The following is the text of a report received from the Company's reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document.

27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF MEDLIVE TECHNOLOGY CO., LTD. AND GOLDMAN SACHS (ASIA) L.L.C. AND HAITONG INTERNATIONAL CAPITAL LIMITED

Introduction

We report on the historical financial information of Medlive Technology Co., Ltd. (the "**Company**") and its subsidiaries (together, the "**Group**") set out on pages I-5 to I-70, which comprises the consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the years ended 31 December 2018, 2019 and 2020 (the "**Relevant Periods**"), and the consolidated statements of financial position of the Group and the statements of financial position of the Company as at 31 December 2018, 2019 and 2020 and a summary of significant accounting policies and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages I-5 to I-70 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 30 June 2021 (the "**Prospectus**") in connection with the initial listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Group and the Company as at 31 December 2018, 2019 and 2020 and of the financial performance and cash flows of the Group for each of the Relevant Periods in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to note 11 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Relevant Periods.

No historical financial statements for the Company

As at the date of this report, no statutory financial statements have been prepared for the Company since its date of incorporation.

Ernst & Young
Certified Public Accountants
Hong Kong
30 June 2021

I HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the "**Underlying Financial Statements**").

The Historical Financial Information is presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Year ended 31 December		
		2018	2019	2020
		RMB'000	*RMB'000*	*RMB'000*
REVENUE	5	83,463	121,569	213,529
Cost of sales		(33,573)	(44,379)	(57,293)
Gross profit		49,890	77,190	156,236
Other income and gains	5	99	96	1,543
Selling and distribution expenses		(7,080)	(8,588)	(20,037)
Administrative expenses		(26,375)	(31,391)	(32,640)
Other expenses		(75)	(13)	(45)
Finance costs	7	(439)	(296)	(209)
PROFIT BEFORE TAX	6	16,020	36,998	104,848
Income tax expense	10	(1,831)	(5,728)	(19,651)
PROFIT FOR THE YEAR		14,189	31,270	85,197
Attributable to:				
Owners of the parent		14,189	31,270	85,197
OTHER COMPREHENSIVE INCOME				
Other comprehensive income 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		14	4	(15)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		14	4	(15)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		14,203	31,274	85,182
Attributable to:				
Owners of the parent		14,203	31,274	85,182
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT				
Basic and diluted	12	RMB2.65 cents	RMB5.84 cents	RMB15.92 cents

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at 31 December		
	Notes	**2018**	**2019**	**2020**
		RMB'000	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS				
Property, plant and equipment	*13*	4,167	4,649	2,617
Right-of-use assets	*14(a)*	6,850	4,526	12,571
Deferred tax assets	*21*	2,445	3,591	3,509
Total non-current assets		13,462	12,766	18,697
CURRENT ASSETS				
Trade receivables	*15*	26,024	35,643	42,480
Contract assets	*16*	11,133	23,282	15,761
Prepayments, other receivables and other assets	*17*	2,799	3,225	3,026
Cash and cash equivalents	*18*	16,530	38,883	147,095
Total current assets		56,486	101,033	208,362
CURRENT LIABILITIES				
Trade payables	*19*	2,454	2,634	6,265
Other payables and accruals	*20*	23,663	32,422	45,231
Lease liabilities	*14(b)*	3,036	3,016	2,591
Tax payable		1,186	6,919	9,991
Total current liabilities		30,339	44,991	64,078
NET CURRENT ASSETS		26,147	56,042	144,284
TOTAL ASSETS LESS CURRENT LIABILITIES		39,609	68,808	162,981
NON-CURRENT LIABILITIES				
Lease liabilities	*14(b)*	4,334	1,786	9,484
Deferred tax liabilities	*21*	317	790	2,083
Total non-current liabilities		4,651	2,576	11,567
Net assets		34,958	66,232	151,414
EQUITY				
Equity attributable to owners of the parent				
Share capital	*22*	33	33	33
Reserves	*23*	34,925	66,199	151,381
Total equity		34,958	66,232	151,414

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital	Share premium*	Statutory surplus reserve*	Exchange fluctuation reserve*	Retained profits*	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(note 22)		*(note 23)*	*(note 23)*		
At 1 January 2018	33	10,059	1,598	666	8,399	20,755
Profit for the year	—	—	—	—	14,189	14,189
Other comprehensive income for the year:						
Exchange differences	—	—	—	14	—	14
Total comprehensive income for the year	—	—	—	14	14,189	14,203
Transfer to statutory reserve	—	—	2,902	—	(2,902)	—
At 31 December 2018 and 1 January 2019	33	10,059	4,500	680	19,686	34,958
Profit for the year	—	—	—	—	31,270	31,270
Other comprehensive income for the year:						
Exchange differences	—	—	—	4	—	4
Total comprehensive income for the year	—	—	—	4	31,270	31,274
Transfer to statutory reserve	—	—	187	—	(187)	—
At 31 December 2019 and 1 January 2020	33	10,059	4,687	684	50,769	66,232
Profit for the year	—	—	—	—	85,197	85,197
Other comprehensive income for the year:						
Exchange differences	—	—	—	(15)	—	(15)
Total comprehensive income for the year	—	—	—	(15)	85,197	85,182
Transfer to statutory reserve	—	—	322	—	(322)	—
At 31 December 2020	33	10,059	5,009	669	135,644	151,414

* These reserve accounts comprise the consolidated reserves of RMB34,925,000, RMB66,199,000 and RMB151,381,000 in the consolidated statements of financial position as at 31 December 2018, 2019 and 2020, respectively.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	Year ended 31 December		
		2018	2019	2020
		RMB'000	*RMB'000*	*RMB'000*
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		16,020	36,998	104,848
Adjustments for:				
Finance costs	*7*	439	296	209
Investment income from financial assets at fair value through profit or loss	*5*	—	—	(639)
Gains on lease modifications	*5*	—	—	(453)
Depreciation of property, plant and equipment	*13*	1,307	1,944	2,658
Depreciation of right-of-use assets	*14(a)*	3,048	2,888	2,658
Covid-19-related rent concessions from lessors	*14(b)*	—	—	(352)
Impairment /(reversal of impairment) of trade receivables, net	*15*	215	724	(510)
		21,029	42,850	108,419
Decrease/(increase) in trade receivables		4,369	(10,343)	(6,327)
Decrease/(increase) in contract assets		(6,544)	(12,149)	7,521
Decrease/(increase) in prepayments, other receivables and other assets		(411)	(426)	199
Increase/(decrease) in trade payables		(714)	180	3,631
Increase in other payables and accruals		6,036	8,759	12,809
Cash generated from operations		23,765	28,871	126,252
Income tax paid		(1,674)	(668)	(15,204)
Net cash flows from operating activities		22,091	28,203	111,048

