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Medlive Technology Co., Ltd.

醫脈通科技有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2192)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

	For the year ended 31 December		Year-on-Year Change*
	2022	2021	
	(RMB in thousands)		%
Revenue	314,054	284,440	10.4
Cost of sales	(101,313)	(83,706)	21.0
Gross profit	212,741	200,734	6.0
Profit for the year	126,421	45,245	179.4
Profit attributable to owners of the parent	<u>117,321</u>	<u>40,616</u>	188.9
Non-HKFRS adjusted net profit**	143,954	106,861	34.7
* Year-on-Year Change % represents a comparison between the current reporting year and the previous year.			
** Non-HKFRS adjusted net profit was derived from the profit for the year adjusted by excluding where applicable, listing-related expenses, share-based compensation to key employees, provision for one-off withholding tax related to the special interim dividend declared in June 2021 and foreign exchange difference.			

REVENUE BY SOLUTION CATEGORIES

	For the year ended 31 December				Year-on- Year Change*
	2022		2021		
	(RMB in thousands, except for percentages)				
	<i>RMB</i>	<i>%</i>	<i>RMB</i>	<i>%</i>	<i>%</i>
Revenue:					
Precision marketing and corporate solutions	288,177	91.8	258,794	91.0	11.4
Medical knowledge solutions	12,261	3.9	12,258	4.3	0.0
Intelligent patient management solutions	13,616	4.3	13,388	4.7	1.7
Total	<u>314,054</u>	<u>100.0</u>	<u>284,440</u>	<u>100.0</u>	<u>10.4</u>

* Year-on-Year Change % represents a comparison between the current reporting year and the previous year.

OPERATIONAL HIGHLIGHTS

The following table sets forth the major operating data of the Group:

	As of 31 December 2022	As of 31 December 2021
Number of registered users (<i>in millions</i>)	6.2	5.5
Number of registered physician users (<i>in millions</i>)	3.7	3.1
	For the year ended 31 December 2022	2021
Number of healthcare customers of precision marketing and corporate solutions	130	106
Number of products of healthcare customers marketed under precision marketing and corporate solutions	284	242
Engaged targeted physicians (<i>in thousands</i>)	627	543
Paid clicks (<i>in millions</i>)	7.2	6.5
Average MAUs* (<i>in millions</i>)	2.05	1.61

* Average MAUs means the average of the number of unique registered users (i.e. having eliminated all duplication) that accessed the Company's platform in each of October, November and December of the relevant year.

The board of directors (the “**Board**”) of Medlive Technology Co., Ltd. (the “**Company**” or “**Medlive**” or “**We**”) is pleased to announce the audited consolidated results (the “**Annual Results**”) of the Company and its subsidiaries (together the “**Group**”) for the year ended 31 December 2022 (the “**Reporting Year**”). The Annual Results have been reviewed by the audit committee of the Company (the “**Audit Committee**”).

BUSINESS OVERVIEW AND OUTLOOK

Business Review

2022 was a critical year for the implementation of the national 14th Five-Year Plan. The promulgation of a series of regulations has accelerated the digital transformation of the medical industry. Driven by the policy of volume-based procurement, digital marketing in the pharmaceutical industry has become a major trend in its development, and there is strong demand for digital marketing from pharmaceutical and medical device companies.

As the leading online professional physician platform in China, the Group has focused on using technology to support physicians' clinical decision making for over 20 years. Our self-developed *Medlive* platform is widely recognized by physicians and other medical professionals in China as the most popular professional medical platform. As of 31 December 2022, the number of registered users through our website, desktop application and mobile application was approximately 6.20 million, approximately 3.72 million of whom were licensed physicians in China, representing approximately 85% of the total number of licensed physicians in China (being 4.40 million) as of the same date.

With its high-quality professional medical content and rich medical tools, our *Medlive* platform meets the three major needs of physicians in clinical diagnosis, professional learning and medical research, and is embedded in the daily work of many physicians in China. In 2022, the average MAUs of the *Medlive* platform reached 2.05 million. With a higher coverage rate among Chinese physician users and relatively higher MAUs on our platform, we have a solid foundation for developing precision marketing solutions.

In terms of medical content, our platform has accumulated nearly 200,000 pieces of original professional content, with an average monthly reading volume of 330 million in 2022. We are committed to the construction and maintenance of our database system, starting from the perspective of diseases and structuring all the information that clinical practice requires, such as the latest development, clinical guidelines, medications, case studies, experts and conferences. This has allowed us to establish a medical knowledge database platform. In 2022, the *Medlive Knowledge Base* added disease coverage for 10 more departments, with the number of disease entries exceeding 800. In 2022, the total number of our clinical guidelines exceeded 23,000. Our video platform, *eBroadcasting*, has undergone a comprehensive upgrade in terms of content and functionality, achieving more live broadcasts and gathering more high-quality video resources, thereby becoming a more professional knowledge platform for healthcare professionals to learn. In 2022, the *eBroadcasting* channel added approximately 5,000 new videos, bringing the total number of videos to over 48,000. The number of channel visitors reached 1.86 million, representing an increase of 152% as compared with 2021.

In terms of medical tools, we continuously apply Internet, IT and artificial intelligence (“**AI**”) technologies to various scenarios that physicians need in their daily work, such as diagnosis, medication, ward rounds, medical conferences, retrieval and patient management. We provide physicians with comprehensive clinical decision-making support, effectively solve the problems faced by physicians, and help them improve work efficiency. In 2022, we further applied technologies such as AI to clinical research, patient management, intelligent customer service and other scenarios. We launched products and tools such as a rare disease inquiry assistant, AI journal selection, AI writing and decentralized clinical trial (“**DCT**”) to empower clinical research with digital technology, increasing efficiency and reducing costs.

The Group generates revenue by offering three categories of solutions to address various needs of its *Medlive* platform participants, namely, precision marketing and corporate solutions, medical knowledge solutions and intelligent patient management solutions. In 2022, the COVID-19 pandemic continued to fluctuate, and strict epidemic prevention and control measures in major cities across the country seriously affected our communication with customers and business operation, resulting in delayed implementation of many projects. In particular, starting from March 2022, Shanghai government implemented extremely strict control measures due to the sudden intensification of the COVID-19 pandemic, and a large number of customers' employees worked from home for a long time, leading to serious delays in the performance of contracts with pharmaceutical and medical device companies customers in Shanghai. Although the Group's business gradually recovered with the restoration of social production and life in the third quarter of 2022, the large-scale outbreak and infection of the pandemic in the fourth quarter again affected business expansion and project implementation, resulting in a clear slowdown in the Group's revenue growth in 2022. For the year ended 31 December 2022, the Group's revenue was approximately RMB314.1 million, representing an increase of 10.4% as compared with the same period last year. While expanding revenue, the Group continuously enhanced its profitability. The Group's profit for the year increased by 179.4% from RMB45.2 million for the year ended 31 December 2021 to RMB126.4 million for the year ended 31 December 2022. The net profit margin (calculated on the basis of the profit for the year) increased from approximately 15.9% for the year ended 31 December 2021 to approximately 40.3% for the year ended 31 December 2022, representing an increase of 24.4 percentage points. The adjusted net profit for the year ended 31 December 2022 was approximately RMB144.0 million, representing an increase of approximately 34.7% as compared with approximately RMB106.9 million for the year ended 31 December 2021. The adjusted net profit margin for the year ended 31 December 2022 was approximately 45.8%, representing an increase of 8.2 percentage points as compared with approximately 37.6% for the year ended 31 December 2021.

