revenue	**% of total**	Revenue	% of total	
	(RMB'000)	**(%)**	*(RMB'000)*	(%)	(%)
Offline medical institutions(1)	**1,364,921**	**84.0**	1,218,892	88.8	12.0
Online healthcare platforms	**259,640**	**16.0**	153,207	11.2	69.5
Total	**1,624,561**	**100.0**	1,372,099	100.0	18.4

Note:

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

Our revenue derived from offline medical institutions increased by 12.0% from RMB1,218.9 million for the year ended December 31, 2021 to RMB1,364.9 million for the year ended December 31, 2022, which was in line with the business growth of our newly acquired and existing offline medical institutions. Our revenue derived from online healthcare platforms increased by 69.5% from RMB153.2 million for the year ended December 31, 2021 to RMB259.6 million for the year ended December 31, 2022, primarily because (i) we generated more revenue from customers in certain geographical regions such as Henan province, Sichuan province, Hubei province and Hunan province, where our online business ramped up rapidly; and (ii) the customer visits of our online business increased in 2022.

Cost of Sales

During the Reporting Period, our cost of sales primarily consisted of cost of physicians, cost of materials and the regular operating expenses including cost of non-physician staff worked at offline medical institutions, depreciation of right-of-use assets and utilities fees for offline medical institutions (the "**Additional Operating Expenses for Offline Medical Institutions**"). Our cost of sales increased by 49.6% from RMB751.8 million for the year ended December 31, 2021 to RMB1,125.0 million for the year ended December 31, 2022.

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

	Year ended December 31,				Year on year fluctuation
	2022		2021		2022/2021
	Cost of sales	**% of total**	Cost of sales	% of total	
	(RMB'000)	**(%)**	*(RMB'000)*	(%)	(%)
Cost of physicians and cost of materials	**884,109**	**78.6**	751,795	100.0	17.6
Additional Operating Expenses for Offline Medical Institutions[1]	**240,916**	**21.4**	—	—	N/A
Total	**1,125,025**	**100.0**	751,795	100.0	49.6
Cost of sales — simulated adjustment[2]					
Cost of physicians and cost of materials	**884,109**	**100.0**	751,795	100.0	17.6
Total	**884,109**	**100.0**	751,795	100.0	17.6

Notes:

(1) Additional Operating Expenses for Offline Medical Institutions that were previously recognized as selling and distribution expenses for the year ended December 31, 2021 were recognized as cost of sales for the year ended December 31, 2022.

(2) Simulated analysis was presented by the management for the purpose of facilitating year on year comparisons, assuming that the Operational Restructuring (as defined below) did not occur.

With an operational restructuring (the "**Operational Restructuring**"), our offline medical institutions solely focused on healthcare services and did not assume marketing functions any more. Therefore, more depreciation and amortization expenses related to right-of-use assets and renovation of offline medical institutions were allocated to cost of sales for the year ended December 31, 2022, as compared to the year ended December 31, 2021. In the meantime, as we centralized marketing functions to enhance marketing efficiency under OMO operations, non-physician staff worked at offline medical institutions turned to focus on healthcare services to improve customer satisfaction, and therefore have been regarded as part of our service team. As a result, more staff costs were recognized as cost of sales for the year ended December 31, 2022, as compared to the year ended December 31, 2021. Under simulated adjustment, our cost of sales would increase by 17.6% from RMB751.8 million for the year ended December 31, 2021 to RMB884.1 million for the year ended December 31, 2022, primarily due to (i) the continuous increase in cost of physicians mainly as a result of the expanded physician base; and (ii) the increase in cost of materials in line with our expanded business scale.

Gross Profit and Gross Profit Margin

Our gross profit decreased by 19.5% from RMB620.3 million for the year ended December 31, 2021 to RMB499.5 million for the year ended December 31, 2022, primarily due to a significant increase in cost of sales mainly as a result of the Operational Restructuring of our offline medical institutions.

