ClouDr Group Limited
智雲健康科技集團*

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 9955)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2023

The board (the "**Board**") of directors (the "**Directors**") of CllouDr Group Limited (the "**Company**", together with its subsidiaries and consolidated affiliated entities, the "**Group**") is pleased to announce the annual results of the Group for the year ended December 31, 2023 (the "**Reporting Period**"), together with the comparative figures for the year ended December 31, 2022. The results have been reviewed by the Company's audit committee.

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

FINANCIAL HIGHLIGHTS

	Year ended December 31		
	2023	2022	Change (%)
	RMB'000	*RMB'000*	
Revenue	**3,690,536**	2,988,056	23.5
Gross profit	**909,382**	792,100	14.8
Operating loss	**(314,242)**	(591,563)	(46.9)
Loss for the year	**(327,344)**	(1,692,221)	(80.7)
Adjusted net loss (non-IFRS measure)[(1)]	**(75,100)**	(332,781)	(77.4)

	Year ended December 31		
	2023	2022	Change (%)
	RMB'000	*RMB'000*	
Revenue by segment	**3,690,536**	2,988,056	23.5
— In-hospital Solution	**2,873,056**	2,184,477	31.5
Value Added Solution	**2,304,597**	1,645,086	40.1
P2M Solution[(2)]	**101,249**	—	N/A
Subscription Solution (i.e. Targeted Marketing)	**467,210**	539,391	(13.4)
— Pharmacy Solution	**658,583**	615,812	6.9
Subscription Solution	**59,095**	55,144	7.2
Value Added Solution	**599,488**	560,668	6.9
— Individual Chronic Condition Management Solution and others	**158,897**	187,767	(15.4)

Note:

(1) We define "adjusted net loss (non-IFRS measure)" as loss for the year and adding back (i) change in fair value of financial liabilities, (ii) share-based compensation expenses, (iii) listing expenses, (iv) expense related to subsidiaries' equity financing activities, and (v) change in the carrying amounts of financial instruments issued to investors.

(2) We define P2M Solution as sales of proprietary products of which the Group has ownership or national distribution rights through strategic cooperation with pharmaceutical companies. As this is a new sub-segment recorded during the Reporting Period, there was no revenue recorded for the year ended December 31, 2022.

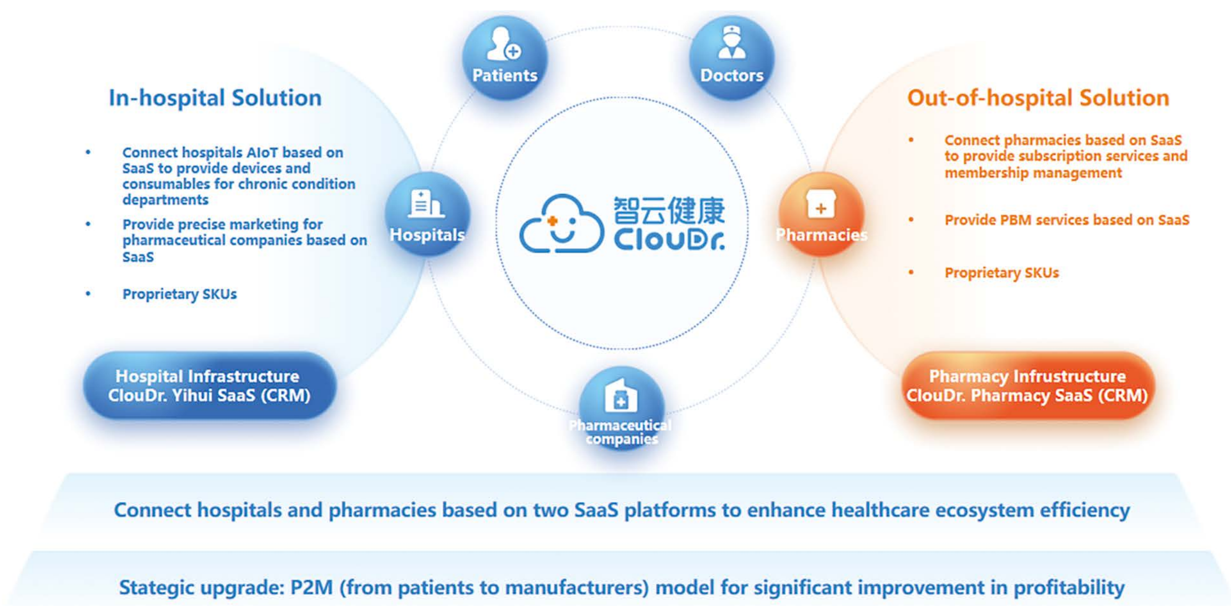
The Board does not recommend the distribution of a final dividend for the year ended December 31, 2023.

BUSINESS REVIEW AND OUTLOOK

Overview

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

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



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

Our integrated out-of-hospital solution consists of pharmacy solution and individual chronic condition management solution.

Our pharmacy solution includes 1) pharmacy SaaS; 2) pharmacy supplies and 3) sales of proprietary SKUs based on our SaaS network in pharmacies. The pharmacy SaaS enables in-store, real-time online consultation and prescription services, identifies pharmacy supplies sales opportunities based on the insights generated from prescription services, and provides new retail and inventory management functions to empower pharmacies to improve operational efficiencies.

Our individual chronic condition management solution connects doctors and patients, who are acquired primarily through in-hospital solution and pharmacy solution, and provides high-quality and trust-worthy medical services and health insurance brokerage services.

In 2023, whilst staying committed to our "hospital first" strategy, we upgraded our strategy to "from patients to manufacturers" ("**P2M**") based on our solid infrastructure in both in-hospital scenarios and out-of-hospital scenarios. Under the P2M strategy, we are able to sell proprietary products of which the Company has ownership, sales rights or other exclusive rights through strategic cooperation with pharmaceutical companies, and we believe this strategy will lead us to the path of profitability. We have already become the gateway for industrial enterprises to enter into hospitals and pharmacies based on our broad and in-depth hospital network and pharmacy network. As a result, our digitization capability can connect industrial enterprises with end hospitals and pharmacies, and ultimately bring high-quality products with competitive pricing and high convenience to patients with chronic conditions.

With the fast development of artificial intelligence, the continuous innovation of artificial intelligence pushed forward far-reaching reforms in the healthcare industry in 2023. Multiple regulations and guidance were passed by the government to encourage "Internet + Healthcare" and the application and innovation of artificial intelligence in the healthcare sector. With an aim of enabling the chronic disease management industry through technologies and improving the efficiency of the healthcare ecosystem, the Company strives to fulfill its responsibilities to increase the accessibility of quality and affordable healthcare services and products to the stakeholders in the healthcare ecosystem, and continues to build digital infrastructure for the chronic condition management industry.