Precision marketing and corporate solutions

The majority of the Group's revenue comes from precision marketing solutions, which provide digital medical marketing services to pharmaceutical and medical device companies. Although the spread and control of the COVID-19 pandemic last year severely affected the business operation of the Group and its customers, causing delays in the implementation of many projects, the precision marketing and corporate solutions provided by the Group effectively met the urgent needs of pharmaceutical and medical device companies for efficiency improvement and cost reduction, and have been widely recognized by customers in the industry. In 2022, the number of customers of these solutions was 130, increased by 24 as compared with 106 in 2021. At the same time, the number of products covered increased steadily from 242 in 2021 to 284 in 2022. The number of engaged targeted physicians was 627,000, representing an increase of 84,000 from 543,000 in 2021. For the year ended 31 December 2022, the revenue of the Group's precision marketing and corporate solutions increased by 11.4% to RMB288.2 million from the same period last year.

We conduct thorough analysis of the academic features and life cycle of pharmaceutical and medical device products, and provide effective and results-oriented precision digital marketing services. We establish a fully integrated internet ecosystem through *Medlive*, connecting all channels including websites, mobile APPs, social media accounts, online communities and electronic newsletters. We build a database system that encompasses massive amounts of data on browsing behavior of physicians, forming rich digital behavior and cognitive profiles of physicians. Our disease knowledge base platform is not only a content aggregation platform, but also a personal behavior data platform for physicians. Starting from this platform, we can radiate to various scenarios including clinical research, information browsing, guideline learning, case discussion, patient education, internet diagnosis and treatment and academic conferences. Based on comprehensive and rich insights into physicians, we use AI technology to establish an analysis engine for physicians' online learning, which can support the digital education of clinical physicians for new, developing and mature products in core, intermediate and basic markets. In 2022, we continue to support efficient and low-cost digital education for physicians in oncology drugs, chronic disease drugs, rare disease drugs, over-the-counter medicines and medical device products.

The Company also offers various corporate solutions that enable (i) pharmaceutical and medical device companies to cost-effectively conduct market research; and (ii) pharmaceutical and medical device companies, hospitals and other stakeholders of the healthcare industry to improve the efficiency of clinical trials and medical research. In 2022, we rapidly leveraged the brand image of the *Medlive* platform in the clinical research field among physicians, as well as the close collaboration with pharmaceutical and medical device companies before and after product launch, to quickly introduce real-world studies (“**RWS**”) services. These services include comprehensive trial design and protocol writing, project management and clinical operations, data management and statistics, medical monitoring and article support services. We provide integrated scientific research services for pharmaceutical and medical device companies and physicians, and have already implemented them in the fields of oncology, hematology, neurology, pediatrics and cardiovascular.

As the clinical problems to be addressed by RWS become increasingly complex and the clinical scenarios become more diverse, we rely on our team's rich experience in the clinical research industry, solid medical and statistical capabilities, and collaborate with pharmaceutical and medical device companies to provide customized trial design, patient follow-up process, data collection process, monitoring and medical review process design for each project based on the indications, characteristics of research centers and patients, greatly improving the efficiency and quality of the trials. In addition, we combine RWS delivery with digital marketing, effectively integrating evidence generation from RWS with evidence-based digital marketing.

With our strong system development capabilities, we have independently developed the DCT system, which fully empowers clinical trial projects and greatly improves the efficiency of clinical trials. The system has also helped to rapidly implement the guiding principle of the drug regulatory center to “put patients first” in the industry. As a result, Medlive received the Kunpeng Award for the Best Digital Life and Health Enterprise in 2022 in China Biomedical Industry Innovation Summit.

Medical knowledge solutions

The Group’s medical knowledge solutions satisfy the needs of physicians for continuing medical education and clinical decision support and the needs of other healthcare professionals for professional medical information. The Group’s medical knowledge solutions deliver medical knowledge content through multiple user-friendly channels, including its website, mobile applications, desktop applications, WeChat mini-programs and WeChat official accounts. On the back of its cancer disease knowledge database, the Group expanded its clinical decision support products to cover other diseases and areas such as cardiovascular, endocrine, vestibular medicine, neurological infectious, obstetrics and pediatrics diseases. These coupled with the other clinical guides and clinical drug reference tools offered by the Group provide physicians with a more comprehensive clinical decision support tool at the point of care, helping them to give diagnosis, prescription and treatment in an effective and efficient manner.

In the field of medical information retrieval, the Group’s 醫搜 platform, which is targeted at medical and pharmaceutical professionals, provides valuable domestic and overseas medical knowledge content through AI-enabled search engine, thus allowing comprehensive, precise and fast searches of information and knowledge by users. In 2022, we continued to optimize and explore the medical content retrieval algorithm of our platform, developing semantic retrieval technology on the basis of literal retrieval. This technology retrieves information based on the user’s semantics and intentions, increasing the accuracy of the results displayed to users through repeated training of semantic models. In addition, we attempted to integrate literal retrieval and semantic retrieval through fusion algorithms, achieving multiple recall results from the corresponding results in the knowledge base and segmenting them according to business scenarios. This technology has been widely used in our product system, increasing the click-through rate* of our *Medlive* platform from 30% in 2021 to 80% in 2022.

In terms of clinical guidelines, building on the footing of cooperation with the Chinese Medical Association and the Wanfang Medical Database, we have entered into strategic cooperation with National Comprehensive Cancer Network of the United States (“NCCN”). As NCCN’s sole partnering physician platform in China, we and NCCN shall jointly provide Chinese clinical oncologists with high-quality, high-value and patient-centered oncology

* Click-through rate refers to the total number of clicks divided by the total number of searches

diagnosis and treatment solutions that are based on the latest and continuously updated progress in the field of oncology, which aims to help Chinese doctors make the best clinical decisions, and ultimately help Chinese cancer patients to live a longer and better life. In June 2022, all NCCN guidelines were fully launched on our clinical guidance platform, providing physicians in China with downloads of all the latest NCCN guidelines covering over 60 types of tumors. In addition, we have collaborated with well-known domestic oncology experts to develop Chinese versions of the NCCN guidelines. Currently, we have completed the development of more than 10 Chinese versions, including lung cancer, breast cancer and colorectal cancer.

In order to better enhance the scientific research capability of Chinese physicians, we continue to step up our strategic layout in the field of scientific research and accelerate the deployment of “*scientific research efficiency enhancement*” products, in order to allow digital technology to better assist clinical research. In 2022, we launched the *eClinicalResearch* platform, aiming to support physicians’ scientific research to be more efficient through technology, continuously expand the service model for physicians and improve the service level of the platform. The *eClinicalResearch* platform includes several major segments, namely scientific research knowledge, delivery of experience and methods, scientific research tool assistance and scientific research services. The scientific research tools include *eMedical Journal*, AI equipped selection required for journal submission, AI writing assistant for academic writing, document management and translation tools for searching and managing journals. In terms of scientific research services, the *eMedical Papers Service* under *eClinicalResearch* provides a full range of dissertation support services, including statistics, dissertation polishing, manual journal selection, writing submission letters, manual translation and other professional services.

Intelligent patient management solutions

The Group’s intelligent patient management solutions offer comprehensive tumor and chronic disease management services, including (i) diseases knowledge dissemination and treatment compliance monitoring management services to patients through Internet hospital; and (ii) condition-specific patient digital education services in collaboration with non-profit organizations. The Group’s Internet hospital-based chronic disease management currently focuses on lung cancer, breast cancer, colorectal cancer, Parkinson’s, lymphoma, stroke and diabetes management and will gradually expand to other chronic diseases in the future. As at 31 December 2022, the Group’s chronic disease management services platform had accumulated approximately 248,000 users and in addition approximately 74,000 participating physicians.