	Notes	Year ended 31 December 2018	2019	2020
		RMB'000	RMB'000	RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of items of property, plant and equipment	13	(3,101)	(2,426)	(626)
Purchases of financial assets at fair value through profit or loss		—	—	(132,000)
Proceeds from disposal of financial assets at fair value through profit or loss		—	—	132,639
Net cash flows from/(used in) investing activities		(3,101)	(2,426)	13
CASH FLOWS FROM FINANCING ACTIVITIES				
Principal portion of lease payments		(3,057)	(3,132)	(2,625)
Interest paid for lease liabilities		(439)	(296)	(209)
Repayments of loans due to directors	26(a)	(2,350)	—	—
Net cash flows used in financing activities		(5,846)	(3,428)	(2,834)
NET INCREASE IN CASH AND CASH EQUIVALENTS		13,144	22,349	108,227
Cash and cash equivalents at beginning of year		3,372	16,530	38,883
Effect of foreign exchange rate changes, net		14	4	(15)
CASH AND CASH EQUIVALENTS AT END OF YEAR	18	16,530	38,883	147,095

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

		As at 31 December		
	Notes	**2018**	**2019**	**2020**
		RMB'000	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS				
Investment in a subsidiary		10,569	10,743	10,048
Total non-current assets		10,569	10,743	10,048
CURRENT ASSETS				
Cash and cash equivalents	*18*	278	255	212
Total current assets		278	255	212
Net assets		10,847	10,998	10,260
EQUITY				
Share capital	*22*	33	33	33
Reserves	*23*	10,814	10,965	10,227
Total equity		10,847	10,998	10,260

II NOTES TO THE HISTORICAL 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, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. The Company changed its name from "Kingyee Co., Limited" to "Medlive Technology Co., Ltd." on 24 February 2021.

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

As at the date of this report, the Company had direct and indirect interests in its subsidiaries, all of which are private limited liability companies, the particulars of which are set out below:

Name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Kingyee (HK) Co., Limited *(note (a))*. . .	Hong Kong 3 May 2013	US$495,000	100%	—	Investment holding
Kingyee (Beijing) Co., Ltd. ("**Jinye Tiancheng**")* (金葉天成(北京)科技有限公司) *(note (b))*	People's Republic of China ("**PRC**")/ Mainland China 29 August 2013	RMB9,000,000	—	100%	Provision of precision marketing and corporate solutions, medical knowledge solutions, and intelligent patient management solutions
Beijing Yimaihutong Technology Co., Ltd. ("**Yimaihutong**")* (北京醫脈互通科技有限公司) *(note (c))*. . . .	PRC/Mainland China 18 April 2013	RMB10,000,000	—	100%	Provision of precision marketing and corporate solutions, medical knowledge solutions, and intelligent patient management solutions

Name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Shijiazhuang Maili Technology Co., Ltd.* (石家莊邁粒科技有限公司) *(note (d))*. . . .	PRC/Mainland China 30 October 2019	RMB2,000,000	—	100%	Research and development
Yinchuan Yimaitong Internet Hospital Co., Ltd. ("**Yimaitong**")* (銀川醫脈通互聯網醫院有限公司) *(note (d))*	PRC/Mainland China 29 August 2019	RMB10,000,000	—	100%	Provision of internet hospital services

Notes:

(a) No audited financial statements have been prepared for the entity since its date of incorporation as it is an investment holding company with no operation and is exempted from preparing audited financial statements.

(b) The entity is registered as a wholly-foreign-owned enterprise under PRC law. The statutory financial statements of Jinye Tiancheng for the year ended 31 December 2018 prepared under PRC Generally Accepted Accounting Principles ("**PRC GAAP**") were audited by Beijing Hongtian Zhongdao Certified Public Accountants Co., Ltd. (北京鴻天眾道會計師事務所有限公司), certified public accountants registered in the PRC. The statutory financial statements for the year ended 31 December 2019 prepared under PRC GAAP were audited by Beijing Zhongtian Xinda Certified Public Accountants Co., Ltd. (北京中天信達會計師事務所有限公司), certified public accountants registered in the PRC.

(c) The entity is a limited liability enterprise established under PRC law. The statutory financial statements of Yimaihutong for the years ended 31 December 2018 and 2019 prepared under PRC GAAP were audited by Beijing Jingsheng Certified Public Accountants Co., Ltd. (北京京盛會計師事務所有限公司), certified public accountants registered in the PRC.

(d) These entities are limited liability enterprises established under PRC law. No audited financial statements have been prepared for these entities, as these entities were incorporated in 2019.

* The English names of these entities registered in the PRC represent the best efforts made by the management of the Company to directly translate their Chinese names as they did not register any official English names.

2.1 BASIS OF PREPARATION

The Historical Financial Information has 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 HKICPA and accounting principles generally accepted in Hong Kong. All HKFRSs effective for the accounting period commencing from 1 January 2020 and Amendment to HKFRS 16 *Covid-19-Related Rent Concessions*, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Historical Financial Information throughout the Relevant Periods.

The Historical Financial Information has been prepared under the historical cost convention, except for financial assets at fair value through profit or loss which have been measured at fair value.

Basis of consolidation

The Historical Financial Information includes the financial information of the Company and its subsidiaries (collectively referred to as the "**Group**") for the Relevant Periods. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

The financial 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.

Due to regulatory prohibitions restriction on foreign ownership in the value-added telecommunication services business, internet hospital services, production of radio and television video and programs and internet cultural business in the PRC, the principal business carried out by Yimaihutong and its subsidiary (the "**Consolidated Affiliated Entities**") was prohibited or restricted from foreign ownership. The wholly-owned subsidiary of the Company, Jinye Tiancheng, has entered into a series of contractual arrangements (the "**Contractual Arrangements**") with the Consolidated Affiliated Entities and their respective equity holders (hereafter the equity holders of the Consolidated Affiliated Entities referred to as the "**Registered Shareholders**"). The Contractual Arrangements enable Jinye Tiancheng to exercise effective control over the Consolidated Affiliated Entities and obtain substantially all economic benefits of the Consolidated Affiliated Entities. Accordingly, the Company regards the Consolidated Affiliated Entities as indirect subsidiaries for the purpose of the Historical Financial Information and the Consolidated Affiliated Entities are consolidated in the Historical Financial Information for the Relevant Periods. Details of the Contractual Arrangements are disclosed in the section headed "Contractual Arrangements" in the Prospectus. The Group does not have any equity interests in the Consolidated Affiliated Entities.

2.2 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in the Historical Financial Information.