During the Reporting Period, led by our "hospital first" strategy and "P2M" strategy, our business has revealed a strong growth momentum despite a relatively weak consumption recovery. For the year ended December 31, 2023, our total revenue amounted to RMB3,690.5 million, representing a year-on-year increase of 23.5%. Our gross profit amounted to RMB909.4 million, representing a year-on-year increase of 14.8%. Our non-IFRS adjusted net loss narrowed down to RMB75.1 million, representing a year-on-year decrease of 77.4%, due to economies of scale.

In-hospital Solution

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

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

As of December 31, 2023, 2,719 hospitals had installed *ClouDr. Yihui* SaaS, including 815 Class III public hospitals and 1,134 Class II public hospitals. Additionally, 40 out of the 815 Class III public hospitals are China's top 100 hospitals.

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

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

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

Under the upgraded P2M strategy, we recorded P2M solution as a new sub-segment during the Reporting Period, which is sales of proprietary products that mainly include our proprietary Ischelium®, a drug widely recognized by doctors for treating mild vascular dementia and cerebrovascular disease. We believe that P2M solution is an upgraded version of targeted marketing, given that we have stronger relationships with pharmaceutical companies and more involvement in the process which includes but not limited to research and development, manufacturing, sales and marketing, etc..

As of December 31, 2023, we had contracted with 39 pharmaceutical companies to provide them with targeted marketing services, which represented an increase of 50.0% as compared to that as of December 31, 2022. The total partnered SKUs reached 59 as of December 31, 2023, which represented an increase of 73.5% as compared to that as of December 31, 2022. Despite sales of certain SKUs were negatively impacted by the Covid outbreak, especially in the first quarter, the trend of the adoption of targeted marketing of pharmaceutical companies is of high certainty, and thus our overall revenue from subscription solution and P2M solution amounted to RMB568.5 million, representing an increase of 5.4% as compared to our revenue from subscription solution as of December 31, 2022.

Hospital SaaS significantly improved our customer stickiness for monetization opportunities. Our in-hospital solution has allowed us to successfully build deep connections with hospitals and pharmaceutical companies, laying a solid foundation to extend our businesses to out-of-hospital settings. For the year ended December 31, 2023, the number of hospitals that installed our Yihui SaaS reached 2,719, representing an increase of 152 hospitals, or 5.9% as compared to the year ended December 31, 2022.

	Year ended December 31		
	2023	2022	Change (%)
	RMB'000	*RMB'000*	
Revenue			
In-hospital solution	**2,873,056**	2,184,477	31.5
Value Added Solution	**2,304,597**	1,645,086	40.1
P2M Solution[(1)]	**101,249**	—	N/A
Subscription Solution (i.e. Targeted Marketing)	**467,210**	539,391	(13.4)
Gross profit			
In-hospital solution	**793,635**	683,392	16.1
Value Added Solution	**283,536**	205,499	38.0
P2M Solution[(1)]	**82,369**	—	N/A
Subscription Solution (i.e. Targeted Marketing)	**427,730**	477,893	(10.5)
Gross margin			
In-hospital solution	**27.6%**	31.3%	(3.7)
Value Added Solution	**12.3%**	12.5%	(0.2)
P2M Solution[(1)]	**81.4%**	—	N/A
Subscription Solution (i.e. Targeted Marketing)	**91.5%**	88.6%	2.9

Note:

(1) As this is a new sub-segment recorded during the Reporting Period, there was no revenue, gross profit or gross margin recorded for the year ended December 31, 2022.

	Year ended December 31		
	2023	2022	Change(%)
Number of hospital that installed our hospital SaaS[(1)]	**2,719**	2,567	5.9
Subscription Solution — Number of partnered pharmaceutical companies[(2)]	**39**	26	50.0
Subscription Solution — Number of partnered SKUs[(3)]	**59**	34	73.5

Notes:

(1) Number of hospitals that installed our hospital SaaS is the cumulative total number as of the end date of the respective year.

(2) Number of partnered pharmaceutical companies is the number of pharmaceutical companies to which we provided targeted marketing services during the respective year.

(3) Number of SKUs marketed through targeted marketing services during the respective year.

Pharmacy Solution

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

Our pharmacy SaaS, *ClouDr. Pharmacy*, was launched in the first half of 2019. It plays a critical role in our out-of-hospital medical services by empowering pharmacies with in-store, real-time consultation and prescription services for walk-in customers. We also provide advanced features, such as a new retail function that offers e-commerce solutions on private domain traffic management such as WeChat mini programs, public domain traffic management and inventory management services. As of December 31, 2023, 219,716 pharmacies had installed *ClouDr. Pharmacy*, representing an increase of 26,389 pharmacies from that as of December 31, 2022, covering approximately 35% of pharmacies in China.

Leveraging the data insights generated from the pharmacy SaaS prescription services, we effectively connect pharmaceutical companies and pharmacies for pharmacy supply purchases. The number of transacting customers for our pharmacy supplies amounted to 1,232 for the year ended December 31, 2023, representing an increase of 257 customers, or 26.4% as compared to that for the year ended December 31, 2022. Our pharmacy subscription solution and value-added solution segments sustained steady growth momentum, with revenue amounting to RMB59.1 million and RMB599.5 million, respectively, representing an increase of 7.2% and 6.9%, respectively, as compared to that for the year ended December 31, 2022.

	Year ended December 31		
	2023	2022	Change (%)
	RMB'000	*RMB'000*	
Revenue			
Pharmacy solution	**658,583**	615,812	6.9
Subscription Solution	**59,095**	55,144	7.2
Value Added Solution	**599,488**	560,668	6.9
Gross profit			
Pharmacy solution	**71,029**	69,921	1.6
Subscription Solution	**58,493**	52,522	11.4
Value Added Solution	**12,536**	17,399	(27.9)
Gross margin			
Pharmacy solution	**10.8%**	11.4%	(0.6)
Subscription Solution	**99.0%**	95.2%	3.8
Value Added Solution	**2.1%**	3.1%	(1.0)

	Year ended December 31		
	2023	2022	Change (%)
Number of pharmacy stores that installed our pharmacy SaaS[(1)]	**219,716**	193,327	13.6
Subscription Solution — Number of SaaS-paying pharmacy stores	**97,671**	90,801	7.6
Value Added Solution — Number of transacting customers	**1,232**	975	26.4
Value Added Solution — Average revenue per transacting customer (in thousands)	**487**	575	(15.3)

Note:

(1) Number of pharmacy stores that installed our pharmacy SaaS is the cumulative total number as of the end date of the respective year.