Business Outlook

In 2023, the Group will continue its efforts to further solidify its position as the leading online professional physician platform in China by pursuing the following strategies:

- We will continue to enrich the professional medical content and product tools on our *Medlive* platform to further increase the penetration and participation of physicians. We will continue to use our insights into data to improve the accuracy and relevance of personalized content recommendations and search results. We also plan to expand the sources of content generation and provide customized medical content for physicians working in county-level areas and community hospitals. In addition, we will continue to strengthen our strategic cooperation with the Chinese Society of Clinical Oncology (“CSCO”), the Chinese Anti-Cancer Association (“CACA”) and the NCCN. In collaboration with such cancer organizations, we plan to provide comprehensive support to physicians and other professionals in the fields of clinical research support for new anti-cancer drugs, continuous education for physicians, patient education, guideline development and lectures, publication support and media and conference services.
- We will continue to establish the Group’s technological platform and expand its application scope. AI and machine learning have tremendous potential in the healthcare industry. We plan to increase our efforts in technology development, combining exploration of AI technology with our business to drive development, including using unique proprietary database of Medlive to continuously develop innovative research tools based on AI technology, such as *AI writing assistants*, to solve the efficiency dilemma for physicians in research topic selection and paper writing. We will continue to establish a knowledge graph and further optimize the search and recommendation function of the 醫搜 platform through semantic and contextual links. We are developing a clinical decision supporting system (“CDSS”) for single disease types, providing intelligent decision-making services including diagnosis, intelligent warning and treatment recommendations. We will accelerate the research and development of *Medlive Knowledge Base* to provide more concise and effective knowledge services for primary care physicians, continuing to uphold the values of “professionalism, innovation, cooperation and efficiency”. We will continue to improve and expand the capabilities of the *eClinicalResearch* platform, empowering physicians with digital technology to improve research efficiency. With the continuous upgrading of ChatGPT, we will attempt to integrate this technology into products such as diagnostic assistance, treatment decision-making assistance, AI manuscript submission and selection, AI paper polishing and AI Q&A. We will transform the user question “system” mode into an “AI system response” mode, not only answering the user’s questions but also exploring the root causes of their questions, solving potential clinical problems that users may encounter in the future, and further expanding the application of AI technology in medical knowledge databases.

- We will expand the Group’s customer network and continuously develop solutions that meet customer development needs. In 2023, with the relaxation of pandemic control, the gradual stabilization of the market strategy of pharmaceutical and medical device companies under the influence of volume-based procurement policy, and the acceleration of the launch of new pharmaceutical and medical device products, we will continue to closely follow the trend of digital transformation of pharmaceutical and medical device companies, continue to leverage the unique advantages of our online professional physician platform, continue to expand our coverage of physician users and pharmaceutical and medical device companies customers, and continue to strengthen our dual-driven business model. In particular, in the field of new special drugs and medical devices, we will further leverage the advantages of the *Medlive* platform in supporting clinical research of physicians, integrate academic resources from various associations and academic leaders in various specialty fields, and leverage *Medlive* platform’s extensive physicians resources to help pharmaceutical and medical device companies promote professional academic content targeting target hospitals and department physicians from frontline cities to the vast primary market through a precise education system, helping customers penetrate the Chinese market rapidly. We will also continue to invest in developing comprehensive solutions which comprise medical strategy, market strategy and multi-channel digital strategy. We will also add new functions to existing solutions, including designing digital marketing solutions that meet the product characteristics of oncology drugs, chronic disease drugs, rare disease drugs, over-the-counter medicines and medical devices.
- We will continuously expand the service offerings of the Group, further extend the depth and breadth of clinical research services, and provide more extensive support to pharmaceutical and medical device companies in accumulating evidence through RWS, support clinical decision-making and marketing. Leveraging the advantages of *Medlive* and clinical experts, unique clinical science services, as well as top experts in the national treatment field with rich clinical diagnosis, treatment and research experience, we will provide scientific and advanced research strategy support and independent centralized data audit services for clinical research. At the same time, we will further optimize the DCT platform, as we believe that in the future, with the increasing demand for remote and intelligent clinical trials, a localized DCT platform that meets the needs of Chinese physicians and patients will be more widely used in clinical trials. Meanwhile, we continue to leverage our model of recruiting trial participants based on a vast network of physicians and patients. On one hand, leveraging our proprietary physician database and an AI model, we match physicians with recruitment projects to obtain targeted participants more precisely. On the other hand, we use natural language processing (“NLP”) models for structured processing of medical cases, combined with AI follow-up templates to record and analyze communication details, and establish patient profiles. This achieves precise matching between physicians, projects and patients in both directions, applying the advantages of digitalization to clinical patient recruitment. In addition, our integrated medical services include digital patient community management, patient management based on

internet hospitals, patient call centers, patient self-management tools, patient education knowledge bases, patient assistance services as well as physician-patient and patient-patient interaction tools. When combined with products such as patient surveys design and patient referral systems, we form an integrated medical service that supports the full life cycle of drugs.

- We will explore strategic partnerships, investments and acquisitions. We intend to selectively pursue suitable strategic investments and acquisitions that can generate convincing synergies with our existing solutions offerings, expand our customer base and/or enhance our technological capabilities.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

In 2022, the Group generated revenue from three solution categories, namely (i) precision marketing and corporate solutions; (ii) medical knowledge solutions; and (iii) intelligent patient management solutions. The Group's revenue increased by approximately 10.4% from approximately RMB284.4 million for the year ended 31 December 2021 to approximately RMB314.1 million for the year ended 31 December 2022, primarily due to the revenue increase from its precision marketing and corporate solutions.

Precision Marketing and Corporate Solutions

Revenue from precision marketing solutions is primarily derived from fees paid by the Group's healthcare customers for the Group's digital detailing, digital marketing consulting and digital content creation services. Revenue from corporate solutions is primarily derived from fees paid by the Group's healthcare customers for its digital market research, electronic data capture ("EDC") and clinical data management system ("CDMS") solutions, RWS support solutions, patient recruitment service, as well as application software development service related to precision marketing and corporate solutions.

Revenue from precision marketing and corporate solutions increased by approximately 11.4% from approximately RMB258.8 million for the year ended 31 December 2021 to approximately RMB288.2 million for the year ended 31 December 2022, primarily due to (i) an expansion of the Group's healthcare customer base from 106 for the year ended 31 December 2021 to 130 for the year ended 31 December 2022; and (ii) an increase of number of healthcare products marketed using the Group's precision marketing and corporate solutions from 242 for the year ended 31 December 2021 to 284 for the year ended 31 December 2022, resulting from user growth and increased user engagement as illustrated by the increase in the number of paid clicks from approximately 6.5 million in 2021 to approximately 7.2 million in 2022. However, the COVID-19 pandemic affected the execution of certain projects, causing some delay in the dealing of business processes with Shanghai customers in the second quarter of 2022, thereby affecting revenue growth to a certain extent.

Medical Knowledge Solutions

Revenue from medical knowledge solutions is primarily derived from provision of professional medical information covering continuing medical education and clinical decision support, including licensing software to physicians, other registered users, including other healthcare professionals, and pharmaceutical companies. Revenue from medical knowledge solutions remained stable at approximately RMB12.3 million for each of the years ended 31 December 2021 and 2022, primarily because the positive impact of increased paying users and increased offerings of medical knowledge products was offset by physicians spending considerable amount of time combating the pandemic in the second half of 2022 and accordingly lesser time on continuing medical education and research.