Amendments to HKFRS 3	*Reference to the Conceptual Framework*[3]
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	*Interest Rate Benchmark Reform — Phase 2*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[5]
HKFRS 17	*Insurance Contracts*[4]
Amendments to HKFRS 17	*Insurance Contracts*[4, 7]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current*[4, 6]
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[3]
Amendments to HKAS 37	*Onerous Contracts — Cost of Fulfilling a Contract*[3]
Annual Improvements to HKFRSs 2018-2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41[3]
Amendment to HKFRS 16	*Covid-19-Related Rent Concessions beyond 30 June 2021*[2]
Amendments to HKAS 1	*Disclosure of Accounting Policies*[4]
Amendments to HKAS 8	*Definition of Accounting Estimates*[4]

1 Effective for annual periods beginning on or after 1 January 2021

2 Effective for annual periods beginning on or after 1 April 2021

3 Effective for annual periods beginning on or after 1 January 2022

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

5 No mandatory effective date yet determined but available for adoption

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

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

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that these new and revised HKFRSs may result in changes in accounting policies but are unlikely to have a significant impact on the Group's financial performance and financial position.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fair value measurement

The Group measures its financial assets at fair value through profit or loss at the end of each of the Relevant Periods. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the Historical Financial Information are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the Historical Financial Information on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each of the Relevant Periods.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each of the Relevant Periods as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

  (i) has control or joint control over the Group;

  (ii) has significant influence over the Group; or

  (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Electronic equipment	19.0%–31.7%
Office equipment	19.0%
Leasehold improvements	20.0%–50.0%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Office premises	2–5 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

The Group's lease liabilities are presented separately in the statement of financial position.

(c) Short-term leases

The Group applies the short-term lease recognition exemption to its short-term leases of office premises (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognised as an expense on a straight-line basis over the lease term.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("**SPPI**") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statements of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("**ECLs**") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 180 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

Stage 1	—	Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
Stage 2	—	Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
Stage 3	—	Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on market historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables and lease liabilities.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortised cost (loans and borrowings and payables)

After initial recognition, loans and borrowings and payables are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statements of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Cash and cash equivalents

For the purpose of the consolidated statements of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, and form an integral part of the Group's cash management.

For the purpose of the consolidated statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each of the Relevant Periods, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each of the Relevant Periods between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each of the Relevant Periods and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each of the Relevant Periods and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each of the Relevant Periods.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

The Group transfers control of goods or services over time and recognises revenue over time, if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or services.

The Group derives revenue from rendering of services of precision marketing and corporate solutions, medical knowledge solutions and intelligent patient management solutions.

(a) Precision marketing and corporate solutions

The Group is engaged in providing precision marketing and corporate solutions which include precision marketing solutions and corporate solutions to pharmaceutical and medical device companies, hospitals and research institutions, and contract research organisations ("**CROs**").

(i) Precision marketing solutions mainly include precision digital detailing service (including online meeting delivery), digital marketing consulting service, digital content creation service, application software development service and other relevant services.

For precision digital detailing service, digital marketing consulting service, and digital content creation service, the Group agrees the sales price for each service with the customers upfront and bills to the customers based on the actual service rendered and completed. Revenue is generally recognised at a point in time when the services are rendered and accepted by the customers.

For application software development service, the software developed is customised for each customer, therefore the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment from the customer for its performance completed to date according to the contracts. As a result, revenue from application software development service is recognised over time.

Input method is used to measure progress towards complete satisfaction of the service, because the Group has an enforceable right to payment from the customer for its performance completed to date according to the contracts. The input method recognised revenue on the basis of the labour hours expended relative to the total expected labour hours to complete satisfaction of the service.

For certain application software development service, the Group also provides related maintenance service for a specific period (normally one year after the customer's acceptance) after sale as stipulated in the same contract. The maintenance service is provided to maintain the effectiveness of the application software and therefore is accounted for as a separate performance obligation. Revenue from provision of maintenance service is recognised over the service period.

(ii) Corporate solutions mainly include provision of application software development service, digital market research service and other relevant services.

For application software development service, revenue is recognised over time, using an input method to measure progress towards complete satisfaction of the service.

Digital market research service is generally delivered in the form of medical technical survey report or samples. The contract usually contains multiple deliverable units and each of the deliverable units is with individual selling price specified within the contract. The Group recognised revenue at the point of time when the deliverable units are delivered to the customers.

(b) Medical knowledge solutions

Medical knowledge solutions involve provision of professional medical information covering continuing medical education and clinical decision support, including licensing software to physicians and other healthcare professionals.

Revenue from software licensing service is recognised over the estimated lifespans of the software, which are determined based on the expected usage periods, because there is an explicit or implicit obligation of the Group to update the software content and allow users to gain access to it.

(c) Intelligent patient management solutions

Intelligent patient management solutions involve provision of patient education services to patients, pharmaceutical companies and non-profit organisations with medical focus, including medical conference service, application software development, patient counselling service and other relevant services.

For the delivery of conference service, the revenue is recognised at a point in time when the conference is completed.

For revenue from application software development service, revenue is recognised over time, using an input method to measure progress towards complete satisfaction of the service.

Revenue from patient counselling service is recognised over the scheduled period on a straight-line basis because the customer simultaneously receives and consumes the benefits provided by the Group.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Employee benefits

Pension schemes

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in central pension schemes operated by the local municipal government and the central government, respectively. These subsidiaries are required to contribute a certain percentage of payroll costs to the central pension schemes. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension schemes.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Research and development cost

All research costs are charged to the statement of profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Foreign currencies

The Historical Financial Information is presented in RMB. The functional currency of the Company is the United States dollar ("**US$**"). The Group's presentation currency is RMB because the Group's principal operations are carried out in Mainland China. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of each of the Relevant Periods. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries are currencies other than RMB. As at the end of each of the Relevant Periods, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of each of the Relevant Periods and their profits or losses are translated into RMB at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's Historical Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the Historical Financial Information:

Contractual Arrangements

The Consolidated Affiliated Entities are engaged in the value-added telecommunication services business, internet hospital services, production of radio and television video and programs and internet cultural business. Under the scope of "Encouraged Industry Catalogue for Foreign Investment (2020 version)" and "Special Administrative Measures on Access of Foreign Investment (Negative List)", foreign investors are prohibited to invest in such business.

As disclosed in note 2.1 to the Historical Financial Information, the Group exercises control over the Consolidated Affiliated Entities and enjoys substantially all economic benefits of the Consolidated Affiliated Entities through the Contractual Arrangements.

The Group does not have any equity interests in the Consolidated Affiliated Entities. However, as a result of the Contractual Arrangements, the Company has power over the Consolidated Affiliated Entities, has rights to variable returns from its involvement with the Consolidated Affiliated Entities and has the ability to affect those returns through its power over the Consolidated Affiliated Entities and is therefore considered to have control over them. Consequently, the Company regards the Consolidated Affiliated Entities as indirect subsidiaries. The Group has consolidated the financial position and results of the Consolidated Affiliated Entities in the Historical Financial Information during the Relevant Periods.