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

	Year ended December 31,			
	2022		2021	
	Gross profit *(RMB'000)*	**Gross profit margin** (%)	Gross profit *(RMB'000)*	Gross profit margin (%)
Gross profit				
Provision of healthcare solutions	**488,073**	**30.6**	607,361	45.2
Sale of healthcare products	**11,463**	**39.7**	12,943	44.5
Total	**499,536**	**30.7**	620,304	45.2
Gross profit — simulated adjustment[(1)]				
Provision of healthcare solutions	**728,989**	**45.7**	607,361	45.2
Sale of healthcare products	**11,463**	**39.7**	12,943	44.5
Total	**740,452**	**45.6**	620,304	45.2

Note:

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

Under simulated adjustment, our gross profit would increase by 19.4% from RMB620.3 million for the year ended December 31, 2021 to RMB740.5 million for the year ended December 31, 2022, primarily attributable to the increase in the gross profit of provision of healthcare solutions. Under simulated adjustment, our gross profit of provision of healthcare solutions would increase by 20.0% from RMB607.4 million for the year ended December 31, 2021 to RMB729.0 million for the year ended December 31, 2022, which would be generally in line with the increase in revenue derived from provision of healthcare solutions. Our gross profit of sale of healthcare products decreased by 11.4% from RMB12.9 million for the year ended December 31, 2021 to RMB11.5 million for the year ended December 31, 2022, which was generally in line with the decrease in revenue derived from sale of healthcare products. Under simulated adjustment, our gross profit margin of provision of healthcare solutions would remain relatively stable at 45.2% for the year ended December 31, 2021 and 45.7% for the year ended December 31, 2022. Our gross profit margin of sale of healthcare products decreased from 44.5% for the year ended December 31, 2021 to 39.7% for the year ended December 31, 2022, primarily due to the sales promotion on healthcare products conducted by our online healthcare platforms to attract new customers.

Other Income and Gains

Our other income and gains increased by 50.4% from RMB22.3 million for the year ended December 31, 2021 to RMB33.6 million for the year ended December 31, 2022, primarily attributable to (i) an increase of RMB11.0 million in government grants, which was given by local governments to our medical institutions recognized as "Private Medical Institution at the Grass-roots Level (民辦基層醫療機構)" to encourage their business expansion; (ii) an increase of RMB10.5 million in interest income in line with our increased bank deposit; and (iii) the rent concessions from lessors related to the COVID-19 pandemic of RMB4.4 million, which were partially offset by a decrease of RMB15.3 million in net foreign exchange differences.

Selling and Distribution Expenses

	Year ended December 31, 2022		2021		Year on year fluctuation 2022/2021
	Selling and distribution expenses	**% of total**	Selling and distribution expenses	% of total	
	(RMB'000)	**(%)**	*(RMB'000)*	(%)	(%)
Regional operating expenses	**203,411**	**98.1**	390,970	94.5	(48.0)
Equity-settled share-based payments	**—**	**—**	18,621	4.5	(100.0)
Third-party client acquisition costs	**3,913**	**1.9**	3,935	1.0	(0.6)
Total	**207,324**	**100.0**	413,526	100.0	(49.9)

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

Our selling and distribution expenses decreased by 49.9% from RMB413.5 million for the year ended December 31, 2021 to RMB207.3 million for the year ended December 31, 2022, primarily attributable to (i) a decrease of RMB187.6 million in regional operating expenses as a result of the Operational Restructuring; and (ii) a decrease of RMB18.6 million in equity-settled share-based payments mainly as a result of a one-off share-based payment we incurred during the year ended December 31, 2021.