Intelligent Patient Management Solutions

Revenue from intelligent patient management solutions was primarily derived from fees paid by non-profit organizations with medical focus and pharmaceutical companies for provision of patient education services to patients and non-profit organizations, including content development, application software development and other related services. The Group also started to generate revenue from commissions on fees paid by patients for online consultation services and prescription services on its Internet hospital since the first half of 2021. Despite the suspension or postponement of the launch of certain non-profit organization-related patient management projects caused by the pandemic, revenue from intelligent patient management solutions increased slightly by approximately 1.7% from approximately RMB13.4 million for the year ended 31 December 2021 to approximately RMB13.6 million for the year ended 31 December 2022.

Cost of sales

The Group's cost of sales consists of (i) employee benefit expenses relating to salaries and benefits for employees involved in operating the Group's platform and developing content; (ii) content development cost primarily relating to fees paid to content contributors and service fees paid to content production service providers; (iii) technology service fees relating to cloud content delivery network and telecommunication services as well as licensing fees; and (iv) other expenses primarily relating to consulting fees, equipment rental expenses, travel and transportation expenses. The Group's cost of sales increased by approximately 21.0% from approximately RMB83.7 million for the year ended 31 December 2021 to approximately RMB101.3 million for the year ended 31 December 2022. The increase was primarily due to an increase in employee benefit expenses driven by the expansion and growth of the Group's business and the recognition of share-based compensation.

Gross profit and gross profit margin

As a result of the foregoing, the Group's gross profit increased by approximately 6.0% to approximately RMB212.7 million for the year ended 31 December 2022 from approximately RMB200.7 million the year ended 31 December 2021. The Group's gross profit margin was approximately 67.7% for the year ended 31 December 2022, which decreased slightly compared to the gross profit margin of 70.6% for the year ended 31 December 2021.

Other Income

Other income and gains primarily consist of (i) bank interest income; (ii) investment income from financial assets at fair value through profit or loss; and (iii) government subsidy. The Group recorded other income and gains of approximately RMB75.7 million for the year ended 31 December 2022, compared to approximately RMB8.9 million for the year ended 31 December 2021. The increase was primarily attributable to (i) a substantial increase in interest income derived from bank deposits as a result of repeated increase in market interest rates during 2022; and (ii) recognition of government subsidy.

Selling and Distribution Expenses

The Group's selling and distribution expenses primarily consist of (i) expenses for promotion activities to drive user growth and engagement; (ii) employee benefit expenses relating to salaries and benefits for employees in selling and distribution functions; and (iii) other expenses primarily relating to business development expenses. The Group's selling and distribution expenses increased by approximately 11.9% from approximately RMB25.8 million for the year ended 31 December 2021 to approximately RMB28.9 million for the year ended 31 December 2022, primarily due to an increase in the number of the Group's sales personnel.

Administrative Expenses

The Group's administrative expenses primarily consist of (i) research and development costs primarily relating to salaries and benefits for employees in research and development functions; (ii) employee benefit expenses relating to salaries and benefits for employees in management as well as general and administrative functions; (iii) depreciation of assets, which includes depreciation of right-of-use assets relating to the Group's leases and depreciation of property, plant and equipment; (iv) taxes and surcharges; (v) maintenance expenses primarily relating to technology and telecommunication service fees, as well as service fees for outsourced administrative services; (vi) other expenses primarily relating to rent, travel and transportation expenses and general office expenses; and (vii) for 2021, listing expenses. The Group's administrative expenses increased by approximately 20.2% from approximately RMB101.8 million for the year ended 31 December 2021 to approximately RMB122.4 million for the year ended 31 December 2022, primarily due to recognition of (i) increased expenses in maintaining and upgrading the *Medlive* platform; (ii) share-based compensation to key employees in research and development, management as well as general and administrative functions; (iii) increase in research and development fees; and (iv) increase in fees payable to intermediaries such as auditors, legal advisers, compliance adviser and company secretarial service provider after the Company's listing.

Finance Costs

The Group's finance costs consist of finance costs allocated from lease payments. Finance costs are charged to profit or loss over the lease periods so as to produce a constant periodic rate of interest on the remaining balance of the liabilities for each period. Lease liabilities decrease over the periods of the leases, resulting in higher finance costs at the beginning of lease periods. The Group's finance costs remained stable at approximately RMB0.5 million for each of the years ended 31 December 2021 and 2022.

Profit Before Tax

As a result of the foregoing, the Group's profit before tax increased by approximately 93.1% from approximately RMB69.9 million for the year ended 31 December 2021 to approximately RMB135.0 million for the year ended 31 December 2022.

Income Tax Expenses

The Group's income tax expense decreased by approximately 65.2% from approximately RMB24.7 million for the year ended 31 December 2021 to approximately RMB8.6 million for the year ended 31 December 2022, primarily because of (i) the effect of the withholding tax related to the special dividend declared in 2021, which amounted to approximately RMB8.1 million whereas such effect did not recur in the year ended 31 December 2022; and (ii) the listing expenses of approximately RMB28.3 million incurred in 2021 were incurred at the Company level and therefore were not deductible for tax purposes at the operating subsidiaries level.

Profit for the Year and Profit Attributable to Owners of the Parent

As a result of the foregoing in particular, the substantial increase in bank interest income and the decrease in income tax expenses due to the factors aforesaid mentioned, the Group's profit for the year increased by approximately 179.4% from approximately RMB45.2 million for the year ended 31 December 2021 to approximately RMB126.4 million for the year ended 31 December 2022 and the Group's profit attributable to owners of the parent increased by approximately 188.9% from approximately RMB40.6 million to approximately RMB117.3 million.

The Group's net profit margin (calculated on the basis of the profit for the year) increased by 24.4 percentage points from 15.9% for the year ended 31 December 2021 to 40.3% for the year ended 31 December 2022.

Non-HKFRS Measures — Adjusted Net Profit

To supplement the Group's consolidated financial statements which are presented in accordance with Hong Kong Financial Reporting Standards (“**HKFRS**”), the Company also used unaudited non-HKFRS adjusted net profit as an additional financial measure in order to evaluate its financial performance by eliminating the impact of items that it does not consider indicative of the performance of its business. The term “adjusted net profit” is not defined under HKFRS. Other companies in the industry which the Group operates in may calculate such non-HKFRS item differently from the Group. The use of adjusted net profit has material limitations as an analytical tool, as adjusted net profit does not include all items that impact the Group's net profit for the Reporting Year and should not be considered in isolation or as a substitute for analysis of the Group's results as reported under HKFRS.

The following table sets out the calculation of adjusted net profit for the years indicated:

	Year ended 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the year	126,421	45,245
Add:		
Listing-related expenses	—	28,289
Share-based compensation	17,245	14,257
One-off withholding tax	—	8,139
Foreign exchange difference	288	10,931
	<hr/>	<hr/>
Adjusted net profit	<u>143,954</u>	<u>106,861</u>

The adjusted net profit for the year ended 31 December 2022, adjusted by excluding share-based compensation to key employees and foreign exchange difference, was approximately RMB144.0 million, increased by approximately 34.7% as compared to approximately RMB106.9 million for the year ended 31 December 2021. The adjusted net profit margin for the year ended 31 December 2022 was approximately 45.8%, up 8.2 percentage points from approximately 37.6% for the year ended 31 December 2021.

The listing-related expenses and the foreign exchange difference are related to the initial public offering of the Company's shares ("Shares") in July 2021 (the "Global Offering"). Listing-related expenses are primarily fees paid to underwriters and external advisers. The proceeds from the Global Offering are primarily denominated in Hong Kong dollars and the foreign exchange difference mainly arises from the currency fluctuation of Hong Kong dollars against RMB since the second half of 2021. Such foreign exchange difference is non-operational in nature and the amount does not directly correlate with the underlying performance of the Company's business operations. The share-based compensation relates to the pre-IPO share options to subscribe for a total of 26,754,000 Shares granted to certain Directors and key employees and is a non-cash item. The withholding tax relates to the special dividend of RMB92 million declared before the Global Offering and paid to parties which were shareholders of the Company prior to the Global Offering in the second half of 2021.

