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PING AN HEALTHCARE AND TECHNOLOGY COMPANY LIMITED

平安健康醫療科技有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1833)

ANNOUNCEMENT OF AUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

The board of directors (the “**Board**”) of Ping An Healthcare and Technology Company Limited (the “**Company**”) is pleased to announce that the audited annual results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2020. This announcement, containing the full text of the 2020 annual report (the “**Annual Report**”) of the Company, complies with the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) in relation to information to accompany preliminary announcements of annual results.

The Group’s final results for the year ended 31 December 2020 have been reviewed by the audit and risk management committee of the Company.

This announcement will be published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.pagd.net. The Annual Report for the year ended 31 December 2020 will be published on the aforesaid websites of the Stock Exchange and the Company and will be dispatched to the Company’s shareholders in due course.

By order of the Board

Ping An Healthcare and Technology Company Limited
Fang Weihao
Chairman

Shanghai, the PRC
2 February 2021

As at the date of this announcement, the Board comprises Mr. Fang Weihao as the chairman and the executive Director; Ms. Tan Sin Yin, Mr. Yao Jason Bo, Ms. Cai Fangfang, Ms. Lin Lijun and Mr. Pan Zhongwu as non-executive Directors; and Mr. Tang Yunwei, Mr. Guo Tianyong, Mr. Liu Xin and Dr. Chow Wing Kin Anthony as independent non-executive Directors.



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Corporate Information

Directors

Executive Director

Mr. FANG Weihao (Chairman)

Non-executive Directors

Ms. TAN Sin Yin

Mr. YAO Jason Bo

Ms. CAI Fangfang

Ms. LIN Lijun

Mr. PAN Zhongwu

Independent Non-executive Directors

Mr. TANG Yunwei

Mr. GUO Tianyong

Mr. LIU Xin

Dr. CHOW Wing Kin Anthony

Audit and Risk Management Committee

Mr. TANG Yunwei (Chairman)

Mr. GUO Tianyong

Mr. LIU Xin

Mr. YAO Jason Bo

Nomination and Remuneration Committee

Mr. GUO Tianyong (Chairman)

Mr. TANG Yunwei

Dr. CHOW Wing Kin Anthony

Mr. LIU Xin

Ms. CAI Fangfang

Mr. YAO Jason Bo

Authorized Representatives

Mr. FANG Weihao

Mr. LIU Cheng

Joint Company Secretaries

Mr. LIU Cheng

Ms. CHEN Chun

Auditor

PricewaterhouseCoopers

Certified Public Accountants and Registered PIE Auditor

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Hong Kong

Registered Office

The offices of Maples Corporate Service Limited

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Shanghai

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Principal Place of Business in Hong Kong

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Wanchai

Hong Kong



Corporate Information

Principal Share Registrar and Transfer Office

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Grand Cayman, KY1-1102
Cayman Islands

Hong Kong Share Registrar

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17/F, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Principal Banks

Bank of China (Hong Kong) Limited
1 Garden Road
Central
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Stock Code

1833

Company's Website

www.pagd.net

Listing Date

4 May 2018

Legal Advisors

As to Hong Kong and U.S. laws:

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As to PRC law:

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No. 1515 Nan Jing West Road
Shanghai
PRC

As to Cayman Islands law:

Maples and Calder (Hong Kong) LLP
26/F, Central Plaza
18 Harbour Road
Wanchai
Hong Kong

Key Financial and Operational Data

(Highlights in 2020)



Registered users:

372.8 million

An increase of
57.6 million
during the past 12 months



MAU:

72.6 million

year-on-year growth
8.5%



Average daily consultations:

903 thousand

year-on-year growth
23.9%



MPU:

4.0 million

year-on-year growth
34.1%



Online medical services revenue:

1,565.5 (RMB) million

year-on-year growth
82.4%



Revenue:

6,866.0 (RMB) million

year-on-year growth
35.5%

Chairman's Statement



**Chairman and
Chief Executive Officer**

FANG WEIHAO

The year 2020 was quite extraordinary. The outbreak of COVID-19 at the beginning of the year spread quickly in China and around the world. Under the leadership of the Communist Party and the government of China, Chinese people scored an early success in battling the widespread virus. Epidemic prevention and control became a new normal. Being a bellwether in China's Internet healthcare industry, Ping An Good Doctor used timely and efficient Internet services to its advantage, going all out to help the nation combat the outbreak, and fulfilling its social responsibility. In the meantime, we could see that the Chinese government has provided ever-stronger support for Internet healthcare over the past year. Government departments have introduced a series of policies to encourage the development of Internet healthcare. In November 2020, the National Healthcare Security Administration (NHSA) promulgated the *Guidelines on Promoting Social Health Insurance Payment for "Internet +" Healthcare Services*, in a bid to facilitate innovation in the model of "Internet +" healthcare services, and further clarify the standards

and guidelines for including Internet healthcare in social health insurance (SHI) payment. In the same month, the National Medical Products Administration released the *Measures for Oversight and Management of Online Distribution of Drugs (draft for comments)*, explicitly permitting online distribution and display of prescription drugs for the first time.

The COVID-19 epidemic has opened up a great opportunity for rapid development of Internet healthcare in China. Leveraging a wide user base, an in-house medical team and technology developed independently, Ping An Good Doctor will continue to promote the integration of online and offline healthcare services. Starting with online consultation, we will dive deep into fields like health management and chronic disease management, and commit more to the development of channels, the expansion of the team of doctors, the building of Internet hospitals, etc., in a bid to further strengthen a dominant position in the industry and accelerate business development.

During the Reporting Period, the Group kept up the great momentum for growth. Driven by the rapid growth of the core business online medical services, total revenue reached RMB6,866.0 million, representing a year-on-year increase of 35.5%. In particular, the revenue generated from online medical services increased by 82.4% year on year to RMB1,565.5 million, accounting for 22.8% of the Group's total revenue for the year 2020, up 5.9 percentage points year on year from 16.9% for the year 2019. Adjusted net loss (excluding foreign exchange losses and gains and option expenses) amounted to RMB515.8 million in 2020, representing a decrease of 25.8% compared with the adjusted net loss of RMB695.0 million in 2019. With the strategic upgrades, the Company committed more to channels, services and capabilities, and lost no time in advancing key strategic projects like attracting more corporate customers, building Internet hospitals, establishing a team of doctors, developing insurance channel products, and improving health management services. By excluding the impact of a financial commitment to the strategic upgrades, the Company's net loss on the traditional business decreased by 65.6% year on year to RMB239.2 million.

Benefiting from a growing awareness of Internet healthcare services among users, the core operating metrics of our Internet platform delivered remarkable performances. As of 31 December 2020, the number of registered users of the Company reached 372.8 million, representing an increase of 57.6 million or 18.3% from the end of 2019. In December 2020, monthly active users and monthly paying users reached 72.6 million and four million respectively, representing a year-on-year increase of 8.5% and 34.1% respectively. Average daily consultations reached 903 thousand in 2020, representing an increase of 23.9% from the year 2019. We continued with refined operation of user traffic, further focusing on the monetization of healthcare users in particular. During the Reporting Period, our average conversion rate of paying users increased by 0.9 percentage point to 4.9% from 4.0% in the same period last year. Specifically, paying healthcare users accounted for 35.1%, with daily prescriptions sold rising by 88% from the year 2019.

As a leading company in the Internet healthcare industry, Ping An Good Doctor grasped the golden market opportunity to lay a solid foundation for its medical service capacity. By leveraging a two-wheel driven business model based on "an in-house medical team + AI-empowered healthcare", we made headway towards improving both the quality and quantity of online medical services. Benefiting from the traffic referral via medical services, we acquired a great number of users with true demand for medical services and products, and built a one-stop service platform centering on online medical services and monetizing users through diversified services and products. We launched comprehensive strategic upgrades in mid-2020 on three fronts, namely channels, services, and capabilities. In respect of channels, we will develop four major traffic channels, i.e. individual users, insurance services, corporate services, and Internet hospitals. In respect of services, we extended our business from online medical consultation and services to higher-frequency and more diversified healthcare services. In respect of capabilities, we continued to develop our in-house medical team, partnered with renowned doctors, and expanded the network of external doctors. Being committed to bridging communication between doctors and patients, we will continue to enhance our medical service capabilities and improve the building of the online-to-offline ecosystem, aiming to build an Internet healthcare platform with the largest scale, the most advanced models, and the highest entry barriers in China.

In 2020, we upgraded our membership products for corporate customers. By developing corporate healthcare service products exemplified by Private Doctors, we built the Internet + Medical + Healthcare model and had over 1,100 corporate customers. In the future, Ping An Good Doctor will continue to improve health management services and experiences for corporate customers. Meanwhile, Ping An Good Doctor will reach corporate customers more extensively and easily by making use of the resource pool of massive amounts of corporate customers in Ping An's integrated financial service ecosystem to achieve precision marketing.