Individual Chronic Condition Management Solution

Our individual chronic condition management solution connects doctors and patients to enable out-of-hospital monitoring, consultation and prescription for chronic condition patients. We had approximately 102.6 million registered doctors and approximately 31.2 million registered users as of December 31, 2023. Through our omni-channel user acquisition, i.e. doctor referrals, patient walk in pharmacy stores using our online prescription services and patient referrals, over 95% new user acquisitions were organic.

In line with our emphasis in our interim report for the six months ended June 30, 2023, the Company continued to proactively optimize our revenue structure by focusing on providing high-quality and targeted healthcare services to our users and improving operational efficiency, rather than the monetization of the individual chronic condition management solution. We believe this strategy can address the long-term medical needs of chronic disease patients. We currently have three internet hospitals as part of our platform to deliver these services in compliance with relevant regulations. These internet hospitals allow us to provide online consultation and prescription services through our online applications to patients in different provinces across China. The number of online prescriptions provided through our services reached 184.9 million for the year ended December 31, 2023.

	Year ended December 31 2023	2022	Change (%)
	RMB'000	*RMB'000*	
Revenue			
Individual chronic condition management solution and others	**158,897**	187,767	(15.4)
Gross profit			
Individual chronic condition management solution and others	**44,718**	38,787	15.3
Gross margin			
Individual chronic condition management solution and others	**28.1%**	20.7%	7.4

	Year ended December 31		
	2023	2022	Change (%)
Number of registered users (in millions)[1]	**31.2**	28.5	9.5
Number of registered doctors (in thousands)[2]	**102.6**	98.7	4.0
Number of online prescriptions (in millions)	**184.9**	169.6	9.0

Notes:

(1) Number of registered users is the cumulative total number as of the end date of the respective year.

(2) Number of registered doctors is the cumulative total number as of the end date of the respective year.

Significant Events/Recent Developments after the Reporting Period

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

Following our upgraded P2M strategy, we proactively selected high-quality products with large addressable market to sell as our proprietary products. The following two examples are strong evidence of the feasibility of the Company's P2M strategy and reflect the scalability of our SaaS infrastructure, which are expected to have a positive impact on the Company's financial performance and long-term development.

On January 26, 2024, the Company entered into a non-legally binding strategic cooperation agreement (the "**Strategic Cooperation Agreement**") with 杭州安元生物醫藥科技有限公司 (Hangzhou Anprime BioPharm Co. Ltd.*) ("**Anprime Bio**"). Pursuant to the Strategic Cooperation Agreement, the Group will become the exclusive distributor of Anprime Bio's Sevelamer Carbonate for Oral Suspension® products in China for a term of ten years. The applicable users of the drug require long-term medication, which largely overlap with the coverage of the Company's chronic disease management business and hospital SaaS. Based on the innovativeness and the clinical value of the drug, Anprime Bio chose to apply for approvals from both National Medical Products Administration of China ("**NMPA**") and the United States Food and Drug Administration ("**FDA**"). The drug has been approved by NMPA and FDA now, which opens up the possibility for the Group to develop overseas sales channels of the drug. For further details, please refer to the announcement published by the Company on January 26, 2024.

On March 11, 2024, Hetangjin®* (和唐淨) Dapagliflozin Tablets, a proprietary product of the Group of which the Group has sales rights, were launched, marking the commencement of the marketing and the sales of the product after it officially obtained the drug registration certificate (Guo Yao Zhun Zi No. H20234636) from the NMPA on December 13, 2023. Hetangjin® Dapagliflozin Tablets have broken through the patent restrictions on the crystalline form in the original research, and have been launched ahead of the original schedule in accordance with relevant laws and regulations as a generic product of Dapagliflozin Tablets in China. As the only basic drug in the sodium-glucose cotransporter 2 ("**SGLT-2**") inhibitor class and a first-line medication for improving glycemic control in adult patients with type 2 diabetes, Dapagliflozin Tablets' annual sales in China reached approximately RMB7 billion in 2023. Studies have shown that this type of SGLT-2 inhibitor achieved breakthroughs in body weight reduction and the prevention and treatment of cardiovascular and renal diseases, which have considerable cross-domain value. For further details, please refer to the announcement published by the Company on March 11, 2024.

Business Outlook

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

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

In respect of the pharmacy solution, we will continue to expand our pharmacy network by increasing SaaS installation base, and enriching our pharmacy product portfolio and services to meet various needs of pharmacies such as offline and online operation, membership management, inventory management, and supply chain. We will also expand our P2M strategy to the pharmacy segment to improve segment profitability by leveraging our existing pharmacy infrastructure.

In respect of the individual chronic condition management solution and others, we will continue to solidify our medical service capabilities, and attract doctors and patients to the ecosystem organically and efficiently. We focus on providing high quality and trust-worthy medical services to our users.

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

MANAGEMENT DISCUSSION AND ANALYSIS

Revenues

Our revenues increased by 23.5% from approximately RMB2,988.1 million for the year ended December 31, 2022 to approximately RMB3,690.5 million for the year ended December 31, 2023. The increase was primarily attributable to the steady growth in both in-hospital solution and pharmacy solution.

In-hospital solution. Revenue from the in-hospital solution increased by 31.5% from approximately RMB2,184.5 million for the year ended December 31, 2022 to approximately RMB2,873.1 million for the year ended December 31, 2023, primarily due to further SaaS penetration in hospitals, and increased partnerships with pharmaceutical companies for subscription solution and P2M solution which primarily included our proprietary product Ischelium®.

Pharmacy solution. Revenue from the pharmacy solution increased by 6.9% from approximately RMB615.8 million for the year ended December 31, 2022 to approximately RMB658.6 million for the year ended December 31, 2023, primarily due to increased number of pharmacies that subscribed to our SaaS for prescription services and membership management services, and an increased number of transacting customers served by our enriched supply chain capabilities.

Individual chronic condition management solution and others. Revenue from individual chronic condition management solution and others decreased by 15.4% from approximately RMB187.8 million for the year ended December 31, 2022 to approximately RMB158.9 million for the year ended December 31, 2023, primarily due to the company's proactive optimization of the revenue structure by focusing on providing high-quality and targeted healthcare services to our users and improving operational efficiency, rather than the monetization of the individual chronic condition management solution.

Cost of sales

Our cost of sales increased by 26.6% from approximately RMB2,196.0 million for the year ended December 31, 2022 to approximately RMB2,781.2 million for the year ended December 31, 2023. The increase was generally in line with the rapid growth of our business.