Liquidity and Capital Resources

For the year ended 31 December 2022, the Group financed its operations primarily through cash generated from the Group's operating activities and the net proceeds received and interest income derived from the Global Offering. The Group intends to continue to finance its expansion and business operations using a combination of cash generated from operating activities and the net proceeds received and interest income derived from the Global Offering.

The Group has adopted a prudent financial management approach towards its treasury policy. The Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities, and other commitments can meet its funding requirements from time to time. Taking into account the net proceeds received from the Global Offering and the current cash position of the Group, the Board considers that the Group has sufficient working capital to meet its operation needs for at least the next 12 months.

The net proceeds received by the Company from its Global Offering in July 2021 which are not put into use immediately, have been placed in fixed deposits with licensed financial institutions. The Company will consider purchasing wealth management products only if such investments are safe and can produce a better return to the Company than bank deposits.

Cash and cash equivalents

The Group operates its business in the PRC and its transactions and revenue were primarily denominated in Renminbi. As such, the Group did not have material exposure to fluctuations in foreign currency exchange rates for cash generated from its operating activities. However, the net proceeds received by the Company from the Global Offering are denominated in Hong Kong dollars and the Company is exposed to fluctuation of exchange rate between Renminbi and Hong Kong dollars. As at 31 December 2022, the Group had cash and cash equivalents of approximately RMB4,187.3 million, which primarily consisted of cash at bank, as compared to approximately RMB3,879.1 million as of 31 December 2021. As at 31 December 2022, over 43.9% of the Group's cash and cash equivalents are denominated in Hong Kong dollars, around 8.7% are denominated in RMB and around 47.4% are denominated in US dollars.

The Group currently does not have any hedging policy for foreign currencies in place. However, the Board will remain alert to any relevant risks and, if necessary, consider to hedge any material potential foreign exchange risk.

Borrowings

During the year ended 31 December 2022, the Group did not have any short-term or long-term bank borrowings and had no outstanding bank and other borrowings and other indebtedness apart from lease liabilities for the relevant lease terms amounting to approximately RMB11.3 million in aggregate.

Gearing ratio

The gearing ratio, which is calculated by dividing borrowings by total equity, was zero since there was no borrowing as of 31 December 2022.

Charge on assets

As of 31 December 2022, the Group did not pledge any of its assets.

Capital expenditures

For the year ended 31 December 2022, the Group's capital expenditure amounted to approximately RMB46.0 million, which mainly comprised capital expenditures recorded for the acquisition of 60% interests in Beijing Medcon Information Consulting Co., Ltd.* (北京美迪康信息諮詢有限公司) (“**Beijing Medcon**”) and Beijing Focus Innovation Technology Co., Ltd.* (北京專注創新科技有限公司) (“**Beijing Focus**”), respectively and expenditures on IT equipment, as compared to approximately RMB54.9 million for the year ended 31 December 2021. The Group funded its capital expenditure by using the cash flow generated from its operation and the net proceeds received from the Global Offering.

Contingent liabilities and guarantees

As of 31 December 2022, the Group did not have any significant unrecorded contingent liabilities, guarantees or any material litigation against the Group.

Material acquisitions or disposals and future plans for major investment

On 11 October 2021, the Company, through its subsidiary, Beijing Yimaihutong Technology Co., Ltd. (北京醫脈互通科技有限公司) (“**Yimaihutong**”), entered into an equity transfer agreement to acquire 60% equity interest of Beijing Medcon for a cash consideration of RMB100,253,400. The cash consideration shall be paid by Yimaihutong in four installments. The consideration will be adjusted downwards according to the terms of the equity transfer agreement if Beijing Medcon's audited net profit for the years ended 31 December 2022 and 2023 do not reach RMB17,000,000 and RMB19,540,000, respectively. As the audited net profit of Beijing Medcon for the year ended 31 December 2022 exceeded RMB17,000,000, no adjustment to the consideration has been made and Yimaihutong has paid the first and second installments totalling RMB80,200,000.

* For identification purposes only

On 8 June 2022, Kingyee (Beijing) Co., Ltd. (金葉天成(北京)科技有限公司) (“**Kingyee Beijing**”), an indirect wholly-owned subsidiary of the Company, entered into an equity transfer agreement pursuant to which Kingyee Beijing acquired 60% equity interest of Beijing Focus for a cash consideration of RMB48,000,000.

Through its own brand projects, Beijing Focus works with resources received from authoritative medical institutions and top-tier academics and experts to plan and publish medicine guidelines and medical consensus based on market demand, and comprehensively publicizes medicine guidelines through various conferences and publications.

The sellers of the 60% interests in Beijing Focus have undertaken to ensure that the accumulated audited net profit of Beijing Focus for the three years ending 31 December 2022, 2023 and 2024 in total shall be no less than RMB28,150,000 (the “**Guaranteed Profit**”). The cash consideration of RMB48,000,000 is payable in four instalments. The first instalment of RMB24,001,000 has been paid and the remaining amount is payable over the three years subsequent to the acquisition after the audited financial results of the Group and Beijing Focus for the relevant year have been issued and depending on the net profit of Beijing Focus. The consideration may be adjusted downwards if the Guaranteed Profit is not met after three years. Further financial information of Beijing Focus for the period commencing from the completion of its acquisition to 31 December 2022 will be included in the 2022 annual report of the Company.

The sellers have also granted an option to Kingyee Beijing so that if less than 50% of the Guaranteed Profit is met, Kingyee Beijing has the right, but not an obligation, to require the sellers to repurchase interests in Beijing Focus held by Kingyee Beijing. Further details of the acquisition are set out in the Company’s announcement dated 8 June 2022.

The acquisition completed in June 2022. After the acquisition, both parties jointly develop clinical guidelines/consensus formulation based on expert resources in the fields of psychiatry, lung cancer, lymphoma, urologic oncology, etc., and will accelerate the formulation of guidelines/consensus. At the same time, the guidelines/consensus prepared by Beijing Focus has been put on the *Medlive Clinical Guideline* channel to increase the number of contents, and some of the guideline interpretation contents are also gradually being put on the *Medlive* platform to increase the number of *Medlive* guideline interpretation contents.

The Group will continue to selectively pursue suitable strategic investments and acquisitions that can generate convincing synergies with the Group’s existing solutions offerings, expand its customer base and/or enhance its technological capabilities. The Group will utilize proceeds from the Global Offering for the purpose of any such acquisition.

Employees and Staff Costs

As of 31 December 2022, the Group had a total of 605 full time employees, all of whom were located in mainland China. In particular, 131 employees are responsible for the Group's content management, 191 employees for platform operation and customer service, 155 employees for research and development, 55 employees for general and administration and 73 employees for sales and marketing. The total staff cost incurred by the Group for the year ended 31 December 2022 was approximately RMB152.8 million compared to approximately RMB104.4 million for the year ended 31 December 2021. The increase was primarily due to increased headcount in sales personnel and platform development staff.

The Group provides orientation and training to new recruits as well as ongoing in-house training for junior employees, which the Group believes can enhance the skills and productivity of its employees. The Group compensates employees with base salaries and performance-based bonuses. The Company has also adopted a pre-IPO share option scheme, a post-IPO share option scheme and a share award scheme to incentivize employees and senior management and to align their interests with that of the Company.