Deferred tax liabilities

Deferred tax liabilities are recognised for withholding tax in respect of the unremitted earnings of certain subsidiaries of the Group established in Mainland China to the extent that the directors are of the opinion that they would be probable for distribution in the foreseeable future. Significant management judgement is required to determine the amount of deferred tax liabilities that should be recognised. Further details are contained in note 21 to the Historical Financial Information.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each of the Relevant Periods, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Provision for expected credit losses on trade receivables and contract assets

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on ageing period and days past due for groups of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical expected default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At every reporting date, the historical expected default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical expected default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customers' actual default in the future. The information about the ECLs on the Group's trade receivables and contract assets is disclosed in note 15 and note 16 to the Historical Financial Information.

Leases — Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("**IBR**") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

4. 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

	Year ended 31 December		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Mainland China*	80,557	117,730	209,836
Overseas	2,906	3,839	3,693
	83,463	121,569	213,529

* 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

Revenue from each major customer which accounted for 10% or more of the Group's revenue during the Relevant Periods is set out below:

	Year ended 31 December		
	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
Customer A	10,622	14,795	N/A*
Customer B	N/A*	13,566	31,424

* The corresponding revenue is not disclosed as the revenue individually did not account for 10% or more of the Group's revenue for the respective years.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	Year ended 31 December		
	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
Revenue from contracts with customers	83,463	121,569	213,529

Revenue from contracts with customers

(a) Disaggregated revenue information

	Year ended 31 December		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Types of services			
Precision marketing and corporate solutions:			
Precision marketing solutions	53,137	78,317	156,781
Corporate solutions	24,923	32,823	35,045
Medical knowledge solutions	1,349	5,311	9,113
Intelligent patient management solutions	4,054	5,118	12,590
	83,463	121,569	213,529
Geographical markets			
Mainland China	80,557	117,730	209,836
Overseas	2,906	3,839	3,693
	83,463	121,569	213,529
Timing of revenue recognition			
Services transferred at a point in time	62,390	92,036	169,637
Services transferred over time	21,073	29,533	43,892
	83,463	121,569	213,529

The following table shows the amounts of revenue recognised during the Relevant Period that were included in the contract liabilities at the beginning of each of the Relevant Periods:

	Year ended 31 December		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Revenue recognised that was included in contract liabilities at the beginning of the year:			
Precision marketing solutions	511	1,086	974
Corporate solutions	1,213	3,096	4,433
Intelligent patient management solutions	10	360	639
	1,734	4,542	6,046

(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 and payment is generally due within 180 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 180 days from the date of billing.

Other services

The performance obligation is satisfied at a point in time when the individual service is rendered and payment is generally due within 180 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 2018, 2019 and 2020 are as follows:

	As at 31 December		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Amounts expected to be recognised as revenue:			
Within one year	32,939	56,782	97,862
After one year	8,071	22,337	21,385
	41,010	79,119	119,247

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:

	Year ended 31 December		
	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
Other income			
Bank interest income	48	83	449
Government grants*	34	7	—
Investment income from financial assets at fair value through profit or loss	—	—	639
Others	1	—	2
	83	90	1,090
Gains			
Foreign exchange gains, net	16	6	—
Gains on lease modifications	—	—	453
	16	6	453
	99	96	1,543

* 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.

6. PROFIT BEFORE TAX

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

	Notes	Year ended 31 December 2018	2019	2020
		RMB'000	RMB'000	RMB'000
Cost of services provided*		33,573	44,379	57,293
Depreciation of property, plant and equipment	*13*	1,307	1,944	2,658
Depreciation of right-of-use assets	*14(a)*	3,048	2,888	2,658
Research and development costs**		12,151	14,992	15,701
Impairment/(reversal of impairment) of trade receivables, net***	*15*	215	724	(510)
Lease payments not included in the measurement of lease liabilities	*14(c)*	70	345	881
Covid-19-related rent concessions from lessors	*14(c)*	—	—	(352)
Bank interest income	*5*	(48)	(83)	(449)
Government grants	*5*	(34)	(7)	—
Foreign exchange difference, net		(16)	(6)	21
Investment income from financial assets at fair value through profit or loss	*5*	—	—	(639)
Gains on lease modifications	*5*	—	—	(453)
Auditor's remuneration		20	20	20
Employee benefit expense (excluding directors' and chief executive's remuneration *(note 8)*):				
Wages and salaries		32,573	38,728	47,570
Pension scheme contributions		5,035	5,245	437
Staff welfare expenses		1,024	819	862
		38,632	44,792	48,869

* The employee benefit expense included in "Cost of services provided" in the consolidated statements of profit or loss and other comprehensive income is RMB20,006,000, RMB22,943,000 and RMB22,997,000 for each of the Relevant Periods.

** The research and development costs are included in "Administrative expenses" in the consolidated statements of profit or loss and other comprehensive income.

*** The impairment or reversal of impairment of trade receivables is included in "Administrative expenses" in the consolidated statements of profit or loss and other comprehensive income.

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended 31 December		
	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
Interest on lease liabilities *(note 14)*	439	296	209

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

The remuneration of each of the Company's directors is set out below:

	Group		
	Year ended 31 December		
	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
Fees	—	—	—
Other emoluments:			
Salaries, bonuses, allowances and benefits in kind	2,038	3,090	2,705
Pension scheme contributions	165	150	12
	2,203	3,240	2,717

(a) Independent non-executive directors

There were no fees and other emoluments payable to the independent non-executive directors during the Relevant Periods. Subsequent to the end of the Relevant Periods, Richard Yeh, Ma Jun and Wang Shan were appointed as independent non-executive directors of the Company on 18 June 2021 with appointment with effect from the listing date.

(b) Executive directors, non-executive directors and the chief executive

	Fees	Salaries, bonuses, allowances and benefits in kind	Pension scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2018				
Executive directors:				
Tian Liping*	—	736	—	736
Tian Lixin	—	542	55	597
Tian Lijun	—	414	55	469
Zhou Xin	—	346	55	401
	—	2,038	165	2,203
Non-executive directors:				
Eiji Tsuchiya	—	—	—	—
	—	2,038	165	2,203
Year ended 31 December 2019				
Executive directors:				
Tian Liping*	—	756	—	756
Tian Lixin	—	591	50	641
Tian Lijun	—	1,365	50	1,415
Zhou Xin	—	378	50	428
	—	3,090	150	3,240
Non-executive directors:				
Eiji Tsuchiya	—	—	—	—
	—	3,090	150	3,240
Year ended 31 December 2020				
Executive directors:				
Tian Liping*	—	816	—	816
Tian Lixin	—	806	4	810
Tian Lijun	—	616	4	620
Zhou Xin	—	467	4	471
	—	2,705	12	2,717
Non-executive directors:				
Eiji Tsuchiya	—	—	—	—
	—	2,705	12	2,717

* Tian Liping was appointed as the chief executive of the Company.