Chairman's Statement

The outbreak of COVID-19 sped up the promulgation of supportive policies for Internet healthcare, which were carried out by local governments actively and efficiently. As the largest and the most important payment system, Social Health Insurance (SHI) is used in China nearly nine billion times every year, constituting the foremost source of precise traffic for Internet healthcare. For the strategic upgrades launched in mid-2020, the building of Internet hospitals and their connection to local SHI payment systems makes up an essential part of our channel building, and is also one of the key initiatives of the Company. As of 31 December 2020, we reached agreements with over 120 offline hospitals on jointly building Internet hospitals. Fifty of them were completed by Ping An Good Doctor and put into operation. Meanwhile, we enabled SHI payment in one province and four cities. In the coming year, we will accelerate the building of Internet hospitals in provinces and cities across China, as well as their connection to local SHI systems. In addition, we will push ahead with operations of self-built and jointly built Internet hospitals to establish a regional medical service ecosystem. Through continuous independent and joint building, we will develop our own resident chronic disease management model in combination with government's resident health (chronic disease) management. We will empower operations of offline hospitals in the whole medical treatment process. We will leverage drug operations, hospital services, out-of-hospital services and medical specialty operations to improve our access to monetization. Moreover, we will continue to upgrade product features of Internet hospitals, and optimize the process of consultation, issuing prescription, drug purchase and health (chronic disease) management, in an effort to keep improving user experiences.

Currently, collaboration with commercial insurers on membership products remains one of the main revenue streams of online medical services, our core business. We upgraded Health 360, a product launched in 2017, to Health Guard 360, providing additional health benefits for users while keeping prices unchanged. Health Guard 360 was unanimously applauded by our customers and channels. In late 2019, the China Banking and Insurance Regulatory Commission (CBIRC) issued the amended *Administrative Measures for Health Insurance*, lifting the cap on the health management service cost to 20% of net premiums. This is a signal that insurers may bind health insurance products and health management services together, and higher-quality medical services and health management will help health insurance thrive. This provides a historic opportunity for health management service providers. Being a key part of Ping An healthcare ecosystem, Ping An Good Doctor has put the Insurance Business Unit in charge of advancing online business collaboration with Ping An Health Insurance. Ping An Good Doctor and Ping An Health Insurance have empowered the healthcare and insurance services by customizing the service and product mix, allowing users to enjoy one-stop, comprehensive, end-to-end online healthcare and insurance services. Moreover, Ping An Good Doctor strengthened the healthcare and insurance collaboration and made full use of synergies through quality customers referral, aiming to fulfill the huge potential of internet healthcare and insurance as well as expand access to heartfelt services for users.

Quality doctors have always been a guarantee of our medical service capabilities. Since mid-2020, we have given priority to the building of a four-tier doctor network: underpinned by AI-based Doctor Assistant, on-site doctors provide basic services in response to common healthcare demand, external doctors who are the backbone of clinic teams address core demand of patients, and famous doctor studios build up professional image. Our upgraded medical service system and Ping An Doctor Home brought dividends for doctors in respect of practice and career. Industry-leading medical service capabilities and healthcare reserves have prepared us for higher user traffic across various channels in the future. Going forward, Ping An Good Doctor will bring together more doctors across the country to provide quality offline healthcare services. Offline services such as Internet healthcare and drug delivery, laboratory tests, referrals, registration, checkups and beauty treatment are also essential to online medical services such as online consultation, prescription, and health management. While polishing online medical service capabilities, Ping An Good Doctor remains committed to strengthening its offline healthcare network. As of 31 December 2020, our healthcare network comprised over 160 medical beauty clinics, 430 Traditional Chinese Medicine (TCM) clinics, nearly 2,300 health check-up centers, nearly 1,800 dental clinics, over 2,000 offline health management merchants, over 50 thousand clinics, and 151 thousand pharmacies. We aim to diversify our online medical services and broaden offline service network by leveraging our proprietary medical service capabilities. In this way, we can not only empower our offline partners, but also secure offline traffic and potential users, and ultimately improve user satisfaction, which in turn will accelerate the monetization of our medical services. Taking our partnership with pharmacies as an example: as of 31 December 2020, our collaborated pharmacies increased by over 57 thousand from the end of 2019 to 151 thousand, covering 379 cities in 32 provinces across China, and we also partnered with over 4,000 chain pharmacy brands. In addition to the "Scanning QR Code

to Conduct Online Consultation" service, we launched the "Central Warehouse" project in cooperation with our collaborated pharmacies in 2020, significantly shortening the time of intra-city drug delivery. As of 31 December 2020, our "Central Warehouse" project was carried out in 51 cities across China, realizing drug delivery within 0.5 hour on average in urban areas.

Global spread of the COVID-19 epidemic poses a tough challenge to public health systems around the world. With its global presence, medical service capabilities and strengths of AI technology, Ping An Good Doctor exported its inclusive, quality medical services overseas to empower local Internet healthcare business and help local communities and governments battle the epidemic. After the year-long development, our joint venture in Southeast Asia had more than 10 million registered users, over 100 in-house medical team members, and over 600 contracted external doctors, and collaborated with over 900 hospitals, clinics, and inspection and test centers. During the COVID-19 epidemic, thanks to strict medical management systems and high-standard services, our Indonesian joint venture managed to sign an agreement with the Indonesian Ministry of Health, the Indonesian Doctors Association, and other government agencies and was designated as the official online consultation platform to provide healthcare services for Indonesian residents for fighting COVID-19. We have made strides in our overseas business in Japan. In the first half of 2020, our joint venture officially launched HELPO, an online healthcare service platform, in Japan. HELPO has served dozens of Japanese companies and government clients, offering multiple services such as online consultation, and drug refilling and delivery. The Japanese joint venture worked with the Japanese government to offer online appointment services for COVID-19 testing, winning wide acclaim from users. Going forward, we will further diversify our businesses and increase the range of services we can provide, aiming to build a one-stop Internet healthcare platform for 130 million potential Japanese users.



Chairman's Statement

Ping An Good Doctor has been passionately engaged in good causes besides business expansion. Ping An Good Doctor wasted no time in forming a dedicated COVID-19 task force, launched an online portal for epidemic-related consultation services, and built an online consultation prevention mechanism. We acted promptly to build an extensive offline service network with governments at various levels to provide the public with epidemic-related consultation services. Amid the COVID-19 spread around the world, Ping An Good Doctor promptly rolled out the Global Medical Consultation Platform, providing 24/7 (24 hours per day, 7 days per week) English consultation services for global users. When the epidemic eased, Ping An Good Doctor continued to assist Ping An Group with the "Village Doctor Program" through medical service upgrading at the three levels, namely rural clinics, village doctors and villagers, aiming to strengthen healthcare in rural areas. Ping An Good Doctor has worked with local governments in Sichuan, Guangxi, Yunnan and Guizhou in an effort to improve the basic medical services in poor areas. In 2020, Ping An Good Doctor made use of extensive medical resources and healthcare experience and provided multiple free medical examinations online and offline through sophisticated Internet technologies, which enabled more people to enjoy free medical examinations whenever and wherever they are, and helped expand coverage and benefit more people. Being enthusiastic about the development of China's public health, Ping An Good Doctor is seeking to make quality medical resources more accessible to local communities and residents.

We are now in a new era and witnessing accelerated development of the Internet healthcare industry. Ping An Good Doctor is trying to seize the immense opportunity brought by the "Healthy China 2030" Vision through strategic upgrades. Backed by the sound healthcare ecosystem established by Ping An Group, Ping An Good Doctor will capitalize on synergies from the products, channels, services, government partnerships, and technologies within the Group. Moreover, Ping An Good Doctor will continue to enhance its core competitiveness as well as its online and offline healthcare service capabilities. By doing so, we will deliver high-quality services to users, and sustainable value for shareholders.