Further details of the principal terms of the abovementioned share incentive schemes are set out in the 2022 annual report of the Company.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2022

	<i>Notes</i>	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
REVENUE	4	314,054	284,440
Cost of sales		<u>(101,313)</u>	<u>(83,706)</u>
Gross profit		212,741	200,734
Other income and gains	4	75,739	8,861
Selling and distribution expenses		(28,899)	(25,837)
Administrative expenses		(122,443)	(101,831)
Other expenses		(1,582)	(11,463)
Finance costs		(531)	(535)
Share of profit and loss of an associate		<u>12</u>	<u>(2)</u>
PROFIT BEFORE TAX	5	135,037	69,927
Income tax expense	6	<u>(8,616)</u>	<u>(24,682)</u>
PROFIT FOR THE YEAR		<u>126,421</u>	<u>45,245</u>
Attributable to:			
Owners of the parent		117,321	40,616
Non-controlling interests		<u>9,100</u>	<u>4,629</u>
		<u>126,421</u>	<u>45,245</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic	8	<u>RMB16.42 cents</u>	<u>RMB6.59 cents</u>
Diluted	8	<u>RMB15.93 cents</u>	<u>RMB6.39 cents</u>

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
PROFIT FOR THE YEAR	<u>126,421</u>	<u>45,245</u>
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	(23,272)	—
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of the Company's financial statements into presentation currency	<u>353,159</u>	<u>(53,933)</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	<u>329,887</u>	<u>(53,933)</u>
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	<u>456,308</u>	<u>(8,688)</u>
Attributable to:		
Owners of the parent	447,208	(13,317)
Non-controlling interests	<u>9,100</u>	<u>4,629</u>
	<u>456,308</u>	<u>(8,688)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2022

	<i>Notes</i>	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		3,268	3,301
Right-of-use assets		11,304	13,569
Goodwill		111,518	69,723
Other intangible assets		24,336	9,303
Investment in an associate		355	343
Time deposits		92,438	—
Deferred tax assets		8,283	6,333
		<hr/>	<hr/>
Total non-current assets		251,502	102,572
CURRENT ASSETS			
Inventories		199	94
Trade receivables	9	95,079	76,210
Contract assets		29,132	19,660
Prepayments, other receivables and other assets		10,413	8,281
Financial assets at fair value through profit or loss		29,640	29,640
Cash and cash equivalents		4,187,264	3,879,104
		<hr/>	<hr/>
Total current assets		4,351,727	4,012,989
CURRENT LIABILITIES			
Trade payables	10	2,709	6,219
Other payables and accruals		85,913	58,740
Contingent consideration payables		13,956	19,818
Lease liabilities		5,136	4,207
Tax payable		25,032	24,223
		<hr/>	<hr/>
Total current liabilities		132,746	113,207
NET CURRENT ASSETS			
		4,218,981	3,899,782
TOTAL ASSETS LESS CURRENT LIABILITIES			
		4,470,483	4,002,354

	<i>Note</i>	2022 RMB'000	2021 <i>RMB'000</i>
NON-CURRENT LIABILITIES			
Lease liabilities		6,126	8,962
Contingent consideration payables		27,803	18,491
Deferred tax liabilities		4,640	2,708
		<hr/>	<hr/>
Total non-current liabilities		38,569	30,161
		<hr/>	<hr/>
Net assets		4,431,914	3,972,193
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Equity attributable to owners of the parent			
Share capital	11	45	44
Reserves		4,400,978	3,948,658
		<hr/>	<hr/>
		4,401,023	3,948,702
Non-controlling interests		30,891	23,491
		<hr/>	<hr/>
Total equity		4,431,914	3,972,193
		<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

1. CORPORATE AND GROUP INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands on 8 April 2013. The registered address of the Company is PO Box 309, Uglan House, Grand Cayman, KY1-1104, Cayman Islands.

The Company is an investment holding company. During the year, the Company's subsidiaries were principally engaged in the provision of precision marketing and corporate solutions, medical knowledge solutions, and intelligent patient management solutions.

In the opinion of the directors, the Company does not have an immediate holding company or ultimate holding company. Ms. Tian Liping, Mr. Tian Lixin, Mr. Tian Lijun and Tiantian Co., Limited (as one group) and M3, Inc., which is incorporated in Japan, are the controlling shareholders of the Company, as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

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 financial assets at fair value through profit or loss and contingent consideration payables which have been measured at fair value. These financial statements are presented in Renminbi (“**RMB**”) and all values are rounded to the nearest thousand 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 information of the subsidiaries is 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 Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

The 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 amendments that are 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.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is not organised into business units based on their services and only has one reportable operating segment. Management monitors the operating results of the Group's operating segment as a whole for the purpose of making decisions about resource allocation and performance assessment.

Geographical information

(a) Revenue from external customers

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Mainland China*	296,886	273,655
Overseas	<u>17,168</u>	<u>10,785</u>
	<u>314,054</u>	<u>284,440</u>

* Mainland China means the PRC excluding Hong Kong, Macau, and Taiwan.

The revenue information above is based on the locations of the customers.

(b) Non-current assets

All non-current assets of the Group are in Mainland China. Accordingly, no geographical information of segment assets is presented.

Information about major customers

No revenue from the Group's sales to a single customer accounted for 10% or more of the Group's revenue during the years ended 31 December 2022 and 2021.

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
<i>Revenue from contracts with customers</i>	<u>314,054</u>	<u>284,440</u>
Revenue from contracts with customers		
(a) Disaggregated revenue information		
	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Types of services		
Precision marketing and corporate solutions	288,177	258,794
Medical knowledge solutions	12,261	12,258
Intelligent patient management solutions	13,616	13,388
	<u>314,054</u>	<u>284,440</u>
Geographical markets		
Mainland China	296,886	273,655
Overseas	17,168	10,785
	<u>314,054</u>	<u>284,440</u>
Timing of revenue recognition		
Services transferred at a point in time	253,630	206,581
Services transferred over time	60,424	77,859
	<u>314,054</u>	<u>284,440</u>

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
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Precision marketing and corporate solutions	4,994	15,969
Intelligent patient management solutions	76	946
	<u>5,070</u>	<u>16,915</u>

(b) *Performance obligations*

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

Application software development service

The performance obligation is satisfied over time as services are rendered or at the point in time when services are accepted according to the agreement. Payment is generally due within 120 days from the date of billing, except for certain customers, where payment in advance is required.

Software licensing service

The performance obligation is satisfied over time as services are rendered and payment in advance is normally required.

Patient counselling service

The performance obligation is satisfied over time as services are rendered and payment is generally due within 120 days from the date of billing.

Other services

The performance obligation is satisfied at the point in time when the individual service is rendered and payment is generally due within 120 days from the date of billing.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December are as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Amounts expected to be recognised as revenue:		
Within one year	119,787	58,728
After one year	60,266	42,947
	180,053	101,675

The amounts of transaction prices allocated to the remaining performance obligations which are expected to be recognised as revenue after one year relate to precision marketing solutions and corporate solutions, of which the performance obligations are to be satisfied within three years. All the other amounts of transaction prices allocated to the remaining performance obligations are expected to be recognised as revenue within one year. The amounts disclosed above do not include variable consideration which is constrained.

An analysis of other income and gains is as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Other income and gains		
Bank interest income	66,242	7,709
Government grants*	7,990	720
Investment income from financial assets at fair value through profit or loss	720	132
Others	787	300
	75,739	8,861

* The government grants mainly represent incentives awarded by the local governments to support the Group's operation. There were no unfulfilled conditions or contingencies attached to these grants.