Gross profit and gross margin

As a result of the foregoing, our overall gross profit for the years ended December 31, 2022 and 2023 were approximately RMB792.1 million and approximately RMB909.4 million, respectively, and our overall gross margin for the same periods were 26.5% and 24.6%, respectively. The increase of our overall gross profit was primarily attributable to the steady growth of our in-hospital solution and pharmacy solution. The decrease of our overall gross margin was a result of the revenue mix between the higher gross margin business, such as the subscription solution, and comparatively lower gross margin business, such as the value added solution.

In-hospital solution. Our gross margin for the in-hospital solution decreased from 31.3% for the year ended December 31, 2022 to 27.6% for the year ended December 31, 2023, primarily attributable to the revenue mix between the in-hospital subscription solution and the in-hospital value added solution. Given that the number of paying hospitals grew fast, we were able to achieve 40.1% year-over-year revenue growth in the in-hospital value added solution, which was much higher than 5.4% year-over-year revenue growth in the aggregate in-hospital subscription solution and in-hospital P2M solution.

Pharmacy solution. Our gross margin for the pharmacy solution decreased from 11.4% for the year ended December 31, 2022 to 10.8% for the year ended December 31, 2023, primarily due to the revenue mix between the pharmacy subscription solution and the pharmacy value added solution, the pricing strategy on certain products in the pharmacy value added solutions and special discounts for certain inventories for working capital management purposes. Based on our existing pharmacy SaaS stores and enhanced insights into the supply chain demands of those stores through the pharmacy SaaS, we were able to achieve faster revenue growth in the pharmacy value added solution.

Individual chronic condition management solution and others. Our gross margin for the individual chronic condition management solution and others increased from 20.7% for the year ended December 31, 2022 to 28.1% for the year ended December 31, 2023, primarily driven by the higher revenue contribution from high gross margin services, given our proactive optimization of the business.

Selling and marketing expenses

Our selling and marketing expenses decreased by 11.2% from approximately RMB933.2 million for the year ended December 31, 2022 to approximately RMB828.8 million for the year ended December 31, 2023, primarily attributable to economies of scales and refined expense management. More than 80% of our selling and marketing expenses are people related costs (including share-based compensation).

We enjoyed significant operating leverage and customer stickiness with high recurring purchases. The selling and marketing expense to revenue ratio decreased from 29.2% for the year ended December 31, 2022 to 21.5% for the year ended December 31, 2023.

Administrative expenses

Our administrative expenses increased by 1.4% from RMB335.6 million for the year ended December 31, 2022 to RMB340.2 million for the year ended December 31, 2023.

The administrative expenses to revenue ratio decreased from 4.3% for the year ended December 31, 2022 to 3.7% for the year ended December 31, 2023.

Research and development expenses

Our research and development expenses decreased from approximately RMB114.8 million for the year ended December 31, 2022 to approximately RMB88.0 million for the year ended December 31, 2023. The decrease was primarily due to the continuous increased efficiency, enhanced industry know-how and shortened research and development cycles. Our hospital SaaS *ClouDr. Yihui* and pharmacy SaaS *ClouDr. Pharmacy* have both reached maturity and require less research and development efforts. Our key strategy for research and development will continue to focus on AI technologies and digital-therapy-related medical researches for the further delivery of high value online medical services.

The research and development expense to revenue ratio decreased from 3.7% for the year ended December 31, 2022 to 2.0% for the year ended December 31, 2023.

Loss from operations

As a result of the foregoing, our loss from operations decreased by 46.9% from approximately RMB591.6 million for the year ended December 31, 2022 to RMB314.2 million for the year ended December 31, 2023. The decrease was primarily due to significant revenue increase and improved operating leverage.

Finance costs

Our finance costs increased by 37.0% from approximately RMB8.4 million for the year ended December 31, 2022 to approximately RMB11.5 million for the year ended December 31, 2023, primarily attributable to higher interest expense resulting from an increase in bank and other loans to support our business expansion.

Change in fair value of financial liabilities

We recorded change in fair value of financial liabilities of a loss of approximately RMB1,087.9 million and nil for the years ended December 31, 2022 and 2023, respectively. The losses in 2022 were due to changes in the carrying amount of convertible redeemable preferred shares. Prior to the listing of our Shares on the Stock Exchange in July 2022, our convertible redeemable preferred shares were not traded in an active market and their value at each respective reporting date was determined using valuation techniques.

Income tax

We recorded income tax of approximately RMB1.4 million and negative RMB18,000 for the years ended December 31, 2022 and 2023, respectively. The change was primarily due to an increase in income tax arising from net profit from certain subsidiaries and consolidated affiliated entities of the Group and the changes of deferred tax liabilities.

Loss for the year

As a result of the foregoing, our loss decreased by 80.7% from RMB1,692.2 million for the year ended December 31, 2022 to RMB327.3 million for the year ended December 31, 2023. The decrease was primarily due to significant revenue increase, operating leverage and the change in fair value of financial liabilities.

Adjusted Net Loss (Non-IFRS Measure)

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

We define "adjusted net loss (non-IFRS measure)" as loss for the year and adding back 1) change in fair value of financial liabilities, 2) share-based compensation expenses, 3) listing expenses, 4) expense related to subsidiaries' equity financing activities, and 5) change in the carrying amounts of financial instruments issued to investors.

For the years ended December 31, 2022 and 2023, our adjusted net loss (non-IFRS measure) was approximately RMB332.8 million and RMB75.1 million, respectively.

The following table sets forth the reconciliations of our non-IFRS financial measure for the years ended December 31, 2022 and 2023 to the nearest measure prepared in accordance with IFRS:

	Year ended December 31	
	2023	2022
	RMB'000	*RMB'000*
Loss for the year	**(327,344)**	(1,692,221)
Add:		
Change in fair value of financial liabilities[1]	**—**	1,087,874
Share-based compensation related items[2]	**232,080**	201,336
Listing expenses[3]	**—**	70,230
Expense related to subsidiaries' equity financing activities[4]	**18,574**	—
Change in the carrying amounts of financial instruments issued to investors[5]	**1,590**	—
Adjusted net loss (non-IFRS measure)	**(75,100)**	(332,781)
Adjusted net loss margin (non-IFRS measure) (%)[6]	**(2.0)**	(11.1)

Notes:

(1) Change in fair value of financial liabilities represents the gains or losses arising from change in fair value of our issued convertible redeemable preferred shares, which was recognized as a financial liability at fair value change through profit or loss. Such changes are non-cash in nature.