Subsequent to the end of the Relevant Periods, Li Zhuolin was appointed as a non-executive director of the Company on 4 March 2021.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the Relevant Periods.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the Relevant Periods included three, three and three directors, respectively, details of whose remuneration are set out in note 8 above. Details of the remuneration for the Relevant Periods of the remaining two, two and two highest paid employees who are neither a director nor chief executive of the Company are as follows:

	Year ended 31 December		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Salaries, bonuses, allowances and benefits in kind	859	1,285	1,608
Pension scheme contributions	110	98	8
	969	1,383	1,616

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following band is as follows:

	Number of employees		
	Year ended 31 December		
	2018	**2019**	**2020**
Nil to HK$1,000,000	2	2	1
HK$1,000,001 to HK$1,500,000	—	—	1
	2	2	2

10. 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 Relevant Periods.

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, except for Jinye Tiancheng, a subsidiary of the Group. Jinye Tiancheng was accredited as a high and new technology enterprise ("**HNTE**") in 2018 and the certification was valid for three years. For the Relevant Periods, Jinye Tiancheng was entitled to a preferential PRC Corporate Income tax rate of 15%. Jinye Tiancheng needs to renew the HNTE certificate every three years so as to enjoy the reduced tax rate of 15%.

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

	Year ended 31 December		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Current — Mainland China charge for the year	2,204	6,401	18,276
Deferred tax *(note 21)*	(373)	(673)	1,375
Total tax charge for the year	1,831	5,728	19,651

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:

	Year ended 31 December		
	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
Profit before tax	16,020	36,998	104,848
Tax at the statutory tax rate of 25% in Mainland China	4,005	9,250	26,212
Preferential tax rates enacted by local authority	(1,685)	(3,138)	(10,195)
Additional deductible allowance for research and development expenses	(1,367)	(1,687)	(1,766)
Expenses not deductible for tax	599	1,354	3,404
Tax losses utilised from previous periods	—	(528)	—
Tax losses not recognised	106	4	703
Effect of withholding tax at 10% on the distributable profits of the Group's PRC subsidiaries *(note 21)*	173	473	1,293
Tax charge at the Group's effective tax rate	1,831	5,728	19,651

11. DIVIDENDS

No dividend has been declared and paid by the Company in respect of the Relevant Periods.

12. 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 number of ordinary shares of 535,080,000, which represented the adjusted number of ordinary shares taking into consideration of the subsequent implemented share subdivision (note 30).

There were no potentially dilutive ordinary shares in issue during the Relevant Periods and therefore no adjustment has been made to the basic earnings per share amounts presented in respect of a dilution.

13. PROPERTY, PLANT AND EQUIPMENT

	Electronic equipment	Office equipment	Leasehold improvements	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2018				
At 1 January 2018:				
Cost	1,605	275	1,796	3,676
Accumulated depreciation	(957)	(48)	(298)	(1,303)
Net carrying amount	648	227	1,498	2,373
At 1 January 2018, net of accumulated depreciation	648	227	1,498	2,373
Additions	472	5	2,624	3,101
Depreciation provided during the year *(note 6)*	(414)	(52)	(841)	(1,307)
At 31 December 2018, net of accumulated depreciation	706	180	3,281	4,167
At 31 December 2018:				
Cost	2,077	280	4,420	6,777
Accumulated depreciation	(1,371)	(100)	(1,139)	(2,610)
Net carrying amount	706	180	3,281	4,167
31 December 2019				
At 1 January 2019:				
Cost	2,077	280	4,420	6,777
Accumulated depreciation	(1,371)	(100)	(1,139)	(2,610)
Net carrying amount	706	180	3,281	4,167
At 1 January 2019, net of accumulated depreciation	706	180	3,281	4,167
Additions	418	76	1,932	2,426
Depreciation provided during the year *(note 6)*	(358)	(53)	(1,533)	(1,944)
At 31 December 2019, net of accumulated depreciation	766	203	3,680	4,649
At 31 December 2019:				
Cost	2,495	356	6,352	9,203
Accumulated depreciation	(1,729)	(153)	(2,672)	(4,554)
Net carrying amount	766	203	3,680	4,649

	Electronic equipment	Office equipment	Leasehold improvements	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2020				
At 1 January 2020:				
Cost	2,495	356	6,352	9,203
Accumulated depreciation	(1,729)	(153)	(2,672)	(4,554)
Net carrying amount	766	203	3,680	4,649
At 1 January 2020, net of accumulated depreciation	766	203	3,680	4,649
Additions	336	—	290	626
Depreciation provided during the year *(note 6)*	(369)	(68)	(2,221)	(2,658)
At 31 December 2020, net of accumulated depreciation	733	135	1,749	2,617
At 31 December 2020:				
Cost	2,831	356	6,642	9,829
Accumulated depreciation	(2,098)	(221)	(4,893)	(7,212)
Net carrying amount	733	135	1,749	2,617

14. LEASES

The Group as a lessee

The Group has lease contracts for office premises used in its operations. Leases of office premises generally have lease terms between 2 and 5 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the Relevant Periods are as follows:

	Office premises
	RMB'000
As at 1 January 2018	9,827
Additions	71
Depreciation charge *(note 6)*	(3,048)
As at 31 December 2018 and at 1 January 2019	6,850
Additions	564
Depreciation charge *(note 6)*	(2,888)
As at 31 December 2019 and at 1 January 2020	4,526
Additions	12,494
Reduction as a result of lease modifications	(1,791)
Depreciation charge *(note 6)*	(2,658)
As at 31 December 2020	12,571

(b) Lease liabilities

The carrying amounts of lease liabilities and the movements during the Relevant Periods are as follows:

	Year ended 31 December		
	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
Carrying amount at 1 January	10,356	7,370	4,802
New leases	71	564	12,494
Accretion of interest recognised during the year *(note 7)*	439	296	209
Covid-19-related rent concessions from lessors	—	—	(352)
Reduction as a result of lease modifications	—	—	(2,244)
Payments	(3,496)	(3,428)	(2,834)
Carrying amount at 31 December	7,370	4,802	12,075
Analysed into:			
Current portion	3,036	3,016	2,591
Non-current portion	4,334	1,786	9,484

The maturity analysis of lease liabilities is disclosed in note 29 to the Historical Financial Information.

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	Year ended 31 December		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Interest on lease liabilities	439	296	209
Depreciation charge of right-of-use assets	3,048	2,888	2,658
Covid-19-related rent concessions from lessors	—	—	(352)
Gains on lease modifications	—	—	(453)
Expenses relating to short-term leases (included in administrative expenses)	70	345	881
Total amount recognised in profit or loss	3,557	3,529	2,943

(d) The total cash outflow for leases is disclosed in note 24 to the Historical Financial Information.