Fang Weihao

Chairman

Shanghai, 2 February 2021

Management Discussion and Analysis

Key Financial Data

	Year ended on 31 December		Year-on-year change
	2020	2019	
	RMB'000	RMB'000	
Revenue	6,865,987	5,065,429	35.5%
Cost of sales	(5,001,573)	(3,894,000)	28.4%
Gross profit	1,864,414	1,171,429	59.2%
Selling and marketing expenses	(1,586,627)	(1,206,673)	31.5%
Administrative expenses	(1,017,083)	(1,075,307)	-5.4%
Other income	205,426	41,895	390.3%
Other (losses)/gains – net	(385,269)	109,267	N/A
Finance income – net	99,686	252,689	-60.5%
Share of losses of associates and joint ventures	(121,895)	(27,429)	344.4%
Loss before income tax	(941,348)	(734,129)	28.2%
Income tax expense	(7,155)	(12,587)	-43.2%
Loss for the year	(948,503)	(746,716)	27.0%
Loss attributable to:			
– Owners of the Company	(948,478)	(733,860)	29.2%
– Non-controlling interests	(25)	(12,856)	-99.8%
Non-IFRS measure:			
Adjusted net loss	(515,811)	(695,046)	-25.8%

For the year 2020, total revenue of the Company amounted to RMB6,866.0 million, representing an increase of 35.5% from total revenue of RMB5,065.4 million recorded in 2019. Revenue growth was seen across all business segments. Gross profit recorded in 2020 was RMB1,864.4 million, representing an increase of 59.2% from RMB1,171.4 million recorded in 2019. Gross margin in 2020 reached 27.2%, up 4.1 percentage points from gross margin of 23.1% recorded in 2019. Net loss of RMB948.5 million was recorded in 2020, representing an increase of 27.0% from net loss of RMB746.7 million recorded in 2019, mainly attributable to increased exchange losses on the Company's foreign currency assets as a result of the rising RMB, and increased losses arising from the growing scale of the overseas joint ventures. By excluding the impact of exchange rate fluctuations and employee options, adjusted net loss in 2020 amounted to RMB515.8 million, representing a decrease of 25.8% compared with adjusted net loss of RMB695.0 million recorded in 2019. By further excluding the impact of more commitment to strategic upgrades launched by the Company in 2020, net loss on the traditional business of the Company further decreased by 65.6% to RMB239.2 million.

Management Discussion and Analysis

Key Operational Data

	31 December 2020	31 December 2019	Year-on-year change
Number of registered users (in million)	372.8*	315.2	18.3%
Accumulative consultation records (in million)	1,004.2	673.8	49.0%

	Year ended 31 December		Year-on-year change
	2020	2019	
Online medical services revenue (RMB in thousand)	1,565,455	858,021	82.4%
Average daily consultations (in thousand)	903	729	23.9%

	2020	2019	Year-on-year change
MAU (in million, in the month of December)	72.6	66.9	8.5%
MPU (in thousand, in the month of December)	3,982	2,969	34.1%
Conversion rate of paying users (annual average)	4.9%	4.0%	+0.9 percentage point

	Year ended 31 December		Year-on-year change
	2020	2019	
GMV of the Health Mall (RMB in million)	5,475.6	4,447.0	23.1%

Note:

* Number of users from the plug-in of Ping An Group accounted for 49.3% of total number of registered users.

Analysis of Principal Business Operations

In 2020, the sudden outbreak of COVID-19 impacted on the world economy and people's lifestyles to an extent, and also greatly increased doctors' and patients' acceptance of online consultation. Since the outbreak, increasingly more people have started to accept online healthcare, and got used to substituting it for part of offline outpatient treatment. In addition, regulators and local governments introduced a series of policies, supporting and encouraging the development of Internet healthcare, promoting online tiered diagnosis and treatment, and accelerating the process to include Internet healthcare in the SHI payment system. Bolstered by growing demand and favorable policies, Internet healthcare players have accelerated their business expansion, which led to fiercer competition in the industry.

Despite a severe macroeconomic situation and tough industry competition in 2020, the Group's core business online medical services maintained robust growth, with revenue increasing by 82.4% year on year to RMB1,565.5 million. Driven by core business, total revenue of the Group grew by 35.5% year on year to RMB6,866.0 million. Total gross margin rose by 4.1 percentage points year on year to 27.2%. Revenue from online medical services accounted for 22.8% of the Group's total revenue for the year ended 31 December 2020, up 5.9 percentage points from 16.9% for the year ended 31 December 2019. Net loss of RMB948.5 million was recorded in 2020, representing an increase of 27.0% from net loss of RMB746.7 million recorded in 2019, mainly attributable to increased exchange losses on the Company's foreign currency assets as a result of the rising RMB, and increased losses arising from the growing scale of the overseas joint ventures. By excluding the impact of exchange rate fluctuations and employee options, adjusted net loss in 2020 amounted to RMB515.8 million, representing a decrease of 25.8% compared with adjusted net loss of RMB695.0 million in 2019. In order to cope with the growing competition and continue to lead the way in the industry, the Company started strategic upgrades in 2020, committing more to channel expansion, service improvement and capacity building. By excluding the impact of strategic commitment, net loss on the traditional business further decreased by 65.6% to RMB239.2 million.

The COVID-19 epidemic promoted people's habits of online diagnosis, treatment and drug purchase, which will continue to boost Internet healthcare, and accelerate the penetration of Internet healthcare into offline traditional medical services. As of 31 December 2020, the number of registered users reached 372.8 million, representing an increase of 57.6 million or 18.3% from the end of 2019. Average daily consultations grew by 23.9% year on year to 903 thousand in 2020, demonstrating a compound growth rate of 90.5% over the past six years. The number of monthly active users reached 72.6 million in December 2020, representing a year-on-year increase of 8.5%. Benefiting from our on-going commercial conversion, the number of monthly paying users reached four million in December 2020, representing a year-on-year increase of 34.1%. The average conversion rate of paying users increased by 0.9 percentage point year on year to 4.9% in 2020. Specifically, paying users of medical services accounted for 35.1%, up 6.4 percentage points year on year, showing that increasingly more targeted users with healthcare demand are using our services.



Management Discussion and Analysis

Strategic Upgrades

After six years of development, Ping An Good Doctor has become a bellwether in China's Internet healthcare industry in terms of the number of registered users, online consultations, and revenue of online medical services. In pursuit of trust, expertise, and convenience, Ping An Good Doctor initiated in mid-2020 comprehensive strategic upgrades on three fronts, namely channels, services, and capabilities, aiming to build an Internet healthcare platform with the largest scale, the most advanced models, and the highest entry barriers in China. Through the strategic upgrades, Ping An Good Doctor will further obtain high-quality targeted medical traffic from diversified channels. Leveraging its large-scale in-house medical team and wide network of external renowned doctors, Ping An Good Doctor strives to provide one-stop Internet healthcare services for users, through efficient and quality healthcare services and diversified products, thus bridging communication between doctors and patients.

Strategic Upgrades – Channels

Ping An Good Doctor will continue to acquire users from four channels, namely individual users (patients), insurance customers (policyholders), corporate customers (corporate employees), and Internet hospitals (self-built or built jointly with local offline hospitals) to monetize our services and products.

For the existing registered users, Ping An Good Doctor will provide better medical + health services, more precise product recommendations, and improved user experience to increase user stickiness and willingness to pay, thus increasing the conversion rate of paying users.

Ping An Good Doctor has a unique advantage in insurance channels due to great synergies with Ping An Group's insurance businesses. We have been exploring an integration between medical services and insurance services. Health 360, our first membership product launched in 2017 for critical illness insurance policyholders, has enjoyed enormous prestige among insurance customers and channels since its rollout. More than 98% of customers gave it a five-star rating, take-up rate of it as a rider continued to rise, and renewal rate reached 74%. In 2020, this product was upgraded to Health Guard 360, for which we added membership benefits, kept the prices unchanged, and improved service quality. Insurance and medical services go hand in hand, especially in the case of health insurance products. Health insurance is flourishing in China, with bright prospects. Hence health insurers and policyholders have fast-growing demand for high-quality medical services. As set out in the *Administrative Measures for Health Insurance* revised by the CBIRC in 2019, the upper limit of the health management service cost in health insurance policies would be raised to 20% of net premiums, showing that governments and industry regulators strongly encourage insurance users to use more medical and health management services. Being a key part of Ping An healthcare ecosystem, Ping An Good Doctor has put the Insurance Business Unit in charge of advancing online business collaboration with Ping An Health Insurance. Ping An Good Doctor and Ping An Health Insurance have empowered the healthcare and insurance services by customizing the service and product mix, allowing users to enjoy one-stop, comprehensive, end-to-end online healthcare and insurance services. Moreover, Ping An Good Doctor has strengthened the healthcare and insurance collaboration and made full use of synergies through quality customers referral, aiming to fulfill the huge potential of internet healthcare and insurance as well as expand access to heartfelt services for users.

Corporate customers constitute another unique advantage of Ping An Good Doctor in channels. By leveraging the network of corporate customers established by Ping An Group through integrated financial services, we reach our target users quickly and precisely. With the launch of strategic upgrades in mid-2020, we upgraded medical membership products to cover not only corporate customers but also corporate employees. In terms of services for corporate employees, we plan to start with check-up services by guiding corporate employees towards the online health management platform through tailor-made online medical membership products, thus providing enterprises and their employees with all-around health and medical services, and improving our medical service capability for serving enterprises. As of the end of 2020, Ping An Good Doctor had more than 1,100 corporate customers, including a great number of large state-owned enterprises, top Internet companies and renowned financial institutions, with sales volume reaching RMB580 million.