(2) Share-based compensation related items relate to the share awards we offered to our employees, directors and consultants under the pre-IPO equity incentive scheme and post-IPO share award scheme of the Company, which are primarily non-cash in nature and commonly added back to IFRS measures in calculating similar non-IFRS measures adopted by other companies in our industry.

(3) Listing expenses are commonly added back to IFRS measures in calculating similar non-IFRS financial measures.

(4) Expense related to subsidiaries' equity financing activities is commonly added back to IFRS measures in calculating similar non-IFRS financial measures, primarily because it represents the professional service expense in connection with the subsidiaries' equity financing with the redemption rights granted to investors and only relates to the scale of financing from investors.

(5) Change in the carrying amounts of financial instruments issued to investors represents the amortised interest expense on the redemption liability of our subsidiaries' equity financing with the redemption rights, which was recognized as financial instruments issued to investors. Such change is non-cash in nature.

(6) Represents adjusted net loss (non-IFRS measure) divided by the total revenue for the year indicated.

Liquidity and capital resource

During the year ended December 31, 2023, we funded our cash requirements principally from capital contribution from shareholders and bank loans. We had cash and cash equivalents of approximately RMB249.7 million and RMB243.4 million as of December 31, 2022 and December 31, 2023, respectively. In addition, we had RMB346.7 million financial assets measured at fair value and RMB5.0 million time deposits with initial term over three months in current assets as of December 31, 2023, and those financial assets are short term and for treasury management purposes.

As of December 31, 2023, we had bank and other loans of RMB235.0 million (as of December 31, 2022: RMB192.5 million). Borrowings are classified as current liabilities and non-current liabilities. RMB220.0 million are repayable within one year and RMB15.0 million are payable over one year or on demand as of December 31, 2023. The effective annual interest rates of borrowings ranged from 3.1% to 5.5% as of December 31, 2023.

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

Significant investments

The Group did not make or hold any significant investments (including any investment in an investee company with a value of 5% or more of the Company's total assets as at December 31, 2023) during the year ended December 31, 2023.

Material acquisitions and disposals

The Group did not have any material acquisitions or disposals of subsidiaries, consolidated affiliated entities or associated companies for the year ended December 31, 2023.

Pledge of assets

As at December 31, 2023, approximately RMB21.8 million of plant and buildings were pledged as security for bank and other loans (which are payable over one year) granted to the Group.

Future plans for material investments or capital asset

As at December 31, 2023, the Group did not have detailed future plans for material investments or capital assets.

Gearing ratio

The Group monitors capital on the basis of the gearing ratio, which is calculated as dividing liabilities excluded financial instruments issued to investors by total assets. As at December 31, 2023, the gearing ratio was 33.2%, as compared with 33.6% as at December 31, 2022, which remained stable.

Foreign exchange exposure

During the year ended December 31, 2023, the Group mainly operated in China with most of the transactions settled in Renminbi ("**RMB**"). The functional currency of our Company and the subsidiaries and consolidated affiliated entities operating in China is RMB. Our management considers that the business is not exposed to any significant foreign exchange risk as there are no significant financial assets or liabilities denominated in the currencies other than the respective functional currencies of our group entities. As at December 31, 2023, we had currency translation gain of approximately RMB282 thousand, as compared with currency translation loss of RMB459 thousand as at December 31, 2022. We did not hedge against any fluctuation in foreign currency during the years ended December 31, 2022 and 2023.

Contingent liabilities

As at December 31, 2023, we did not have any material contingent liabilities (as at December 31, 2022: nil).

Indebtedness

As at December 31, 2023, the Group had bank and other loans of RMB235.0 million and lease liabilities of RMB32.0 million, as compared to RMB192.5 million and RMB30.8 million, respectively, as at December 31, 2022.

Employees and remuneration

As at December 31, 2023, the Group had a total of 1,522 employees, of which 469 employees are in Hangzhou, 144 employees are in Shanghai and 909 employees are in other offices in China. The Group also had over 3,000 flexible staffing as of December 31, 2023 to support business penetration into lower tier cities, and to access over 10,000 hospitals and over 210,000 pharmacies.

The following table sets forth the number of employees by function as at December 31, 2023:

Function	**Number of full-time employees**
Selling and marketing	1,266
Research and development	124
General and administrative	63
Others[1]	69
Total	**1,522**

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

The total people related cost incurred by the Group for the year ended December 31, 2023 was approximately RMB1,007.9 million, as compared to approximately RMB990.3 million for the year ended December 31, 2022. The full-time staff cost incurred for the year ended December 31, 2023 was approximately RMB629.4 million as compared to approximately RMB610.2 million for the year ended December 31, 2022. The flexible staffing cost incurred for the year ended December 31, 2023 was approximately RMB378.5 million as compared to approximately RMB380.1 million for the year ended December 31, 2022.

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

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

1 The total people related cost and full time staff cost exclude the costs related to the 69 employees in the manufacturing function which are included in the manufacturing cost.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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

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

Compliance with the Code on Corporate Governance Practices

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

The Company adopted the principles and code provisions of the Corporate Governance Code contained in Part 2 of Appendix C1 (formerly Appendix 14) to the Listing Rules as the basis of our corporate governance practices.

During the year ended December 31, 2023, the Company has adopted and complied with all applicable code provisions set out in the Corporate Governance Code except for the deviation as set out below.

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

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 as set out in Appendix C3 (formerly Appendix 10) to the Listing Rules (the "**Model Code**") as the code of conduct regarding the Directors' dealings in the securities of the Company. The Company's employees who are likely to be in possession of unpublished inside information of the Company are also subject to the Model Code.

Specific enquiry has been made of all the Directors and the relevant employees and they have confirmed that they have complied with the Model Code during the year ended December 31, 2023.

Audit committee

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

The audit committee has reviewed the audited consolidated financial statements of the Group for the year ended December 31, 2023 and has discussed with the independent auditor of the Company, KPMG (the "**Auditor**"). The audit committee has also reviewed and discussed matters with respect to the accounting policies and practices adopted by the Company and internal control and financial reporting matters with senior management members of the Company. The audit committee considered that the annual financial results for the year ended December 31, 2023 are in compliance with the relevant accounting standards, rules and regulations and appropriate disclosures have been duly made.

Auditor's scope of work

The financial figures in respect of the Group's consolidated statement of financial position as at December 31, 2023, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended December 31, 2023 as set out in this announcement have been compared by the Auditor to the amounts set out in the Group's audited consolidated financial statements for the year. The Auditor made no comments as to the reasonableness or appropriateness of those assumptions of the "adjusted net loss (non-IFRS measure)" as presented in this announcement. The work performed by the Auditor 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 Auditor on this announcement.