5. PROFIT BEFORE TAX

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

	2022	2021
	RMB'000	RMB'000
Cost of services provided*	101,132	83,702
Cost of inventories sold	181	4
Depreciation of property, plant and equipment	1,464	2,130
Depreciation of right-of-use assets	6,095	3,781
Amortisation of other intangible assets**	1,428	238
Research and development costs	46,231	25,331
Impairment of trade receivables, net	(232)	511
Covid-19-related rent concessions from lessors	(768)	—
Lease payments not included in the measurement of lease liabilities	2,150	733
Bank interest income	(66,242)	(7,709)
Government grants	(7,990)	(720)
Listing expenses	—	28,289
Foreign exchange difference, net	288	10,931
Investment income from financial assets at fair value through profit or loss	(720)	(132)
Fair value adjustment of contingent consideration	1,201	443
Loss on disposal of items of property, plant and equipment	91	86
Auditor's remuneration	2,113	2,493
Employee benefit expense (excluding directors' and chief executive's remuneration):		
Wages and salaries	112,488	75,841
Pension scheme contributions***	12,126	8,039
Staff welfare expenses	6,108	2,407
Share-based payment expense	8,748	6,137
	139,470	92,424

* The employee benefit expense included in "Cost of services provided" in the consolidated statement of profit or loss and other comprehensive income is RMB44,885,000 (2021: RMB39,847,000) during the year.

** The amortisation of other intangible assets is included in "Cost of sales" in the consolidated statement of profit or loss and other comprehensive income.

*** There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

6. INCOME TAX

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

Pursuant to the rules and regulations of the Cayman Islands, the Company is not subject to any income tax in this jurisdiction.

The statutory tax rate for the subsidiary in Hong Kong is 16.5%. No Hong Kong profits tax on the subsidiary has been provided as there was no assessable profit arising in Hong Kong during the year.

The provision for current income tax in Mainland China is based on a statutory tax rate of 25% of the assessable profits of the PRC subsidiaries of the Group as determined in accordance with the PRC Corporate Income Tax Law.

Jinye Tiancheng, Yimaihutong, Beijing Medcon and Beijing Focus are accredited as High and New Technology Enterprises and were entitled to a preferential income tax rate of 15% (2021: 15%) during the year. Shijiazhuang Maili, Yinchuang Yimaitong, Beijing Yimaitong Medicine Co., Ltd. and Shanghai Yimaitong Huilin Medical Technology Co., Ltd. (“**Huilin**”) are accredited as Small and Micro Enterprises and were entitled to a preferential tax rate of 2.5% (2021: 10%) during the year.

The income tax expense of the Group during the year is analysed as follows:

	2022	2021
	RMB'000	RMB'000
Current — Mainland China		
Charge for the year	8,938	28,392
Underprovision in prior years	809	—
Deferred tax	(1,131)	(3,710)
	<hr/>	<hr/>
Total tax charge for the year	<u>8,616</u>	<u>24,682</u>

A reconciliation of the tax expense applicable to profit before tax at the statutory rate in Mainland China to the tax expense at the effective tax rate is as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Profit before tax	<u>135,037</u>	<u>69,927</u>
Tax at the statutory tax rate of 25% in Mainland China	33,760	17,482
Preferential tax rates enacted by local authority	(5,888)	(10,396)
Effect of tax rates differences in other jurisdictions	(16,950)	—
Income not subject to tax	(1,409)	—
Additional deductible allowance for research and development expenses	(5,351)	(2,794)
Expenses not deductible for tax	3,389	9,817
Additional deductible allowance for share options exercised	(2,998)	—
Tax losses not recognised	2,659	1,175
Tax losses utilised from previous periods	(408)	—
Adjustments in respect of current tax of previous periods	809	—
Effect of withholding tax at 10% on the distributable profits of the Group's PRC subsidiaries	<u>1,003</u>	<u>9,398</u>
Tax charge at the Group's effective tax rate	<u>8,616</u>	<u>24,682</u>

7. DIVIDENDS

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Proposed final — RMB6.54 cents (2021: RMB1.70 cents) per ordinary share	<u>46,928</u>	<u>12,133</u>

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

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

The calculation of the basic earnings per share amount is based on the profit attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 714,408,486 (2021: 616,048,223) in issue during the year. The weighted average number of ordinary shares for the year is adjusted to reflect the ordinary shares issued under the share award scheme adopted by the Company.

The calculation of the diluted earnings per share amounts is based on the profit 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 per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares into ordinary shares.

The calculation of the basic and diluted earnings per share is based on:

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculation	<u>117,321</u>	<u>40,616</u>
	Number of shares	
	2022	2021
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	714,408,486	616,048,223
Effect of dilution — weighted average number of ordinary shares:		
Share options	<u>22,093,282</u>	<u>19,753,067</u>
	<u>736,501,768</u>	<u>635,801,290</u>

9. TRADE RECEIVABLES

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Trade receivables	95,893	77,256
Impairment	(814)	(1,046)
	<u>95,079</u>	<u>76,210</u>

The Group's trading terms with its customers are mainly on credit. The credit terms granted generally ranged up to 180 days, depending on the specific payment terms in each contract. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Within 6 months	94,533	72,105
6 to 12 months	131	3,816
1 to 2 years	397	264
2 to 3 years	18	25
	<u>95,079</u>	<u>76,210</u>

10. TRADE PAYABLES

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Within 3 months	2,516	4,658
3 to 6 months	82	128
6 to 12 months	89	22
Over 1 year	22	1,411
	<u>2,709</u>	<u>6,219</u>

Included in the Group's trade payables are amounts due to M3, Inc., a shareholder of the Company, of RMB276,000 as at 31 December 2022 (2021: RMB1,464,000), which are repayable on demand.

The trade payables are non-interest-bearing and are normally settled within six months.

11. SHARE CAPITAL

Shares

	2022 <i>US\$</i>	2021 <i>US\$</i>
Authorised:		
50,000,000,000 ordinary shares of US\$0.00001 each	<u>500,000</u>	<u>500,000</u>
Issued and fully paid:		
717,348,000 (2021: 713,225,500) ordinary shares of US\$0.00001 each	<u>7,173</u>	<u>7,132</u>
Equivalent to RMB	<u>45,000</u>	<u>44,000</u>

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

	Number of shares in issue	Share capital RMB'000
At 1 January 2021	535,080	33
Share subdivision	535,080,000	33
Initial public offering	155,096,000	10
Exercise of the over-allotment option	23,049,500	1
	<hr/>	<hr/>
At 31 December 2021 and 1 January 2022	713,225,500	44
Issue of shares for share award scheme (<i>note</i>)	4,122,500	1
	<hr/>	<hr/>
At 31 December 2022	<u>717,348,000</u>	<u>45</u>

Note:

In January 2022, the Company issued 500,000 ordinary shares with par value of US\$0.00001 each pursuant to the share award scheme of the Company approved by the board of directors with effect from 24 December 2021.

In July and October 2022, the Company issued 1,867,500 and 1,755,000 ordinary shares with par value of US\$0.00001 each and an exercise price of RMB0.38 each, respectively, for the exercise of share options under the Company's Pre-IPO share option scheme.

12. COMMITMENTS

At the end of the reporting period, the Group did not have any significant commitments.

13. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board on 23 March 2023.

OTHER INFORMATION

FINAL DIVIDEND

The Board has resolved to recommend a final dividend of RMB0.0654 (equivalent to HK\$0.0747 based on the rate of HK\$1.1422 to RMB1.00, being the official exchange rate of HK dollars against Renminbi as quoted by the People's Bank of China on 22 March 2023) per Share. Subject to the passing of the relevant resolution at the annual general meeting, the final dividend will be paid in Hong Kong dollars at HK\$0.0747 per Share. The final dividend will be paid on or around 10 July 2023 to shareholders whose names appear on the register of members of the Company on 19 June 2023.