We attract new customers through multi-channel customer acquisition strategies to further expand our customer base, while retaining existing customers and enhancing customer loyalty through differentiated customer retention strategies. We attract new customers primarily leveraging our increasingly established brand awareness and recognition underpinned by our extensive physician resources and outstanding service capability. We believe that our multi-channel customer acquisition strategies enable us to expand our customer base at relatively low customer acquisition costs. Similar to the year ended December 31, 2021, 95% of our new customers were acquired by our proprietary medical institutions, pharmacies, online healthcare platforms and flagship stores, while 5% of our new customers were introduced by third-party online platforms that we collaborated with during the Reporting Period. Our third-party client acquisition costs remained stable at RMB3.9 million for the years ended December 31, 2021 and 2022, respectively. We also attach great importance to customer experience and feedbacks. We believe that our customer retention strategies differentiate us from our competitors and help us enhance customer loyalty.

Administrative Expenses

Our administrative expenses decreased by 59.6% from RMB248.0 million for the year ended December 31, 2021 to RMB100.2 million for the year ended December 31, 2022, primarily attributable to a decrease of RMB134.9 million in equity-settled share-based payments mainly as a result of a one-off share-based payment we incurred during the year ended December 31, 2021.

Fair Value Changes of Convertible Redeemable Preferred Shares and Convertible Bonds

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

During the Reporting Period, there was no further fair value loss in connection with the convertible redeemable preferred shares and convertible bonds, as compared to a fair value loss of RMB419.5 million of the convertible redeemable preferred shares and convertible bonds for the year ended December 31, 2021, which was primarily because the convertible redeemable preferred shares and convertible bonds were converted upon the completion of the global offering.

Other Expenses

During the Reporting Period, our other expenses primarily consisted of donation, impairment of financial assets and foreign exchange losses. Our other expenses decreased by 81.3% from RMB52.2 million for the year ended December 31, 2021 to RMB9.8 million for the year ended December 31, 2022, primarily because there were no further listing expenses incurred during the year ended December 31, 2022.

Finance Costs

Our finance costs decreased by 38.0% from RMB28.4 million for the year ended December 31, 2021 to RMB17.6 million for the year ended December 31, 2022, primarily attributable to (i) a decrease of RMB7.1 million in interest on bonds payable, as we settled bonds payable in 2021; and (ii) a decrease of RMB4.4 million in interest on interest-bearing bank loans and other borrowings as a result of our repayment of short-term bank loans in 2022.

Income Tax (Expenses)/Credit

We recorded income tax expenses of RMB15.2 million for the year ended December 31, 2022, compared to income tax credit of RMB11.1 million for the year ended December 31, 2021, primarily due to the increase in taxable profit in line with the business expansion of both our online healthcare platforms and offline medical institutions.

Profit/(Loss) for the Year

We recorded net profit of RMB183.6 million for the year ended December 31, 2022, compared to net loss of RMB506.9 million for the year ended December 31, 2021, primarily attributable to (i) the continuous and rapid increase in the revenue generated by our existing offline medical institutions and online healthcare platforms; (ii) no further fair value loss in connection with the convertible redeemable preferred shares and convertible bonds incurred upon the completion of the global offering, as compared to a fair value loss of RMB419.5 million of the convertible redeemable preferred shares and convertible bonds for the year ended December 31, 2021; (iii) a decrease of RMB154.2 million in equity-settled share-based payments mainly as a result of a one-off share-based payment we incurred during the year ended December 31, 2021; and (iv) no further listing expenses incurred upon the completion of the global offering.

Non-HKFRS Measure — Adjusted Net Profit

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

We defined adjusted net profit as profit/loss for the year adjusted for items which are non-recurring or extraordinary, including (i) fair value change of financial liabilities at fair value through profit or loss in connection with the convertible redeemable preferred shares and the convertible bonds of our Company; (ii) equity-settled share-based payments in relation to the share options granted under the Pre-IPO Share Option Plan as defined in the Prospectus; and (iii) the non-recurring expense. We eliminate the potential impacts of these items that our management does not consider to be indicative of our operating performance, as they are either non-operating or non-recurring expenses of our Group. Adjusted net profit increased by 28.1% from RMB156.7 million for the year ended December 31, 2021 to RMB200.8 million for the year ended December 31, 2022, primarily attributable to (i) the increase in revenue attributable to the business expansion; and (ii) the decrease in finance costs for the year ended December 31, 2022.