Purchase, sale or redemption of the Company's listed securities

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

Material litigation

The Company was not involved in any material litigation or arbitration during the year ended December 31, 2023. The Directors are also not aware of any material litigation or claims that are pending or threatened against the Group during the Reporting Period and up to the date of this announcement.

Use of proceeds from the global offering

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

Set out below is the status of use of proceeds from the global offering as at December 31, 2023.

Purpose	% of use of proceeds	Net proceeds	Unutilized amount as at December 31, 2022	Utilized during the year ended December 31, 2023	Unutilized amount as at December 31, 2023
		(HK$ million)	*(HK$ million)*	*(HK$ million)*	*(HK$ million)*
Business expansion	60%	255.4	232.1	46.4	185.7
To advance our medical know-how and technology capabilities to reinforce our leadership in the digital healthcare industry	25%	106.4	97.2	27.6	69.6
To broaden our ecosystem through strategic partnerships, investments and acquisitions in other businesses that complement our organic growth strategies	5%	21.3	21.3	21.3	—
Working capital and general corporate purposes	10%	42.6	38.3	8.1	30.2
Total	**100%**	**425.7**	**388.9**	**103.4**	**285.5**

Dividend

The Board does not recommend the distribution of a final dividend for the year ended December 31, 2023.

Closure of register of members

The Company's annual general meeting (the "**AGM**") will be held on June 6, 2024, Thursday. The register of members of the Company will be closed from June 3, 2024, Monday to June 6, 2024, Thursday, both days inclusive, in order to determine the identity of the members who are entitled to attend the AGM, during which period no transfer of shares will be registered. To be eligible to attend the AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on May 31, 2024, Friday.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the year ended December 31, 2023

*(Expressed in Renminbi ("**RMB**"))*

	Note	**2023** *RMB'000*	2022 *RMB'000*
Revenue	*4*	**3,690,536**	2,988,056
Cost of sales		**(2,781,154)**	(2,195,956)
Gross profit		**909,382**	792,100
Other net income	*5*	**43,559**	39,435
Selling and marketing expenses		**(828,760)**	(933,217)
Administrative expenses		**(340,200)**	(335,562)
Research and development expenses		**(88,042)**	(114,789)
Impairment loss on trade receivables and other receivables		**(10,181)**	(39,530)
Loss from operations		**(314,242)**	(591,563)
Finance costs	*6(a)*	**(11,494)**	(8,391)
Change in the carrying amounts of financial instruments issued to investors		**(1,590)**	—
Change in fair value of financial liabilities		**—**	(1,087,874)
Impairment loss on intangible assets		**—**	(3,562)
Impairment loss on goodwill		**—**	(2,253)
Loss before taxation		**(327,326)**	(1,693,643)
Income tax	*7*	**(18)**	1,422
Loss for the year		**(327,344)**	(1,692,221)
Attributable to:			
— Equity shareholders of the Company		**(323,065)**	(1,688,937)
— Non-controlling interests		**(4,279)**	(3,284)
Loss for the year		**(327,344)**	(1,692,221)
Loss per share	*8*		
Basic and diluted *(RMB)*		**(0.60)**	(5.62)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended December 31, 2023

(Expressed in Renminbi)

	Note	**2023**	2022
		RMB'000	*RMB'000*
Loss for the year		**(327,344)**	(1,692,221)
Other comprehensive income for the year (after tax)			
Item that may be reclassified subsequently to profit or loss:			
Exchange difference on translation of foreign operations		**5,880**	(466,551)
Total comprehensive income for the year		**(321,464)**	(2,158,772)
Attributable to:			
— Equity shareholders of the Company		**(317,185)**	(2,155,488)
— Non-controlling interests		**(4,279)**	(3,284)
Total comprehensive income for the year		**(321,464)**	(2,158,772)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Expressed in Renminbi)

	Note	At December 31 2023 RMB'000	2022 RMB'000
Non-current assets			
Property, plant and equipment		**207,962**	137,377
Intangible assets		**250,532**	327,290
Goodwill		**86,469**	85,980
Financial assets measured at fair value through profit or loss ("**FVPL**")		**40,000**	—
Other non-current assets		**56,798**	35,319
		641,761	585,966
Current assets			
Financial assets measured at FVPL		**346,721**	423,501
Inventories		**298,134**	224,809
Trade and bills receivables	*9*	**814,751**	758,533
Prepayments, deposits and other receivables		**571,623**	467,575
Restricted bank deposits		**23,700**	74,370
Time deposits with initial term over three months		**5,000**	50,000
Cash and cash equivalents		**243,375**	249,674
		2,303,304	2,248,462
Current liabilities			
Trade payables	*10*	**233,249**	120,800
Other payables and accrued expenses		**361,514**	459,870
Contract liabilities		**71,412**	99,576
Bank and other loans		**220,023**	192,543
Lease Liabilities		**13,679**	11,228
Financial instruments issued to investors		**201,590**	—
		1,101,467	884,017
Net current assets		**1,201,837**	1,364,445
Total assets less current liabilities		**1,843,598**	1,950,411

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*
(Expressed in Renminbi)

	Note	At December 31 2023 RMB'000	2022 RMB'000
Non-current liabilities			
Bank and other loans		**15,000**	—
Lease liabilities		**18,349**	19,611
Deferred tax liabilities		**44,943**	49,425
		78,292	69,036
NET ASSETS		**1,765,306**	1,881,375
CAPITAL AND RESERVES			
Share capital	*11(b)*	**391**	391
Reserves		**1,824,939**	1,848,957
Total equity attributable to equity shareholders of the Company		**1,825,330**	1,849,348
Non-controlling interests		**(60,024)**	32,027
TOTAL EQUITY		**1,765,306**	1,881,375

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

1 PRINCIPAL ACTIVITIES AND ORGANISATION

ClouDr Group Limited (the "**Company**") was incorporated in the Cayman Islands on August 24, 2015 as an exempted company with limited liability under the Companies Act (As Revised) (as consolidated and revised) of the Cayman Islands.

The Company and its subsidiaries (together, "**the Group**") are principally engaged in providing supplies to hospitals and pharmacies, digital marketing services to pharmaceutical companies, online consultation and prescriptions to patients and software as a service ("**SaaS**") to hospitals and pharmacies.

On July 6, 2022 (the "**Listing Date**"), the Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

2 STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards (IFRSs), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards (IASs) and interpretations issued by the International Accounting Standards ("**IASB**"), and the applicable disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange.

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current accounting period reflected in these financial statements.