CLOSURE OF THE REGISTER OF MEMBERS

The register of members of the Company will be closed from 6 June 2023 to 9 June 2023 (both days inclusive) in order to determine the identity of the shareholders who are entitled to attend the annual general meeting, during which period no share transfers will be registered. To be eligible to attend the annual general meeting, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong share registrar, Tricor Investor Services Limited, at 17/F Far East Finance Centre, 16 Harcourt Road, Hong Kong, not later than 4:30 p.m. on 5 June 2023.

Subject to the passing of the relevant resolution at the annual general meeting, which is proposed to be held on 9 June 2023, the register of members of the Company will be closed from 15 June 2023 to 19 June 2023 (both days inclusive), for the purpose of determining shareholders' entitlements to the final dividend. In order to qualify for the final dividend, all transfer documents, accompanied by relevant share certificates, must be lodged for registration with the Company's Hong Kong share registrar, Tricor Investor Services Limited, at 17/F Far East Finance Centre, 16 Harcourt Road, Hong Kong, not later than 4:30 p.m. on 14 June 2023.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company during the Reporting Year.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

The Shares were listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 15 July 2021. The net proceeds from the Global Offering (including the exercise of the over-allotment option) was approximately HK\$4,677 million, which will be utilized for the purposes as set out in the prospectus of the Company dated 30 June 2021 (the “**Prospectus**”) and there is no change to the intended use of proceeds as disclosed in the Prospectus. The following table shows a summary of the intended use of the net proceeds and the utilization as at 31 December 2022:

Intended use of net proceeds	Amounts expected	Utilization as at 31 December 2022	Remaining	Expected time of use
	to be utilized as disclosed in the Prospectus (HK\$ millions)		balance as at 31 December 2022 (HK\$ millions)	
A. Business Expansion				
(1) enhance medical knowledge solutions of the Company and enrich medical knowledge information and tools on the platform of the Company	561.3	12.4	548.9	before December 2025
(2) improve patient care offerings	467.7	0.0	467.7	before December 2025
(3) strengthen intelligent clinical research solutions	374.2	0.0	374.2	before December 2023
(4) strengthen the relationships with the existing customers of the Company and develop and attract additional customers in pharmaceutical, biotechnology and medical device industries	327.4	29.3	298.1	before December 2025
(5) enhance user growth and engagement through targeted sales and marketing activities	140.3	18.7	121.6	before December 2025

Intended use of net proceeds	Amounts expected to be utilized as disclosed in the Prospectus (HK\$ millions)	Utilization as at 31 December 2022 (HK\$ millions)	Remaining balance as at 31 December 2022 (HK\$ millions)	Expected time of use
B. Investment in technology and enhancement of research and development capabilities				
(1) recruit talent and collaborate with experts	701.6	63.2	638.4	before December 2023
(2) develop and expand the application scenarios of technology of the Company, particularly, machine learning, natural language processing, knowledge graph and user understanding	467.7	0.7	467.0	before December 2025
(3) build up the data center of the Company and strengthen the computing power and storage capabilities of the IT infrastructure of the Company	233.9	4.3	229.6	before June 2023
C. Pursue strategic investments or acquisitions opportunities	935.5	126.3	809.2	N/A
D. General replenishment of the working capital of the Company and for other general corporate purposes	467.7	95.0	372.7	N/A
Total	<u>4,677.3</u>	<u>349.9</u>	<u>4,327.4</u>	

As at 31 December 2022, unutilised proceeds were deposited with licensed financial institutions.

EVENTS AFTER THE REPORTING YEAR

There was no important event affecting the Group which occurred after the end of the Reporting Year up to the date of this announcement.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the Reporting Year, the Company has complied with the applicable code provisions as set forth in Part 2 of the Corporate Governance Code contained in Appendix 14 (the “**Corporate Governance Code**”) to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”), except for a deviation from code provision C.2.1 which requires that the roles of chairman and chief executive should be separate and should not be performed by the same individual.

Ms. Tian Liping (“**Ms. Tian**”) is the chairwoman and chief executive officer of the Company. With extensive experience in the medical information technology industry, Ms. Tian is responsible for formulating and implementing the overall development strategies and business plans of the Group and oversees the overall development and operations of the Group. Ms. Tian founded the Group in 1996 and is instrumental to the Company’s growth and business expansion since its establishment. The Board considers that vesting the roles of chairwoman and chief executive officer in the same person is beneficial to the management of the Group. The balance of power and authority is ensured by the operation of the senior management and the Board, which comprises experienced and high-calibre individuals. The Board currently comprises four executive directors (including Ms. Tian), two non-executive directors and three independent non-executive directors and therefore, in the Company’s view, has an appropriate level of independence element in its composition.

The Board will continue to review and monitor the practices of the Company for the purpose of complying with the Corporate Governance Code and maintaining a high standard of corporate governance practices of the Company.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the “Model Code for Securities Transactions by Directors of Listed Issuers” (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as its code of conduct regarding directors’ securities transactions. All directors have confirmed, following specific enquiry by the Company, that they have complied with the Model Code during the Reporting Year.

SCOPE OF WORK FOR ANNUAL RESULTS ANNOUNCEMENT BY AUDITOR

The financial information set out in this announcement does not constitute the Group's audited accounts for the year ended 31 December 2022, but represents an extract from the consolidated financial statements for the year ended 31 December 2022 which have been audited by the auditor of the Company, Ernst & Young, in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants.

AUDIT COMMITTEE

The Company has established the Audit Committee with written terms of reference in compliance with the Rule 3.21 of the Listing Rules and the Corporate Governance Code. As of the date of this announcement, the Audit Committee comprises three independent non-executive directors of the Company, namely, Ms. Wang Shan, Mr. Richard Yeh and Dr. Ma Jun. Ms. Wang Shan is the chairwoman of the Audit Committee.

The Audit Committee has reviewed the Annual Results, and confirms that the applicable accounting principles, standards and requirements have been complied with, and that adequate disclosures have been made.

CHANGE IN DIRECTORS' BIOGRAPHICAL DETAILS UNDER RULE 13.51B(1) OF THE LISTING RULES

Ms. Wang Shan, one of the Company's independent non-executive Directors, was the director of the finance division of the management supervision department of a joint venture company, Beijing Hitachi Huasun Information Systems Co., Ltd. (北京日立華勝信息系統有限公司) until July 2022 when the term of the joint venture company expired. Since November 2022, Ms. Wang Shan worked at the chief financial officer-led department at Hitachi Solutions (China) Co., Ltd. (日立解決方案(中國)有限公司) and is responsible for conducting liquidation jobs.

Save as disclosed above, there has been no change in the directors' biographical details which are required to be disclosed pursuant to rule 13.51B(1) of the Listing Rules.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This announcement is published on the website of the Stock Exchange (<http://www.hkexnews.hk>) and that of the Company (<http://ir.medlive.cn>). The annual report of the Company for the year ended 31 December 2022 will be despatched to the shareholders of the Company and will be available on the website of the Stock Exchange and that of the Company in due course.

By order of the Board
Medlive Technology Co., Ltd.
Tian Liping
Chairwoman and Chief Executive Officer

Hong Kong, 23 March 2023

As of the date of this announcement, the Board comprises Ms. Tian Liping, Mr. Tian Lixin, Mr. Tian Lijun and Ms. Zhou Xin as executive directors; Mr. Eiji Tsuchiya and Dr. Li Zhuolin as non-executive directors; and Mr. Richard Yeh, Dr. Ma Jun and Ms. Wang Shan as independent non-executive directors.