Management Discussion and Analysis

As a brand-new channel, internet hospitals have become one of the key initiatives of the Company. In order to respond to the call of the NHSA for including Internet healthcare in the SHI payment system, Ping An Good Doctor has started exploring the partnership and collaboration with public hospitals and the SHI payment system since the year of 2019. With the promulgation of relevant implementation policies by the central government, we have closely followed the policy guidelines and had effective communication with local governments and regulators to work out a model, i.e. leveraging Ping An Good Doctor's business advantages to develop Internet hospitals with a view to empowering the public healthcare system. We will build Internet hospitals independently and jointly as well, focus on the conversion of the offline medical treatment traffic, and provide multiple healthcare services and medications covering SHI payment, copayment and self-payment on the Internet platform to improve our access to monetization. As of 31 December 2020, Ping An Good Doctor obtained necessary qualifications for building its own Internet hospitals in nine cities, i.e. Yinchuan, Qingdao, Chengdu, Haikou, Nanning, Hefei, Weihai, Fuzhou and Nanjing. Meanwhile, Ping An Good Doctor reached agreements with 100 offline hospitals on jointly building Internet hospital platforms (including the Fuzhou project), 41 of which were completed by Ping An Good Doctor. Among the above projects built independently and jointly, five of them were connected to the SHI payment system, i.e. Hubei province, Yinchuan, the Affiliated Shunde Hospital of Jinan University, Dongguan TCM Hospital and Fuzhou TCM Hospital. Since the go-live in September 2020, the Affiliated Shunde Hospital of Jinan University has offered such services as online consultation, drug purchase, nucleic acid testing (NAT), check-ups, and delivery of prescription drugs, with daily consultations peaking at 20% of those in offline hospitals. In the future, we will step up our efforts to build our own and joint Internet hospitals across China. In the next two years, we plan to complete self-built projects in important provinces and cities in China, and make our medical services available in major cities and regions via jointly built projects at the same time.

Strategic Upgrades – Services

Ping An Good Doctor will continue to improve its medical services and extend its business to health services. We will deliver medical services through six medical specialties (namely Internal Medicine, Surgery, Paediatrics, Gynecology, TCM, and Dermatology) and 23 departments in total via images, text, speech, videos, vital signs measured, etc. Meanwhile, we will provide offline inspection and testing services and membership benefits to develop an offline-to-online (O2O) model. For health services, we strive to build a full-lifecycle health management system with Private Doctors at its core. We aim to manage healthy and sub-healthy users via modules like healthy exercise, healthy diet, healthy lifestyle, workplace care, consumer healthcare, and group management. As of the end of 2020, the Company developed more than 400 health courses, and partnered with over 2,000 offline merchants, providing health management users with services like reserving local gymnasiums and sports venues, finding local body-building partners, and offering advice on light and healthy meals. We created an electronic record for each user to gather massive data in the full-lifecycle of health management. In addition, we leveraged large numbers of offline institutions to provide users with seamless O2O experience. Going forward, we plan to export health management services to corporate employees via the corporate channel, in an effort to become a leading corporate health management service provider in China.



Management Discussion and Analysis

Strategic Upgrades – Capabilities

Doctors are at the core of medical services. Being crucial to medical service quality, doctor quality is directly linked to user experience, and plays a vital role in increasing user stickiness. Ping An Good Doctor has been dedicated to enhancing online medical service quality and experience since its establishment. Ping An Good Doctor has given priority to the development of the first in-house medical team in the industry which is supplemented with the AI-based diagnosis and treatment system (AI-powered Doctor Assistant), contracted external doctors (third-party doctors practicing at multiple hospitals) and renowned doctors (third-party top doctors). In this way, Ping An Good Doctor has built a unique well-resourced four-tier doctor network that manages to draw more healthcare users to its quality online medical services. As of 31 December 2020, our in-house medical team had all together 2,247 members, representing an increase of 838 from 31 December 2019. Contracted external doctors grew rapidly from 5,381 for the year ended 31 December 2019 to 21,116, including 14,714 from tertiary hospitals. Moreover, alongside our strategic upgrades, we embarked on the Famous Doctor Studio Program in mid-2020, aiming to bring together more renowned doctors to deliver timely, quality online and offline medical services. As of 31 December 2020, 295 well-known domestic specialists were contracted to Ping An Good Doctor, 175 of whom collaborated with us in building the famous doctor studios. Focusing on specialties, the famous doctor studios provide patients with precise, trustworthy expert diagnosis and treatment throughout the consultation and medical processes.

Ping An Good Doctor has developed its proprietary AI technology and leverages technologies to achieve precise triage and greater efficiency in medical services. Our AI-based medical system includes four parts, namely, the smart severe disease monitoring system, smart AI-based diagnose system, PASS (prescription automatic screening system) and smart medical safety monitoring platform. Throughout 2020, average daily consultations reached 903 thousand, representing a year-on-year increase of 23.9%. As of 31 December 2020, we had over one billion records on consultation. The extensive consultation database makes us ahead of peers by scale and scope. We have created a specialty database including four million Q&As, a database containing 500 thousand medical terminologies, and a database containing millions of medical relations. Our proprietary AI-based medical system, has reached over 99% accuracy pairing patients with the most appropriate doctors and precise escort services, making consultation experiences better and more efficient. This system is effective in helping doctors collect users' consultation records, make an initial diagnosis, guide their diagnostic decision making, and customize recommendations on medications. Currently the accuracy rate of supplementary diagnosis and medication recommendation exceeds 90% respectively. In April 2020, Ping An Good Doctor received the highest level of certification by WONCA (The World Organization of Family Doctors), for its AI-based medical system, symbolizing that Ping An Good Doctor's AI system meets the world's highest standards for AI health technologies. This honor was further evidence that our technology enables us to provide timely, quality medical solutions for patients from different countries and cultures.

Revenue and Gross Profit by Segment

	Year ended 31 December		
	2020	2019	Year-on-year change
	RMB'000	RMB'000	
Revenue:			
Online medical services	1,565,455	858,021	82.4%
Consumer healthcare	1,382,901	1,112,356	24.3%
Health Mall	3,713,859	2,902,186	28.0%
Health management and wellness interaction	203,772	192,866	5.7%
Total of revenue	6,865,987	5,065,429	35.5%
Gross profit:			
Online medical services	879,020	378,929	132.0%
Consumer healthcare	574,132	400,378	43.4%
Health Mall	255,386	234,826	8.8%
Health management and wellness interaction	155,876	157,296	-0.9%
Total of gross profit	1,864,414	1,171,429	59.2%
Gross margin:			
Online medical services	56.2%	44.2%	+12.0 percentage points
Consumer healthcare	41.5%	36.0%	+5.5 percentage points
Health Mall	6.9%	8.1%	-1.2 percentage points
Health management and wellness interaction	76.5%	81.6%	-5.1 percentage points
Total of gross margin	27.2%	23.1%	+4.1 percentage points

Online medical services

Leveraging our four-tier doctor network consisting of AI-powered Doctor Assistant, in-house doctors, external doctors and renowned doctors, together with the support of our diversified offline medical collaborations, Ping An Good Doctor provides a full range of 24/7 medical services from online consultation and prescribed medication purchase, to offline registration, referral, and drug delivery. As of 31 December 2020, we had 2,247 in-house medical staff members, representing an increase of 838 or 59.5% from 31 December 2019. Our AI-based medical system, containing more than 3,000 disease entries, has been fully applied in all 23 departments of the in-house medical team. We contracted 21,116 external doctors who mainly provide services such as non-real-time online consultation and offline second medical opinion, increasing by 15,735 from 31 December 2019. With further roll-out of our strategic upgrades, Ping An Good Doctor has accelerated collaboration with top doctors since mid-2020. As of 31 December 2020, we helped 175 domestic top doctors launch their online studios, offering our users excellent online and offline medical services.

For the offline healthcare ecosystem, as of 31 December 2020, our hospital network comprised over 3,700 hospitals, up nearly 400 from the beginning of 2020, including nearly 2,000 tertiary hospitals. Our pharmacy partners increased by over 57 thousand to 151 thousand, compared to 94 thousand at the end of 2019, covering 379 cities in 32 provinces across China. For drug delivery, we greatly increased the drug logistics efficiency through our Central Warehouse Project. As of 31 December 2020, our flash drug delivery service was available at 51 front-rank cities in 26 province-level regions. Cities that have launched the Central Warehouse Project saw order growth of three times faster than those that have not.