15. TRADE RECEIVABLES

	As at 31 December		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	26,345	36,688	43,015
Impairment	(321)	(1,045)	(535)
	26,024	35,643	42,480

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 each of the Relevant Periods, based on the invoice dates and net of loss allowance, is as follows:

	As at 31 December		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Within 6 months	24,659	33,248	42,179
6 to 12 months	1,056	1,860	152
1 to 2 years	198	479	136
2 to 3 years	111	56	13
	26,024	35,643	42,480

The movements in the loss allowance for impairment of trade receivables are as follows:

	As at 31 December		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
At beginning of year	106	321	1,045
Impairment losses, net *(note 6)*	215	724	(510)
At end of year	321	1,045	535

An impairment analysis is performed at the end of each of the Relevant Periods using a provision matrix to measure expected credit losses. The provision rates are based on ageing and past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the end of each of the Relevant Periods about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2018

	Trade receivables ageing						
	Current	Less than 6 months and past due	6 to 12 months and past due	1 to 2 years and past due	2 to 3 years and past due	Over 3 years and past due	Total
Expected credit loss rate	Note	0.3%	0.3%	14.7%	60.4%	100.0%	1.2%
Gross carrying amount *(RMB'000)*	16,033	8,650	1,059	232	280	91	26,345
Expected credit losses *(RMB'000)*	—	24	3	34	169	91	321

As at 31 December 2019

	Trade receivables ageing						
	Current	Less than 6 months and past due	6 to 12 months and past due	1 to 2 years and past due	2 to 3 years and past due	Over 3 years and past due	Total
Expected credit loss rate	Note	0.5%	8.1%	37.5%	75.9%	100.0%	2.8%
Gross carrying amount *(RMB'000)*	24,150	9,148	2,023	766	232	369	36,688
Expected credit losses *(RMB'000)*	—	50	163	287	176	369	1,045

As at 31 December 2020

	Trade receivables ageing						
	Current	Less than 6 months and past due	6 to 12 months and past due	1 to 2 years and past due	2 to 3 years and past due	Over 3 years and past due	Total
Expected credit loss rate	Note	0.4%	6.2%	34.3%	85.7%	100.0%	1.2%
Gross carrying amount *(RMB'000)*	30,745	11,479	162	207	91	331	43,015
Expected credit losses *(RMB'000)*	—	45	10	71	78	331	535

Note: The Group estimated the expected credit loss rate to be minimal on the current trade receivables.

16. CONTRACT ASSETS

	As at 31 December		
	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
Contract assets arising from:			
Precision marketing solutions	9,260	20,083	14,372
Corporate solutions	1,480	2,205	867
Intelligent patient management solutions	393	994	522
	11,133	23,282	15,761

Contract assets are initially recognised in relation to revenue earned from the provision of precision marketing solutions, corporate solutions and intelligent patient management solutions as the receipt of consideration is conditional on successful completion of multiple services. Upon completion of multiple services, the amounts recognised as contract assets are reclassified to trade receivables. The changes in contract assets during the Relevant Periods were the result of changes in the ongoing provision of services at the end of each of the Relevant Periods.

Included in the Group's contract assets were amounts due from entities controlled by M3, Inc., a shareholder of the Company, of RMB872,000, RMB1,491,000 and RMB432,000 as at 31 December 2018, 2019 and 2020, respectively, which are repayable on credit terms similar to those offered to the major customers of the Group.

During the Relevant Periods, the Group estimated the expected credit loss to be minimal on the contract assets.

The expected timing of recovery or settlement for contract assets as at the end of each of the Relevant Periods is as follows:

	As at 31 December		
	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
Within one year	11,133	23,282	15,761

17. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	As at 31 December		
	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
Prepayments	1,354	1,251	1,426
Deposits and other receivables	1,445	1,974	1,600
	2,799	3,225	3,026

Included in the Group's prepayments, other receivables and other assets were prepayments to an entity controlled by Tian Liping, a director of the Company, of RMB524,000, RMB306,000 and nil as at 31 December 2018, 2019 and 2020, respectively.

The financial assets included in the above balances relate to receivables for which there was no recent history of default and past due amounts. As at the end of each of the Relevant Periods, the loss allowance was assessed to be minimal.

18. CASH AND CASH EQUIVALENTS

Group

	As at 31 December		
	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
Cash and bank balances	16,530	38,883	147,095
Denominated in RMB	15,913	38,290	146,572
Denominated in US$	617	593	523
	16,530	38,883	147,095

Company

	As at 31 December		
	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
Cash and bank balances	278	255	212
Denominated in US$	278	255	212

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

19. TRADE PAYABLES

	As at 31 December		
	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	2,454	2,634	6,265

An ageing analysis of the trade payables as at the end of each of the Relevant Periods, based on the invoice date, is as follows:

	As at 31 December		
	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
Within 3 months	820	515	3,503
3 to 6 months	374	108	185
6 to 12 months	154	421	340
Over 1 year	1,106	1,590	2,237
	2,454	2,634	6,265

Included in the Group's trade payables were amounts due to M3, Inc., a shareholder of the Company, of RMB1,895,000, RMB2,476,000 and RMB3,046,000 as at 31 December 2018, 2019 and 2020, respectively, which are repayable on demand.

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

20. OTHER PAYABLES AND ACCRUALS

	Notes	As at 31 December		
		2018	2019	2020
		RMB'000	*RMB'000*	*RMB'000*
Payroll payables		16,521	19,773	19,924
Contract liabilities	*(a)*	4,542	6,046	16,915
Taxes other than income tax		1,737	2,871	3,284
Deferred revenue		165	2,519	2,724
Accrued expenses		581	1,204	2,156
Other payables	*(b)*	117	9	228
		23,663	32,422	45,231

(a) Details of contract liabilities are as follows:

	As at 31 December		
	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
Short-term advances received from customers			
Precision marketing solutions	1,086	974	6,201
Corporate solutions	3,096	4,433	9,768
Intelligent patient management solutions	360	639	946
Total contract liabilities	4,542	6,046	16,915

Contract liabilities include short-term advances received to render services. The increase in contract liabilities during the Relevant Periods was mainly due to the increase in short-term advances received from customers in relation to the provision of services at the end of each of the Relevant Periods.

(b) Other payables are non-interest-bearing and repayable on demand.