	Year ended December 31,	
	2022	2021
Profit/(Loss) for the year	**183,551**	(506,886)
Adjustment for[1]:		
Fair value changes of financial instrument	**—**	419,490
Equity-settled share-based payments	**17,255**	171,405
Non-recurring expense[2]	**—**	72,710
Adjusted net profit	**200,806**	156,719

Notes:

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

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

Liquidity, Financial Resources and Capital Structure

The Shares of the Company were successfully listed on the Main Board of the Stock Exchange on December 10, 2021. There has been no change in the capital structure of our Group since then. As of December 31, 2022, the issued share capital of the Company was US$23,039.6458 and the number of Share in issue was 230,396,458 of US$0.0001 each.

As of December 31, 2022, we had cash and cash equivalents of RMB994.3 million (which was RMB1,030.7 million as of December 31, 2021), which were denominated in RMB, USD or HKD. As of December 31, 2022, we had interest-bearing bank and other borrowings of an aggregate amount of RMB71.2 million (which was RMB84.3 million as of December 31, 2021), which were denominated in RMB or USD with interest rates ranging from 4.04% to 6.00% per annum. Interests are charged at fixed rates. We have no interest rate hedging policy.

We aim to maintain sufficient cash and credit lines to meet our liquidity requirements. We finance our working capital requirements through a combination of funds generated from operations and alternative funding resources from equity and debt. The primary objectives of our capital management are to safeguard our ability to continue as a going concern and to maintain healthy capital ratios in order to support our business and maximize Shareholders' value. To effectively improve the utilization and liquidity of our idle cash, as approved and authorized by the Board, we purchased the fund shares of Ruihang Qingliang No.1 Private Securities Investment Fund (瑞航清良1號私募證券投資基金) and Zhiyuan Quantitative Hedge Operation No. 6 Private Securities Investment Fund (致遠量化對沖運作6號私募證券投資基金), both of which are private securities investment funds legally established and registered in China. Our remaining cash were sufficient to meet our daily operational requirement during the Reporting Period.

Treasury Policy

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

Contingent Liabilities

As of December 31, 2022, we did not have any contingent liabilities.

Gearing Ratio

As of December 31, 2022, our gearing ratio, being our total interest-bearing bank and other borrowings divided by our total equity as of the end of the year and multiplied by 100%, was 4.1% (December 31, 2021: 5.4%).

Foreign Currency Risk

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

Pledge of Assets

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

Capital Expenditures

Our capital expenditure during the Reporting Period was primarily relating to (i) purchases of property, plant and equipment; (ii) renovation of our offline medical institutions; and (iii) purchases of intangible assets (such as software). During the Reporting Period, we incurred capital expenditures in an aggregate amount of RMB39.1 million (which was RMB53.0 million for the year ended December 31, 2021), primarily due to the increased expenditures on offline medical institutions and office equipment.

Significant Investments Held

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

Material Acquisitions and Disposals

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

Future Plans for Material Investments or Capital Assets

As of December 31, 2022, save for the "Future Plans and Use of Proceeds" disclosed in the Prospectus, we did not have any existing plan for acquiring other material investments or capital assets.

EMPLOYMENT AND REMUNERATION POLICY

As of December 31, 2022, we had 1,907 employees (which was 1,661 employees as of December 31, 2021). The following table sets forth a breakdown of the employees by function as of December 31, 2022:

Functions	Number of employees	% of total employees
Physicians and other medical professionals	995	52.2%
Management, operations and other	452	23.7%
Sales and marketing	326	17.1%
Supply chain	89	4.7%
Information technology and research and development	45	2.3%
Total	**1,907**	**100.0**

For the year ended December 31, 2022, our total staff cost amounted to approximately RMB273.2 million (which was approximately RMB343.0 million for the year ended December 31, 2021), including pension and housing fund.

We provide competitive compensation packages. Remuneration packages for employees mainly comprise base salary and performance-based bonus. We set performance targets for our 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, Post-IPO Share Option Scheme and RSA Scheme (New Shares).