Management Discussion and Analysis

During the Reporting Period, revenue from our online medical services amounted to RMB1,565.5 million, representing a significant year-on-year increase of 82.4%, largely attributable to significant growth in revenue from membership service products (including Health 360 and Private Doctor Membership) and medication purchase based on electronic prescriptions attached to online consultation. Revenue from our membership products maintained rapid growth and hit RMB925 million, representing a year-on-year increase of 124.5%. Quality of our online medical services continued to improve, with gross margin reaching 56.2%, representing a year-on-year increase of 12.0 percentage points from 44.2% in the same period of 2019. The increased gross margin was mainly attributable to a significantly increased proportion of membership products such as Private Doctor Membership and Health 360.

	Year ended 31 December		
	2020	2019	Year-on-year change
	RMB'000	RMB'000	
Revenue	1,565,455	858,021	82.4%
Gross profit	879,020	378,929	132.0%
Gross margin	56.2%	44.2%	+12.0 percentage points

Consumer healthcare

By accurately targeting users' healthcare demand, we provide individual and corporate customers with standardized healthcare service packages consisting of health check-ups, medical beauty, dental check-ups and genetic testing services.

Our consumer healthcare business keeps up with market demands as we endeavor to build up offline cooperation and service capabilities. Our network of healthcare services continued to expand and comprised over 56,000 healthcare service providers, including over 160 medical beauty clinics, 430 TCM clinics, nearly 2,300 check-up centers, nearly 1,800 dental clinics, over 2,000 offline health management merchants and over 50,000 clinics as of 31 December 2020.

During the Reporting Period, our check-up services nearly came to a halt in the first quarter as a result of the COVID-19 epidemic. However, we capitalized on post-epidemic resumption of work and production in the second half of the year by aggressively expanding sales channels and improving the quality of our online medical services. In 2020, revenue from our consumer healthcare business amounted to RMB1,382.9 million, representing a year-on-year increase of 24.3%. Gross margin of our consumer healthcare business reached 41.5%, representing a year-on-year increase of 5.5 percentage points. For our consumer healthcare operations which are dominated by check-up products, we will not only target individual users, but also seek further synergies from corporate customers, and provide comprehensive one-stop services based on a matrix driven by check-up products and medical membership products.

	Year ended 31 December		
	2020	2019	Year-on-year change
	RMB'000	RMB'000	
Revenue	1,382,901	1,112,356	24.3%
Gross profit	574,132	400,378	43.4%
Gross margin	41.5%	36.0%	+5.5 percentage points

Management Discussion and Analysis

Health Mall

Being essential to our one-stop healthcare services, Health Mall provides a significant channel to meet users' healthcare demand. With both direct sales and marketplace business, Health Mall provides a wide range of products online, including Chinese and Western pharmaceuticals (OTC drugs), nutrition and health products, medical devices, maternal and infant products, and sports and fitness products. During the Reporting Period, revenue from our Health Mall business amounted to RMB3,713.9 million, representing a year-on-year increase of 28.0%. Gross margin was 6.9%, representing a year-on-year decrease of 1.2 percentage points.

	Year ended 31 December		
	2020	2019	Year-on-year change
	RMB'000	RMB'000	
Revenue	3,713,859	2,902,186	28.0%
Gross profit	255,386	234,826	8.8%
Gross margin	6.9%	8.1%	-1.2 percentage points

Health Mall – individual consumers

Health Mall is valuable to higher user engagement and retention as well as further monetization of online traffic. In 2020, we kept stepping up refined traffic operation for the Internet platform. We adopted a more precise approach to marketing, and made personalized recommendation through big data algorithms. Being an important part of our business, Health Mall plays a significant role in traffic acquisition and monetization, particularly in the early stage of the development of our Internet platform. We re-positioned our health mall business with roll-out of our strategic upgrades. In future, Health Mall will be a big part of the Company's closed-loop online healthcare ecosystem in response to diversified demand of our medical users. As of 31 December 2020, revenue from the Health Mall-individual consumers business amounted to RMB1,669.5 million, representing a year-on-year increase of 5.8%. Gross margin dipped slightly year on year to 9.1% as a result of increased e-commerce competition.

Health Mall – corporate customers

During the Reporting Period, we have been aggressively seeking external corporate customers. In 2020, revenue from corporate customers' procurement rose 54.3% year on year to RMB2,044.4 million, including RMB360.7 million of revenue from medication and medical device products. In 2020, gross profit from corporate customers' procurement reached RMB103.8 million, representing a year-on-year increase of 61.5%. Gross margin was 5.1%, similar to the same period last year.

Health management and wellness interaction

Currently, our health management and wellness interaction business generates revenue mainly by providing our corporate customers with specialized advertising products and services. During the Reporting Period, we expanded our advertising partnership model to include search results, product placement, headline placement and doctors' recommendations, which was widely praised by our advertisers. In 2020, despite an overall reduction in our advertisers' advertising budgets due to COVID-19, revenue from our health management and wellness interaction business reached RMB203.8 million, representing a year-on-year increase of 5.7%. Gross profit reached RMB155.9 million, and gross margin was 76.5%.

	Year ended 31 December		
	2020	2019	Year-on-year change
	RMB'000	RMB'000	
Revenue	203,772	192,866	5.7%
Gross profit	155,876	157,296	-0.9%
Gross margin	76.5%	81.6%	-5.1 percentage points



Management Discussion and Analysis

Management Outlook

The year 2020 marks the sixth anniversary of the founding of Ping An Good Doctor and the second anniversary of our listing. Starting from nowhere, Ping An Good Doctor has managed to pass through the first stage of Internet healthcare venture after years of struggling. Specifically, we have acquired users, established platforms, and built up a good reputation, with a market capitalization reaching over HK\$100 billion. We have amassed users, developed a framework of Internet hospital services and products, and figured out how to monetize our medical services by drawing upon the Company's competitive advantages. Currently, we are presented with better industry opportunities which are underpinned by more favorable policies and more diversified ecosystem resources as we head towards the second stage of venture. We will continue on our journey to enhance business expansion, revenue growth, and profitability. Challenges and returns always go hand in hand. Ping An Good Doctor's management and employees will remain true to their original aspiration, work hard to serve users, fulfill its responsibilities to shareholders, strive to develop the Internet healthcare industry, and embrace a brighter future of Ping An Good Doctor.

Selling and Marketing Expenses

Selling and marketing expenses for 2020 amounted to RMB1,586.6 million, representing an increase of 31.5% from RMB1,206.7 million for 2019. The increase was mainly due to growth in commissions and selling expenses.

Administrative Expenses

Administrative expenses for 2020 amounted to RMB1,017.1 million, representing a decrease of 5.4% from RMB1,075.3 million for 2019. Administrative expenses accounted for 14.8% of total revenue in 2020, down 6.4 percentage points from 21.2% in 2019, showing a significant improvement in the business management efficiency.

Other Income

Other income amounted to RMB205.4 million in 2020, representing an increase of 390.3% from RMB41.9 million in 2019. The increase was mainly attributable to growing income from government subsidies and wealth management products.

Other Losses – Net

Other net losses for 2020 amounted to RMB385.3 million, mainly attributable to increased losses on the Company's foreign currency assets arising from movements in USD against RMB.

Finance Income – Net

Net finance income amounted to RMB99.7 million in 2020, down 60.5% compared with net finance income of RMB252.7 million in 2019, which was mainly attributable to a decrease in deposit rate. To boost income, some available funds were transferred from deposits to wealth management products. As a result, interest income decreased while wealth management income increased.

Loss for the Year and the Non-IFRS Measure: Adjusted Net Profit/(Loss)

Our net loss for the year 2020 amounted to RMB948.5 million, representing an increase of 27.0% compared with RMB746.7 million recorded for the year 2019. To supplement our consolidated financial information presented in accordance with IFRS, we also adopted the “adjusted net profit/(loss)” which is not a required standard under IFRS or which is presented not in accordance with IFRS requirements as an additional financial measure. For the purpose of this annual report and future annual reports, the “adjusted net profit/(loss)” may be used in exchange with the “net profit/(loss) not under GAAP”. We believe that this additional financial measure is useful for comparing our operating performance between different periods and different companies by eliminating the potential impact of items which, in the opinion of our management, are not indicative of our operating performance. We also believe that the additional measure can provide investors and other individuals with meaningful information, allowing them to understand and predict our consolidated operating results in the same way as our management. However, the “adjusted net profit/(loss)” presented by us may not necessarily be comparable with the similar measures presented by other companies. Such non-IFRS measure has a limitation as an analytical tool. Thus, a view should not be held that it is independent from or can replace the analysis of our operating results or financial position presented in accordance with IFRS. After excluding the impact of share-based payments and net foreign exchange losses (gains), adjusted net loss in 2020 amounted to RMB515.8 million, representing a decrease of 25.8% compared with adjusted net loss of RMB695.0 million in 2019. The following table sets forth adjusted net loss for the year ended 31 December 2020 and 2019 as the most directly comparable financial measure (namely net loss for the year) calculated and presented in accordance with IFRS:

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Loss for the year	(948,503)	(746,716)
Excluding:		
Share-based payments	64,993	91,805
Net foreign exchange losses/(gains)	367,699	(40,135)
Adjusted net loss	(515,811)	(695,046)

Liquidity and Financial Resources

Our cash and other liquid financial resources as of 31 December 2020 and 31 December 2019 were as follows:

Cash and cash equivalents

	As of 31 December	
	2020	2019
	RMB'000	RMB'000
USD	5,816,650	1,600,912
HKD	181,856	88,856
RMB	1,921,869	3,275,687
	7,920,375	4,965,455

Management Discussion and Analysis

Cash and cash equivalents include cash in hand and at banks, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less. Our cash and cash equivalents are mostly denominated in USD and RMB.