3 CHANGES IN ACCOUNTING POLICIES

The Group has applied the following new and amended IFRSs issued by the ISAB to these financial statements for the current accounting period:

- IFRS 17, Insurance contracts

- Amendments to IAS 8, Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates

- Amendments to IAS 1, Presentation of financial statements and IFRS Practice Statement 2, Making materiality judgements: Disclosure of accounting policies

- Amendments to IAS 12, Income taxes: Deferred tax related to assets and liabilities arising from a single transaction

- Amendments to IAS 12, Income taxes: International tax reform — Pillar Two model rules

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the new and amended IFRSs are discussed below:

IFRS 17, Insurance contracts

IFRS 17, which replaces IFRS 4, sets out the recognition, measurement, presentation and disclosure requirements applicable to issuers of insurance contracts. The standard does not have a material impact on these financial statements as the Group does not have contracts within the scope of IFRS 17.

Amendments to IAS 8, Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates

The amendments provide further guidance on the distinction between changes in accounting policies and changes in accounting estimates. The amendments do not have a material impact on these financial statements as the Group's approach in distinguishing changes in accounting policies and changes in accounting estimates is consistent with the amendments.

Amendments to IAS 1, Presentation of financial statements and IFRS Practice Statement 2, Making materiality judgements: Disclosure of accounting policies

The amendments require entities to disclose material accounting policy information and provide guidance on applying the concept of materiality to accounting policy disclosure. The Group has revisited the accounting policy information it has been disclosing and considered it is consistent with the amendments.

Amendments to IAS 12, Income taxes: Deferred tax related to assets and liabilities arising from a single transaction

The amendments narrow the scope of the initial recognition exemption such that it does not apply to transactions that give rise to equal and offsetting temporary differences on initial recognition such as leases. For leases, the associated deferred tax assets and liabilities are required to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments are applied to those transactions that occur after the beginning of the earliest period presented.

Prior to the amendments, the Group did not apply the initial recognition exemption to lease transactions and had recognised the related deferred tax, except that the Group previously determined the temporary difference arising from a right-of-use asset and the related lease liability on a net basis on the basis they arise from a single transaction. Following the amendments, the Group has determined the temporary differences in relation to right-of-use assets and lease liabilities separately. The change primarily does not impact the overall deferred tax balances presented in the consolidated statement of financial position as the related deferred tax balances qualify for offsetting under IAS 12.

Amendments to IAS 12, Income taxes: International tax reform — Pillar Two model rules

The amendments introduce a temporary mandatory exception from deferred tax accounting for the income tax arising from tax laws enacted or substantively enacted to implement the Pillar Two model rules published by the Organization for Economic Co-operation and Development ("**OECD**") (income tax arising from such tax laws is hereafter referred to as "**Pillar Two income taxes**"), including tax laws that implement qualified domestic minimum top-up taxes described in those rules. The amendments also introduce disclosure requirements about such tax including the estimated tax exposure to Pillar Two income taxes. The amendments are immediately effective upon issuance and require retrospective application. The amendments do not have a material impact on these financial statements.

4 REVENUE AND SEGMENT REPORTING

(a) Revenue from contracts with customers

(i) Disaggregation of revenue

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

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

— Patient to manufacturer ("**P2M**") solutions include sales of pharmaceutical products to hospitals of which the Group had ownership or national distribution rights through strategic cooperation with pharmaceutical companies;

— Value added solutions include sales of hospital supplies excluding the sales of pharmaceutical products included in the P2M solutions, pharmacy supplies and providing hospital SaaS;

— Subscription solutions include providing digital marketing services and pharmacy SaaS;

— Individual chronic condition management solution and others include sales of chronic condition products, providing premium membership services, insurance brokerage services and others under individual chronic condition management solution and others.

Disaggregation of revenue from contracts with customers by type of customer is as follows:

	Year ended December 31	
	2023	2022
	RMB'000	*RMB'000*
Type of customer:		
In-hospital solution		
Value added solution	**2,304,597**	1,645,086
P2M solution	**101,249**	—
Subscription solution	**467,210**	539,391
Pharmacy solution		
Subscription solution	**59,095**	55,144
Value added solution	**599,488**	560,668
Individual chronic condition management solution and others	**158,897**	187,767
	3,690,536	2,988,056
Timing of revenue recognition:		
Point in time	**3,628,125**	2,924,504
Over time	**62,411**	63,552
	3,690,536	2,988,056

The Group's customers with whom transactions have exceeded 10% of the Group's revenue during the year are set out below:

	Year ended December 31	
	2023	2022
	RMB'000	*RMB'000*
Customer A	**732,283**	312,648

(ii) ***Revenue that expected to be recognised in the future arising from contracts in existence as at the end of the year***

The following table includes the aggregated amount of the transaction price allocated to the remaining unsatisfied performance obligations under the Group's existing contracts. This amount represents revenue expected to be recognised in the future when the Group satisfies the remaining performance obligations, which is expected to occur over the next 1 year to 2 years after the respective year.

	At December 31	
	2023	2022
	RMB'000	*RMB'000*
Pharmacy SaaS	**40,671**	47,939
Premium membership services	**—**	21,218
	40,671	69,157

(b) Segment reporting

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

5 OTHER NET INCOME

	Year ended December 31	
	2023	2022
	RMB'000	*RMB'000*
Government grants	**29,871**	25,390
Interest income	**2,056**	3,637
Fair value gains on financial assets measured at FVPL	**11,450**	10,873
Foreign exchange gain/(loss)	**282**	(459)
Others	**(100)**	(6)
	43,559	39,435

6 LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

(a) Finance costs

	Year ended December 31	
	2023	2022
	RMB'000	*RMB'000*
Interest expenses	**9,705**	7,028
Interest on lease liabilities	**1,077**	993
Other financial cost	**712**	370
	11,494	8,391

(b) Staff costs

	Year ended December 31	
	2023	2022
	RMB'000	*RMB'000*
Salaries, wages and other benefits	**377,911**	400,920
Contributions to defined contribution retirement plan *(note (i))*	**19,390**	20,532
Equity-settled share-based payment expenses	**232,080**	188,722
	629,381	610,174

Note:

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

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

(c) Other items

	Year ended December 31	
	2023	2022
	RMB'000	*RMB'000*
Amortisation of intangible assets	**67,250**	75,507
Depreciation expenses	**40,929**	26,435
Write down of inventories	**1,487**	1,078
Costs incurred in connection with the listing of the Company's shares	**—**	70,230
Auditors' remuneration		
— audit services	**4,500**	4,500
— non-audit services	**203**	—
Issuance cost of the financial instruments issued to investors	**18,574**	—
Cost of inventories	**2,659,854**	2,044,758

7 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(a) Taxation in the consolidated statement of profit or loss represents:

	Year ended December 31	
	2023	2022
	RMB'000	*RMB'000*
Current tax expense		
Provision for PRC income tax for the year	**4,500**	3,630
Deferred tax expense		
Reversal of temporary differences	**(4,482)**	(5,052)
	18	(1,422)

(b) Reconciliation between tax expense and accounting loss at applicable tax rates:

	Year ended December 31	
	2023	2022
	RMB'000	*RMB'000*
Loss before taxation	**(327,326)**	(1,693,643)
Notional tax calculated *(note (i))*	**(81,831)**	(423,411)
Different tax rates in foreign tax jurisdictions *(notes (ii) and (iii))*	**14,250**	309,848
Tax effect of non-deductible expenses	**35,636**	6,095
Tax effect of additional deduction from qualified research and development costs *(note (iv))*	**(11,569)**	(18,040)
Tax effect of utilisation of tax losses previously unrecognised	**(15,812)**	(983)
Tax effect of deductible temporary differences not recognized	**3,771**	8,389
Tax effect of unrecognized tax losses	**55,573**	116,680
	18	(1,422)

Notes:

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

According to the PRC income tax law and its relevant regulations, entities that qualified as small and low profit enterprise are entitled to a preferential income tax rate of 5% (for taxable income less than RMB3,000,000) in 2023, and a preferential income tax rate of 5% (for taxable income less than RMB1,000,000) or 10% (for taxable income range from RMB1,000,000 to RMB3,000,000) in 2022. Certain subsidiaries of the Group were qualified as small and low profit enterprise and entitled preferential income tax rate for the years ended 31 December 2023 and 2022.

Hangzhou Kangsheng Health Management Consultant Co., Ltd. ("**Kangsheng**"), Polifarma (Nanjing) Co., Ltd. ("**Baolihua**") and Jiangsu Chengsheng Gene Precision Medical Technology Co., Ltd ("**Jiangsuchengsheng**") obtained the qualification as a high-tech enterprise. Kangsheng was entitled to a preferential income tax rate of 15% from 2021 to 2023, Baolihua and Jiangsuchengsheng were entitled to a preferential income tax rate of 15% from 2023 to 2026.

(ii) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands ("**BVI**"), the Company and the Group's BVI subsidiaries are not subject to income tax in those jurisdictions.

(iii) The Company's subsidiary incorporated in Hong Kong is subject to Hong Kong profit tax at 16.5% of the estimated assessable profit. No provision for Hong Kong Profits Tax has been made, as the subsidiary of the Group incorporated in Hong Kong did not have assessable profits which are subject to Hong Kong Profits Tax during the years ended 31 December 2023 and 2022.

(iv) Effective from January 1, 2023, an additional 100% of qualified research and development expenses incurred by the Group is allowed to be deducted from taxable income under the PRC income tax law and its relevant regulations (2022: 75%).

8 LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to ordinary equity shareholders of the Company of RMB323,065,000 (2022: RMB1,688,937,000) divided by the weighted average number of ordinary shares in issue of 540,820,000 during the year (2022: 300,298,000).

The calculation of the weighted average number of ordinary shares for the years ended December 31, 2023 and 2022 is as follows:

	Year ended December 31	
	2023	2022
	Number of shares	Number of shares
	'000	*'000*
Issued ordinary shares at 1 January	**523,126**	96,756
Effect of shares issued by initial public offering on the Listing Date	**—**	9,266
Effect of conversion of convertible redeemable preferred shares	**—**	194,070
Effect of equity instruments vested and delivered	**18,846**	1,007
Effect of treasury shares repurchased	**(1,152)**	(801)
Weighted average number of ordinary shares for the year	**540,820**	300,298

(b) Diluted loss per share

The restricted share units were excluded from the calculation of diluted loss per share because their effect would have been anti-dilutive. The diluted loss per share is the same as the basic loss per share for the years ended December 31, 2023 and 2022.

9 TRADE AND BILLS RECEIVABLES

	At December 31	
	2023	2022
	RMB'000	*RMB'000*
Trade receivables	**838,304**	797,023
Less: Loss allowance	**(35,053)**	(43,463)
	803,251	753,560
Bills receivables	**11,500**	4,973
	814,751	758,533

(a) Ageing analyses

At the year ended December 31, 2023 and 2022, the ageing analysis of trade and bills receivable, based on the date revenue is recognised and net of loss allowance, of the Group are as follows:

	At December 31	
	2023	2022
	RMB'000	*RMB'000*
Within 3 months	**609,653**	503,809
4 to 6 months	**103,080**	131,925
7 to 12 months	**85,282**	98,378
Over 12 months	**16,736**	24,421
	814,751	758,533

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

10 TRADE PAYABLES

	At December 31	
	2023	2022
	RMB'000	*RMB'000*
Payables for inventories and services	**233,249**	120,800

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

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

	At December 31	
	2023	2022
	RMB'000	*RMB'000*
Within 1 year	**228,721**	114,309
More than 1 year	**4,528**	6,491
	233,249	120,800

11 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

The directors of the Company did not propose any declaration of dividend for the years ended December 31, 2023 and 2022.

(b) Share capital

Authorized

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

As of December 31, 2023 and 2022, the authorized share capital of the Company was USD100,000 divided into 1,000,000,000 ordinary shares of a nominal or par value of US$0.0001 each.

(i) Issued share capital

	December 31, 2023		December 31, 2022	
	Number of shares	**Share capital** *RMB'000*	Number of shares	Share capital *RMB'000*
Ordinary shares, issued and fully paid:				
At 1 January	**587,038,219**	**391**	170,085,661	110
Issuance of shares by initial public offering *(note (i))*	**—**	**—**	19,000,000	13
Conversion of convertible redeemable preferred shares	**—**	**—**	397,952,558	268
At 31 December	**587,038,219**	**391**	587,038,219	391

(i) On July 6, 2022, the Company was listed on the Main Board of the Stock Exchange of Hong Kong Limited. 19,000,000 ordinary shares of par value of USD0.0001 each were issued at a price of HK$30.50 per ordinary share upon the listing of the shares of the Company. The proceeds of HKD14,910 (equivalent to approximately RMB12,777), representing the par value, were credited to the Company's share capital. The remaining proceeds, net of share issuance expenses (including issuance expenses of RMB8,762,000 paid prior to 2022), of approximately HK$550,815,000 (equivalent to approximately RMB472,020,000) were credited to the Company's capital reserve account.

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.cloudr.cn). The annual report of the Company for the year ended December 31, 2023 will be sent to the Company's shareholders and made available for review on the same websites in due course.

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

Hong Kong, March 21, 2024

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

* *For identification purpose only*