We believe we have maintained good relationships with our employees. The employees are not represented by a labor union. During the Reporting Period and up to the date of this announcement, we did not experience any strikes or any labor disputes with our employees which have had or are likely to have a material effect on our business.

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

FINAL DIVIDENDS

The Board has resolved not to recommend payment of a final dividend for the fiscal year ended December 31, 2022.

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 intended purposes set out in the Prospectus.

The following table sets out the intended use of the Net Proceeds, actual usage up to December 31, 2022, as well as the expected timeline for utilization:

	Net Proceeds and utilization					
	% of the Net Proceeds	Amount available for utilization	Utilized amount during the year ended December 31, 2022	Utilized amount as of December 31, 2022	Remaining amount as of December 31, 2022	Expected timeline for utilization[1]
	(%)			*(HK$ million)*		
To expand our offline and online operations and enhance the integration between them	69.9	541.3	163.1	163.1	378.2	by the end of 2025
To enhance our research and development capabilities, including the research and development of in-hospital preparation and TCM solution packages	9.6	74.8	8.4	8.4	66.4	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	3.4	3.4	71.4	by the end of 2025
For marketing and branding activities	4.9	38.3	20.8	20.8	17.5	by the end of 2025
For working capital and general corporate purposes	6.0	46.7	38.7	46.7	—	—
Total	100.0	775.9	234.4	242.4	533.5	

Note:

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

As of the date of this announcement, we have utilized Net Proceeds of approximately HK$242.4 million. The remaining Net Proceeds were deposited in banks as of the date of this announcement. We will gradually utilize the Net Proceeds 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. The Company has adopted the CG Code as set out in Appendix 14 to the Listing Rules as its own code of corporate governance.

The Board considered that the Company has complied with all applicable code provisions as set out in the CG Code for the year ended December 31, 2022, save and except for code provision C.2.1 of the CG Code.

Pursuant to code provision C.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Tu is currently serving as the chairman 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.

The Company will continue to review and monitor its corporate governance practices to ensure compliance with the CG Code.

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 year ended December 31, 2022. In addition, the Company is not aware of any non-compliance of the Model Code by the senior management members or relevant employees of the Group for the year ended December 31, 2022.

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

During the Reporting Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

MATERIAL LITIGATION

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

SUBSEQUENT EVENT

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

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 Reporting Period and as of 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, 2022, 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, 2022 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.

ANNUAL GENERAL MEETING

The AGM of the Company will be held on June 16, 2023. 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, 2023 to June 16, 2023, 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 will be June 16, 2023. In order to be eligible for attending the forthcoming AGM, all completed transfer forms accomplished by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration not later than 4:30 p.m. on June 12, 2023.

PUBLICATION OF THE ANNUAL RESULTS 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 2022 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 in due course.

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
"Board"	the board of directors of the Company
"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
"Circular"	the circular of the Company dated November 17, 2022 regarding, among others, the proposed adoption of the Post-IPO Share Option Scheme and the RSA Scheme (New Shares)
"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
“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 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
"OMO"	online-merge-offline
"Post-IPO Share Option Scheme"	the share option scheme of the Company adopted by the Company on December 7, 2022, the principal terms of which are set out in the Circular
"Pre-IPO Share Option Plan"	the pre-IPO share option plan approved and adopted by our Company on March 31, 2021
"Prospectus"	the prospectus of the Company published on November 30, 2021
"Reporting Period"	the twelve-month period from January 1, 2022 to December 31, 2022
"RMB" or "Renminbi"	the lawful currency of the PRC
"RSA Scheme (New Shares)"	the restricted share award scheme (new shares) of the Company adopted by the Company on December 7, 2022, the principal terms of which are set out in the Circular
"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 section 15 of the Companies Ordinance
“TCM”	traditional Chinese medicine
“US$”, “USD” or “U.S. dollars”	United States dollars, the lawful currency of the United States

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 17, 2023

As of 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.