As of 31 December 2020, our total available funds were RMB14,921.0 million, including cash and cash equivalents of RMB7,920.4 million, term deposits of RMB837.8 million, and financial assets of RMB6,162.8 million. The financial assets, mainly including wealth management products issued by Ping An Bank, Ping An Fund and Ping An Asset Management, have effectively improved the yields and liquidity of the Company's idle funds.

Cash flows for the years ended 31 December 2020 and 31 December 2019 were as follows:

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Net cash used in operating activities	(1,102,272)	(504,204)
Net cash (used in)/generated from investing activities	(2,497,198)	4,476,643
Net cash generated from financing activities	6,922,079	8,825
Net increase in cash and cash equivalents	3,322,609	3,981,264
Cash and cash equivalents at the beginning of the year	4,965,455	926,485
Effects of exchange rate changes on cash and cash equivalents	(367,689)	57,706
Cash and cash equivalents at the end of the year	7,920,375	4,965,455

Net cash generated from investing activities mainly included payments of RMB7,973.9 million for financial assets and term deposits, and proceeds of RMB5,521.9 million from redemption of financial assets. Net cash generated from financing activities mainly included proceeds of RMB6,869.5 million from placing.

As of 31 December 2020, we had no outstanding borrowings. Therefore, the gearing ratio is not presented herein.

Treasury Policy

Our cash arises almost exclusively from equity funding. Such cash can only be invested in relatively liquid and low-risk instruments such as bank deposits or money market instruments. The primary objective of our investments is to generate finance income at a yield higher than the interest rate of current bank deposits, with an emphasis on preserving principal and maintaining liquidity.

Capital Expenditure

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Purchase of property, plant and equipment, intangible assets and other assets	67,404	121,019

Our capital expenditures primarily comprised the expenditure for the purchase of property, plant and equipment (mainly office and telecommunication equipment) as well as intangible assets (mainly software).

Foreign Exchange Risk

For the year ended 31 December 2020, we mainly operated our businesses in China with most of the transactions settled in RMB, the functional currency of our Company. Foreign exchange risk is the risk of incurring losses due to changes in foreign exchange rates. Fluctuations in the exchange rates between RMB and other currencies that we use to conduct our business operations may affect our financial position and operating results. The foreign exchange risk assumed by us primarily arises from movements in the USD/RMB exchange rates. We did not utilize any financial instruments for hedging any foreign exchange movements for the year ended 31 December 2020. In 2020, considering foreign exchange risk potentially brought by the fluctuations in the exchange rates, we completed preparation for utilization of financial instruments in response to the fluctuations in the exchange rates at any time (2019: Nil).

Pledge of Assets

As of 31 December 2020, none of our assets were pledged.

Contingent Liabilities

As of 31 December 2020, we did not have any material contingent liabilities.

Dividend

For the year ended 31 December 2020, we did not pay or declare any dividend.

Bank Loans and Other Borrowings

As of 31 December 2020, we did not have any material outstanding bank loans, debt securities, borrowings, debts, guarantees, hire purchase commitments or mortgages.



Management Discussion and Analysis

Significant Investments Held

For the year ended 31 December 2020, we did not hold any material investments in the equity interest of other companies.

Material Investment and Future Plans of Capital Assets

As of 31 December 2020, we had no material investment and other plans for capital assets.

Material Acquisitions and Disposals of Subsidiaries and Associates

For the year ended 31 December 2020, we did not have any material acquisitions or disposals of subsidiaries and associates.

Employee and Remuneration Policy

The Group had a total of 4,226 employees as of 31 December 2020, the majority of whom were based in various cities in the PRC, including Shanghai, Shenzhen, Beijing, Guangzhou, Hefei, Qingdao and Chengdu. The Group has established the remuneration system of “cash salary + benefit + long-term incentive”. Remuneration is determined with reference to market conditions and individual employees’ performance, qualifications and experience. In line with the performance of the Company and individual employees, a competitive remuneration package is offered to retain employees, including salaries, discretionary bonuses and benefit plans. Please refer to note 7 to the consolidated financial statements of the Group (the “Consolidated Financial Statements”) in this Annual Report for details. Employees of the Company are eligible participants of the Pre-IPO employee share option scheme, details of which are set out in the Prospectus. In addition to on-the-job training, we have also adopted training policies to provide a wide range of in-house and external training sessions for employees. During the Reporting Period, the relationship between the Company and our employees was stable. We did not experience any strikes or other labor disputes which materially affected our business activities.

Pension Scheme

Most employees of our Group have participated in a contribution pension scheme (the “Pension Scheme”) subsidized by government entities. The Group pays the required amount of contribution, which is based on a certain percentage of employees’ base salary, to the Pension Scheme on a monthly basis, and the relevant government entity will be responsible for paying the pension for retired staff. The above payments will be recognized as expenses at the time of actual payment. Pursuant to the Pension Scheme, the Group does not have any other material statutory or committed obligations in respect of the pension scheme.

Directors and Senior Management

Directors

The biographical particulars of the Directors of the Group are set out as follows:

Executive Director

Mr. FANG Weihao (方蔚豪), aged 47, has been the executive Director, the chairman of the Board and the chief executive officer of the Company since May 2020 when he joined the Group. Mr. Fang has extensive experience in management, finance, and particularly in healthtech. He established Ping An International Financial Leasing Co., Ltd. in 2012, and is currently a co-chairman and the chief executive officer of Ping An Medical and Healthcare Management Co., Ltd., a director of HealthKonnnect Medical and Health Technology Management Co., Ltd. and the vice chairman of Ping An Property & Casualty Insurance Company of China, Ltd.. Prior to that, Mr. Fang served as an executive vice president of Far East Horizon Limited, a deputy general manager of Sinochem International Tendering Co., Ltd. and a business manager of Sinochem International Industries Co., Ltd..

Mr. Fang holds a bachelor's degree in Mechanical Engineering and Automation from Beijing Institute of Technology, a master's degree in Business Administration from China Europe International Business School and a doctorate degree in Applied Economics from Xi'an Jiaotong University.

Non-executive Directors

Ms. TAN Sin Yin (陳心穎), aged 43, has been a non-executive Director of the Company since November 2019 when she joined the Group. She joined Ping An Group in 2013 and is currently an executive director, a co-chief executive officer, an executive vice president and the chief operating officer of Ping An Group and a director of a number of subsidiaries of Ping An Group, including Ping An Technology (Shenzhen) Co., Ltd., Ping An Bank, Ping An Property & Casualty, Ping An Life Insurance and Ping An Asset Management. Ms. Tan also serves as a non-executive director of Lufax Holding, OneConnect and HealthKonnnect Medical and Health Technology Management Co., Ltd. Before joining Ping An Group, Ms. Tan was a global partner at McKinsey & Company, and served clients in U.S. and Asia for 13 years.

Ms. Tan holds a joint bachelor's degree in Electrical Engineering and Economics, and a master's degree in Electrical Engineering and Computer Science from Massachusetts Institute of Technology.



Directors and Senior Management

Mr. YAO Jason Bo (姚波), aged 50, has been a non-executive Director of the Company since May 2016 when he joined the Group. He joined Ping An Group in 2001 and is currently an executive director, a co-chief executive officer, an executive vice president, the chief financial officer and the chief actuary of Ping An Group and a director of a number of subsidiaries of Ping An Group, including Ping An Bank, Ping An Life Insurance, Ping An Property & Casualty and Ping An Asset Management. Mr. Yao also serves as a non-executive director of Lufax Holding. Before joining Ping An Group, Mr. Yao served in Deloitte Touche Tohmatsu as a consulting actuary and a senior manager.

Mr. Yao holds a bachelor's degree in Science from Georgia State University and a master's degree in Business Administration from New York University. He was qualified as a Fellow of the Society of Actuaries (FSA) by the Society of Actuaries, the professional organization for actuaries based in North America.