21. DEFERRED TAX

The movements in deferred tax assets and liabilities during the Relevant Periods are as follows:

Deferred tax assets

	Impairment of trade receivables	Lease liabilities	Accrued expenses	Deferred revenue	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2018	16	1,671	1,801	—	3,488
Deferred tax credited/(charged) to profit or loss during the year *(note 10)*	32	(479)	474	41	68
At 31 December 2018 and 1 January 2019	48	1,192	2,275	41	3,556
Deferred tax credited/(charged) to profit or loss during the year *(note 10)*	109	(418)	536	539	766
At 31 December 2019 and 1 January 2020	157	774	2,811	580	4,322
Deferred tax credited/(charged) to profit or loss during the year *(note 10)*	(77)	1,209	70	51	1,253
At 31 December 2020	80	1,983	2,881	631	5,575

Deferred tax liabilities

	Right-of-use assets	Withholding taxes	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2018	1,589	144	1,733
Deferred tax charged/(credited) to profit or loss during the year *(note 10)*	(478)	173	(305)
At 31 December 2018 and 1 January 2019	1,111	317	1,428
Deferred tax charged/(credited) to profit or loss during the year *(note 10)*	(380)	473	93
At 31 December 2019 and 1 January 2020	731	790	1,521
Deferred tax charged/(credited) to profit or loss during the year *(note 10)*	1,335	1,293	2,628
At 31 December 2020	2,066	2,083	4,149

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	As at 31 December		
	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
Net deferred tax assets recognised in the consolidated statements of financial position	2,445	3,591	3,509

The Group has tax losses arising in Mainland China of RMB2,113,000, RMB16,000 and RMB2,827,000 as at 31 December 2018, 2019 and 2020, respectively, that will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between

Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

At the end of each of the Relevant Periods, the directors of the Company, based on the Group's operation and expansion plan, estimated that part of the retained earnings of the PRC subsidiaries would be retained in Mainland China for use in future operations and investments. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amounts of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB17,930,000, RMB44,775,000 and RMB118,066,000 at 31 December 2018, 2019 and 2020, respectively.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

22. SHARE CAPITAL

Group and Company

	As at 31 December		
	2018	**2019**	**2020**
	US$	*US$*	*US$*
Authorised:			
50,000,000 ordinary shares of US$0.01 each	500,000	500,000	500,000
Issued and fully paid:			
535,080 ordinary shares of US$0.01 each	5,351	5,351	5,351
Equivalent to RMB	33,000	33,000	33,000

23. RESERVES

Group

The amounts of the Group's reserves and the movements therein for the Relevant Periods are presented in the consolidated statements of changes in equity of the Group.

Share premium

The share premium represents the difference between the par value of shares issued and the consideration received.

Statutory surplus reserve

In accordance with the Company Law of the PRC, subsidiaries of the Group which are domestic enterprises are required to allocate 10% of their profit after tax, as determined in accordance with the relevant PRC accounting standards, to their statutory surplus reserve until the reserve reaches 50% of their registered capital. Subject to certain restrictions set out in the Company Law of the PRC, part of the statutory surplus reserve may be converted to share capital, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital.

Exchange fluctuation reserve

The exchange fluctuation reserve is used to record exchange differences arising from the translation of the financial statements of entities of which the functional currency is not RMB.

Company

	Share capital	Share premium	Exchange fluctuation reserve	Accumu-lated losses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2018	33	10,059	666	(385)	10,373
Total comprehensive income for the year	—	—	520	(46)	474
At 31 December 2018 and 1 January 2019	33	10,059	1,186	(431)	10,847
Total comprehensive income for the year	—	—	179	(28)	151
At 31 December 2019 and 1 January 2020	33	10,059	1,365	(459)	10,998
Total comprehensive income for the year	—	—	(710)	(28)	(738)
At 31 December 2020	33	10,059	655	(487)	10,260

24. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) During the Relevant Periods, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB71,000, RMB564,000 and RMB12,494,000, respectively, in respect of lease arrangements for office premises.

(b) Changes in liabilities arising from financing activities

	Amounts due to directors	Lease liabilities
	RMB'000	*RMB'000*
At 1 January 2018	2,350	10,356
New leases	—	71
Changes from financing cash flows	(2,350)	(3,496)
Interest expense	—	439
At 31 December 2018 and 1 January 2019	—	7,370
New leases	—	564
Changes from financing cash flows	—	(3,428)
Interest expense	—	296
At 31 December 2019 and 1 January 2020	—	4,802
New leases	—	12,494
Changes from financing cash flows	—	(2,834)
Covid-19-related rent concession from lessors	—	(352)
Reduction as a result of lease modifications	—	(2,244)
Interest expense	—	209
At 31 December 2020	—	12,075

(c) Total cash outflow for leases

The total cash outflow for leases included in the consolidated statements of cash flows is as follows:

	Year ended 31 December		
	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
Within operating activities	70	345	881
Within financing activities	3,496	3,428	2,834
	3,566	3,773	3,715

25. COMMITMENTS

At the end of each of the Relevant Periods, the Group did not have any significant commitments.

26. RELATED PARTY TRANSACTIONS

Details of the Group's related parties are as follows:

Company	Relationship with the Company
Tian Liping	Director
Tian Lixin	Director
M3, Inc.	Shareholder of the Company
M3 USA Corporation ("**M3 USA**")	Entity controlled by M3, Inc.
M3 (EU) Limited ("**M3 (EU)**")	Entity controlled by M3, Inc.
Qualitative and Quantitative Fieldwork Service AB ("**QQFS**")	Entity controlled by M3, Inc.
Beijing Jinye Tiansheng Technology Co., Ltd. ("**Jinye Tiansheng**")	Entity controlled by Tian Liping

(a) The Group had the following transactions with related parties during the Relevant Periods:

	Notes	Year ended 31 December		
		2018	**2019**	**2020**
		RMB'000	*RMB'000*	*RMB'000*
Corporate solutions provided to:				
M3 USA	*(i)*	1,728	1,507	1,468
M3 (EU)	*(i)*	807	2,115	1,987
M3, Inc.	*(i)*	371	193	225
QQFS	*(i)*	—	24	13
		2,906	3,839	3,693
Software licensing fee to:				
M3 USA	*(ii)*	63	94	305
License and service fees to:				
M3, Inc.	*(iii)*	884	991	906

	Notes	Year ended 31 December		
		2018	2019	2020
		RMB'000	*RMB'000*	*RMB'000*
Outsourcing fee to:				
Jinye Tiansheng	*(iv)*	1,152	1,462	1,375
Repayments to:				
Tian Liping	*(v)*	2,000	—	—
Tian Lixin	*(v)*	350	—	—
		2,350	—	—

Notes:

(i) The service fees were determined on normal commercial terms, negotiated on arm's length basis, on similar basis as the Group conducted businesses with other independent third parties.

(ii) The software licensing fee to M3 USA was made according to the published prices and conditions offered by the related party to its major customers.

(iii) The license and service fees were determined on the basis of arm's length negotiations between the parties.

(iv) The outsourcing fee was charged with reference to prices mutually agreed between the parties.

(v) The loans from directors were unsecured and interest-free.