Ms. CAI Fangfang (蔡方方), aged 47, has been a non-executive Director of the Company since May 2016 when she joined the Group. She joined Ping An Group in 2007 and is currently an executive director, a senior vice president and the chief human resources officer of Ping An Group, and a director of a number of subsidiaries of Ping An Group, including Ping An Bank, Ping An Life Insurance, Ping An Property & Casualty and Ping An Asset Management. Ms. Cai also serves as the executive vice president of Ping An School of Financial Management. Before joining Ping An Group, Ms. Cai served as the consulting director of Watson Wyatt Consultancy (Shanghai) Ltd. and the audit director of the financial industry of British Standards Institution Management Systems Certification Co., Ltd..

Ms. Cai holds a bachelor's degree in International Trade from Guangdong University of Foreign Studies (廣東外語外貿大學) and a master's degree in Accounting from the University of New South Wales.

Ms. LIN Lijun (林麗君), aged 58, has been a non-executive Director of the Company since February 2020 when she joined the Group. She served as a non-executive director of Ping An Group from 2003 to 2018, and a vice chairman of the Labor Union of Ping An Group from 2000 to 2019. Ms. Lin previously served as the deputy general manager of the Human Resources Department of Ping An Property & Casualty from 1997 to 2000, and the chairman and a general manager of Shenzhen New Horse Investment Development Co., Ltd. from 2000 to 2012.

Ms. Lin holds a bachelor's degree in Chinese Language and Literature from South China Normal University.

Mr. PAN Zhongwu (潘忠武), aged 51, has been a non-executive Director of the Company since February 2020 when he joined the Group. He is currently a general manager of the Administration and Operation Center of Shenzhen Ping An Integrated Financial Services Limited. Mr. Pan served as an employee representative supervisor of Ping An Group from 2012 to 2020. Mr. Pan also successively served in the Comprehensive Management Department of Ping An Property & Casualty and the General Office of Ping An Group, and served as a deputy head of the General Office of Ping An Group.

Mr. Pan holds a master's degree in Economics from Wuhan University.

Independent Non-executive Directors

Mr. TANG Yunwei (湯雲為), aged 76, has been an independent non-executive Director of the Company since May 2018 when he joined the Group. Mr. Tang has extensive experience in accounting and financial management. He has been serving as an independent director of Universal Scientific Industrial (Shanghai) Co., Ltd. (環旭電子股份有限公司, a company listed on Shanghai Stock Exchange, stock code: 601231) since 2017, and an independent director of China Jushi Co., Ltd. (中國巨石股份有限公司, a company listed on Shanghai Stock Exchange, stock code: 600176) since 2019. Mr. Tang was an independent director of ADAMA Co., Ltd. (安道麥股份有限公司, formerly known as Hubei Sanonda Co., Ltd. (湖北沙隆達股份有限公司)), a company listed on Shenzhen Stock Exchange, stock code: 000553) from 2017 to 2020. Mr. Tang successively served as a lecturer, an associate professor, a professor, an assistant to the president and a vice president of Shanghai University of Finance and Economics (上海財經大學) from 1984 to 1993 and the president from 1993 to 1999. Mr. Tang was appointed as a member of China Accounting Standards Committee (中國會計準則委員會) by the Ministry of Finance of the PRC in 1998 and the president of Shanghai Accounting Association (上海市會計學會) in 2008.

Mr. Tang holds a bachelor's degree in Accounting, a master's degree in Economics and a doctorate degree in Economics from Shanghai University of Finance and Economics (formerly known as Shanghai Institute of Finance and Economics). Mr. Tang is a senior member of the Chinese Institute of Certified Public Accountants, an honorary member of the Association of Chartered Certified Accountants in the UK, and was honored by the American Accounting Association as a distinguished international visiting lecturer.

Mr. GUO Tianyong (郭田勇), aged 52, has been an independent non-executive Director of the Company since May 2018 when he joined the Group. He has been serving as an independent director of Ping An Bank since 2016, Hundsun Technologies Inc. (恒生電子股份有限公司, a company listed on Shanghai Stock Exchange, stock code: 600570) since 2014. Mr. Guo was an independent director of Digiwin Software Co., Ltd. (鼎捷軟件股份有限公司, a company listed on Shenzhen Stock Exchange, stock code: 300378) from 2014 to 2020. Mr. Guo has been working at the Central University of Finance and Economics (中央財經大學) since 1999 and has been serving as a professor and a doctoral tutor of the School of Finance since 2007 and 2010, respectively.

Mr. Guo holds a bachelor's degree in Science from Shandong University (山東大學), a master's degree in Economics from Renmin University of China (中國人民大學) and a doctorate degree in Economics from Tsinghua University PBC School of Finance (清華大學五道口金融學院) (formerly known as Graduate School of the People's Bank of China (中國人民銀行研究生部)).

Mr. LIU Xin (劉鑫), aged 54, has been an independent non-executive Director of the Company since May 2018 when he joined the Group. Mr. Liu joined China University of Political Science and Law (中國政法大學) in 2006 and has been serving as a professor since 2008 and currently serves as a part-time master tutor of Peking University Law School (北京大學法學院). Mr. Liu successively served as a legal physician, an associate senior legal physician and a deputy director of Forensic Technology Institute of the Higher People's Court of Beijing Municipality (北京市高級人民法院法醫技術室) from 1991 to 2006, which is also known as Beijing Institute of Forensic Medicine and Science (北京市法庭科學技術鑒定研究所). Mr. Liu was appointed as a member of the Rights Protection Committee of the second council of Chinese Medical Doctor Association (中國醫師協會) in 2008, a member of the fourth council of China Health Law Society (中國衛生法學會) in 2013, a member of the Expert Committee on Medical Humanities Test for the National Medical Qualification for Doctors (國家醫師資格考試醫學人文試題開發專家委員會) by the National Medical Examination Center (國家醫學考試中心) in 2016 and a member of the Expert Advisory Committee of Beijing Haidian District People's Court (北京市海淀區人民法院) in 2017.

Mr. Liu holds a bachelor's degree in Forensic Science from West China University of Medical Sciences (華西醫科大學) and a bachelor's degree in Law from Peking University (北京大學), and was qualified as an Associate Senior Legal Physician by the Evaluation Committee of the Senior Professional Posts of Beijing (北京市高級專業技術職務評審委員會).



Directors and Senior Management

Dr. CHOW Wing Kin Anthony (周永健), aged 70, has been an independent non-executive Director of the Company since May 2018 when he joined the Group. He has been serving as a non-executive director of Kingmaker Footwear Holdings Limited (信星鞋業集團有限公司, a company listed on the Stock Exchange, stock code: 1170) since 1994, an independent non-executive director of S.F. Holding Co., Ltd. (順豐控股股份有限公司, a company listed on Shenzhen Stock Exchange, stock code: 002352) since 2016 and a non-executive director of OneConnect since 2020.

Dr. Chow was awarded the Honorary Fellowship of the Hong Kong Institute of Education, the Honorary Fellowship of King's College London, and the Doctor of Social Sciences, honoris causa by the Open University of Hong Kong. Dr. Chow was admitted as a solicitor of the Supreme Court of England & Wales, and appointed as an attesting officer by the Ministry of Justice of the PRC. He is currently a member of the National Committee of the Chinese People's Political Consultative Conference.

Senior Management

The biographical particulars of the senior management of the Group are set out as follows:

Mr. FANG Weihao (方蔚豪) is the executive Director and the chief executive officer of the Company. His biographical particulars are set out in the part headed "Directors" in this section.

Mr. WU Peng (吳鵬), aged 55, has been the general manager of the Company since March 2019 when he joined the Group. Mr. Wu joined Ping An Group in 1989 and has served in various subsidiaries of Ping An Group. Mr. Wu has over 30 years of experience in financial industry and has extensive experience in sales and management. From 1994 to 2009, Mr. Wu successively served as the deputy general manager of Shenzhen Branch of Ping An Life Insurance, the general manager of Nanjing Branch of Ping An Life Insurance, an assistant manager of Ping An Property & Casualty Insurance, a deputy general manager of Ping An Life Insurance and the general manager of Ping An Property & Casualty Insurance. He served as the chairman of China Ping An Insurance (Hong Kong) Co., Ltd. (中國平安保險(香港)有限公司) from 2009 to 2011 and as a vice president of Ping An Bank from 2011 to 2019.

Mr. Wu holds a doctorate degree in Management from Nanjing University.

Ms. YE Lan (葉瀾), aged 41, has been the chief financial officer of the Company since August 2020 when she joined the Group. Ms. Ye has extensive experience in corporate finance, strategy and capital markets. Prior to joining the Company, Ms. Ye worked in professional institutions including McKinsey & Company and Warburg Pincus, and served as the senior management in leading Internet companies such as Zhaopin Limited.

Ms. Ye holds a bachelor's degree in Finance from Guanghua School of Management of Peking University and a master's degree in Business Administration from Harvard University.