(b) Outstanding balances with related parties:

	As at 31 December		
	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
Contract assets			
M3 (EU)	270	713	11
M3 USA	602	778	421
	872	1,491	432
Prepayments			
Jinye Tiansheng	524	306	—
Trade payables			
M3, Inc.	1,895	2,476	3,046

The outstanding balances with related parties were all trade in nature. Details of the Group's trade balances with related parties are disclosed in notes 16, 17 and 19 to the Historical Financial Information.

(c) Compensation of key management personnel of the Group:

	Year ended 31 December		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Salaries, allowances and benefits in kind . .	3,542	5,385	5,444
Pension scheme contributions	380	337	28
Total compensation paid to key management personnel.	3,922	5,722	5,472

Further details of directors' emoluments are included in note 8 to the Historical Financial Information.

27. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows:

Group

Financial assets at amortised cost

	As at 31 December		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	26,024	35,643	42,480
Financial assets included in prepayments, other receivables and other assets	1,445	1,974	1,600
Cash and cash equivalents.	16,530	38,883	147,095
	43,999	76,500	191,175

Financial liabilities at amortised cost

	As at 31 December		
	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	2,454	2,634	6,265
Financial liabilities included in other payables and accruals	117	9	228
Lease liabilities	7,370	4,802	12,075
	9,941	7,445	18,568

Company

Financial assets at amortised cost

	As at 31 December		
	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
Cash and cash equivalents	278	255	212

28. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, trade receivables, trade payables, financial assets included in prepayments, other receivables and other assets, financial liabilities included in other payables and accruals and the current portion of lease liabilities approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The fair values of the non-current portion of lease liabilities has been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own non-performance risk for lease liabilities as at the end of each of the Relevant Periods were assessed to be insignificant.

The Group invests in unlisted investments, which represent certain financial products issued by commercial banks in Mainland China. The Group has estimated the fair value of these unlisted investments by using the valuation technique based on the sum of principal and interest receivable.

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis.

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on ageing information unless other information is available without undue cost or effort, and year-end staging classification at the end of each of the Relevant Periods. The amounts presented are gross carrying amounts for financial assets.

As at 31 December 2018

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables*	—	—	—	26,345	26,345
Contract assets*	—	—	—	11,133	11,133
Financial assets included in prepayments, other receivables and other assets					
— Normal**	1,445	—	—	—	1,445
Cash and cash equivalents					
— Not yet past due	16,530	—	—	—	16,530
	17,975	—	—	37,478	55,453

As at 31 December 2019

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables *	—	—	—	36,688	36,688
Contract assets*	—	—	—	23,282	23,282
Financial assets included in prepayments, other receivables and other assets					
— Normal**	1,974	—	—	—	1,974
Cash and cash equivalents					
— Not yet past due	38,883	—	—	—	38,883
	40,857	—	—	59,970	100,827

As at 31 December 2020

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables*	—	—	—	43,015	43,015
Contract assets*	—	—	—	15,761	15,761
Financial assets included in prepayments, other receivables and other assets					
— Normal**	1,600	—	—	—	1,600
Cash and cash equivalents					
— Not yet past due	147,095	—	—	—	147,095
	148,695	—	—	58,776	207,471

* For trade receivables and contract assets to which the Group applies the simplified approach for impairment, further information is disclosed in note 15 and note 16 to the Historical Financial Information.

** The credit quality of the financial assets included in prepayments, other receivables and other assets are considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 15 to the Historical Financial Information.

Liquidity risk

The Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management of the Group to finance the operations and mitigate the effects of fluctuations in cash flows.

The maturity profile of the Group's financial liabilities as at the end of each of the Relevant Periods, based on the contractual undiscounted payments, is as follows:

	31 December 2018					
	On demand	Less than 3 months	3 to 12 months	1 to 3 years	Over 3 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	2,454	—	—	—	—	2,454
Lease liabilities	—	876	2,453	4,518	—	7,847
Financial liabilities included in other payables and accruals	117	—	—	—	—	117
	2,571	876	2,453	4,518	—	10,418

	31 December 2019					
	On demand	Less than 3 months	3 to 12 months	1 to 3 years	Over 3 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	2,634	—	—	—	—	2,634
Lease liabilities	—	730	2,460	1,823	—	5,013
Financial liabilities included in other payables and accruals	9	—	—	—	—	9
	2,643	730	2,460	1,823	—	7,656

	31 December 2020					
	On demand	Less than 3 months	3 to 12 months	1 to 3 years	Over 3 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	6,265	—	—	—	—	6,265
Lease liabilities	—	665	2,355	5,499	4,726	13,245
Financial liabilities included in other payables and accruals	228	—	—	—	—	228
	6,493	665	2,355	5,499	4,726	19,738

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the Relevant Periods.

The Group monitors capital using a debt to equity ratio, which is net debt divided by total equity multiplied by 100%. Net debt includes trade payables, other payables and accruals and lease liabilities less cash and cash equivalents. Capital represents total equity of the Group. The debt to equity ratios as at the end of each of the Relevant Periods were as follows:

	As at 31 December		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	2,454	2,634	6,265
Other payables and accruals	23,663	32,422	45,231
Lease liabilities	7,370	4,802	12,075
Less: Cash and cash equivalents	(16,530)	(38,883)	(147,095)
Net debt/(cash)	16,957	975	(83,524)
Total equity	34,958	66,232	151,414
Debt to equity ratio	49%	1%	N/A

30. EVENTS AFTER THE RELEVANT PERIODS

On 29 March 2021, the Company implemented the share subdivision whereby each existing issued and unissued ordinary share with par value of US$0.01 in the authorised share capital of the Company were subdivided into 1,000 ordinary shares with par value of US$0.00001 each and the authorised share capital of the Company was altered to US$500,000 divided into 50,000,000,000 shares with par value of US$0.00001 each. The total number of issued shares in the Company increased from 535,080 shares to 535,080,000 shares.

In order to incentivise the directors, senior management and employees for their contribution to the Group and to attract and retain skilled and experienced personnel to enhance the development of the Group, the Company has adopted the pre-IPO share option scheme on 29 March 2021. As of the date of this report, the pre-IPO share options for an aggregate of 26,754,000 shares, representing 3.88% of the issued share capital of the Company immediately following completion of the global offering (without taking into account any shares which to be issued pursuant to the exercise of the over-allotment option and any option granted or to be granted under the share option schemes), have been granted to 62 grantees on 2 April 2021.

On 18 June 2021, the Company declared a special interim dividend of RMB92 million, which amount is determined with reference to the level of distributable reserves of the Group available for distribution to the shareholders as of 31 December 2020. The special interim dividend is conditional upon listing and is payable to all existing shareholders, Tiantian Co., Limited and M3, Inc., in the proportion of 50:50. The special interim dividend will be paid before 30 September 2021 and will be funded using the internal resources of the Company.

31. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company, the Group or any of the companies now comprising the Group in respect of any period subsequent to 31 December 2020.