Joint Company Secretaries

Mr. LIU Cheng (劉程), aged 47, has been the secretary of the Board and a joint company secretary of the Company since May 2020 when he joined the Group. He served as various positions including the deputy head of the office of the Board and the securities affairs representative of Ping An Group. Mr. Liu was deeply involved in many significant capital operation projects of Ping An Group, including Ping An Group's Initial Public Offering in HKEx in 2004, Initial Public Offering on the Shanghai Stock Exchange in 2007, strategic acquisition of the original Shenzhen Development Bank Co., Ltd. ("Shenzhen Development Bank", a company listed on the Shenzhen Stock Exchange, stock code: 000001), the merger of Shenzhen Development Bank and the original Ping An Bank, and issuance of convertible bond in 2013. Mr. Liu also served as a member of expert group on corporate governance of China Insurance Association.

Mr. Liu holds a bachelor's degree of Economics in Computer Science and Technology from Hunan University (formerly known as Hunan Finance and Economics School), and a master's degree in Business Administration (FMBA) from Tsinghua University-Chinese University of Hong Kong.

Ms. CHEN Chun (陳淳), aged 32, has been a joint company secretary of the Company since January 2018. She joined SWCS Corporate Services Group (Hong Kong) Limited in 2013, and currently serves as a company secretarial senior officer providing support and advisory on listed companies' company secretarial work and compliance matters.

Ms. Chen holds a bachelor's degree in Economics from Shanghai Lixin University of Accounting and Finance (上海立信會計金融學院) (formerly known as Shanghai Finance University), and was admitted associate of The Hong Kong Institute of Chartered Secretaries and elected an associate of the Chartered Governance Institute (formerly known as the Institute of Chartered Secretaries and Administrators) in 2016.

Directors' Report

The Directors are pleased to present their report together with the consolidated financial information of the Group for the year ended 31 December 2020.

Global Offering

The Company was incorporated in the Cayman Islands on 12 November 2014 as an exempted company with limited liability under the Cayman Companies Law. With the approval from the Registrar of Companies in Hong Kong on 8 December 2017, the Company started to operate business under the name of "Ping An Healthcare and Technology Company Limited 平安健康醫療科技有限公司" in Hong Kong.

The Company was listed on the Main Board of the Stock Exchange on 4 May 2018 with stock code 1833.

Principal Activities

The principal activity of the Company is investment holding. The principal activities of the subsidiaries of the Company are offering online medical and wellness services, such as online medical services, consumer healthcare services, health mall as well as health management and wellness interaction.

The analytical statements for income and contribution from results of business segments of the Group are set out in the sections headed "Management Discussion and Analysis" and note 5 to the consolidated financial statements in this Annual Report.

Use of Proceeds

Use of Net Proceeds from Listing

The Shares of the Company were listed on the Main Board of the Stock Exchange on the Listing Date with net proceeds received by the Company from the global offering in the amount of approximately HK\$8,564.0 million after deducting underwriting commissions and all related expenses. The proceeds from the Listing were used and are proposed to be used according to the intentions previously disclosed by the Company. The following table set forth the Group's intended timetable for use of proceeds from listing as of 31 December 2020.

Intended use of net proceeds	Allocation of net proceeds	Amount of net proceeds utilized as of	Balance of net proceeds unutilized as of	Intended timetable for use of the unutilized net proceeds
		31 December 2020	31 December 2020	
(HK\$ in millions)				
(i) Business expansion	3,425.6	0	3,425.6	Before 31 December 2024
(ii) Funding our potential investments in acquisitions of domestic companies and the strategic alliances with domestic companies as well as our overseas expansion plan	2,569.2	86.7	2,482.5	Before 31 December 2025
(iii) Research and development	1,712.8	167.5	1,545.3	Before 31 December 2026
(iv) Working capital and general corporate purposes	856.4	856.4	0	N/A

Use of Net Proceeds from Placing

Reference is made to the announcement of the Company dated 30 September 2020 and 9 October 2020 (the "Announcements"), for the purposes of seizing market opportunities, solidifying the Company's leading position in the industry and maintaining a solid foundation for business expansion, on 30 September 2020, the Company entered into a placing agreement with the placing agents in relation to the placing of an aggregate of 80,000,000 new Shares with the aggregate nominal value of US\$400, at the placing price of HK\$98.20 per placing share on the terms and conditions set out in the placing agreement. The market price of the placing shares was HK\$99.25 on the date of the placing agreement.

On 9 October 2020, the Company has completed the placing of 80,000,000 Shares to not fewer than six placees who are Independent Third Parties of the Company at a price of HK\$98.20 per placing share with net proceeds received by the Company from the placing in the amount of approximately HK\$7,828.0 million after deducting the commission, incentive fee and expense, representing a net issue price of approximately HK\$97.85 per placing share. The proceeds from the Placing are proposed to be used according to the intentions previously disclosed by the Company. The following table set forth the Group's intended timetable for use of proceeds from the placing as of 31 December 2020.

Intended use of net proceeds	Allocation of net proceeds	Amount of net proceeds utilized as of 31 December 2020 (HK\$ in millions)	Balance of net proceeds unutilized as of 31 December 2020	Intended timetable for use of the unutilized net proceeds
Further developing core businesses of the Group	7,828.0	0	7,828.0	Before 31 December 2030

Results

The results of the Group for the year ended 31 December 2020 are set out in the consolidated income statement and consolidated statement of comprehensive income in this Annual Report.

Business Review

The business review and performance analysis of the Group as of the Reporting Period are set out in the section headed "Chairman's Statement" and "Management Discussion and Analysis" in this Annual Report.

Discussion details on the Group's environmental policies and performance are set out in the section headed "Environmental, Social and Governance Report" on pages 69 to 123, the status of the Group's compliance with the relevant laws and regulations that have material impact on the Group is set out in the section headed "Litigation and Compliance" on page 49, and the description of the principal risks and uncertainties facing the Company is set out in the section headed "Corporate Governance Report" on pages 51 to 68. The aforesaid discussion forms a part of this Directors' Report.



Directors' Report

Dividend Policy

The Board has resolved to adopt a dividend policy to set out the conditions of declaration and payment of dividend to the Company's Shareholders by the Board. The declaration and payment of dividend shall be determined by the Board at its sole discretion and in compliance with all the applicable requirements under the Cayman Companies Law and the Articles of Association of the Company (including but not limited to restrictions on dividend declaration and payment).

When recommending the payment of any dividend, the Board should also consider the following criteria, including:

- a the actual and expected results of operations and cash flow and financial position of the Group;
- b general business conditions and business strategies;
- c distributable profit, retained earnings and/or distributable reserves of the Company and the members of the Group;
- d the Group's expected working capital requirements and future expansion plans;
- e the Group's indebtedness level and liquidity position;
- f legal, regulatory and other contractual restrictions on the Group's declaration and payment of dividend;
- g other factors that the Board deems appropriate.

Dividend

The Board has resolved not to recommend the payment of a final dividend for the year ended 31 December 2020.

Reserves

Details of the changes in reserves of the Group and the Company for the year ended 31 December 2020 are set out in consolidated statement of changes in equity and note 38 to the consolidated financial statements in this Annual Report.

Distributable Reserves

As of 31 December 2020, the Company did not have any distributable reserves.

Property, Plant and Equipment

Details of the changes in property, plant and equipment of the Group for the year ended 31 December 2020 are set out in note 17 to the consolidated financial statements in this Annual Report.

Share Capital

Details of the changes in share capital of the Company for the year ended 31 December 2020 are set out in note 27 to the consolidated financial statements in this Annual Report.

Subsidiaries

Details of the subsidiaries of the Company are set out in note 39 to the consolidated financial statements in this Annual Report.

Borrowings

As of 31 December 2020, the Group did not have any outstanding bank loans and other borrowings.

Donation

For the year ended 31 December 2020, the Group made charitable donations of approximately RMB0.8 million (2019: RMB0.4 million).

Financial Summary

A summary of the condensed consolidated results and financial position of the Group is set out on page 212 of the Annual Report.

Purchase, Sale or Redemption of the Company's Listed Securities

For the year ended 31 December 2020, the Company and any member of the Group have not purchased, sold or redeemed any of the Company's listed securities.

Debentures in Issue

For the year ended 31 December 2020, the Group did not issue any debentures.

Significant Relationship with Stakeholders

Employees

As of 31 December 2020, the Group had a total number of 4,226 employees. During the Reporting Period, relationship between the Company and the employees remained stable. The Company did not experience any strikes or other labor disputes which would have material impact on the business activities of the Company.



Directors' Report

Users

The Company provided users with excellent online medical consultation services on 24/7 basis, and good experience of users further enhanced user loyalty and continuous improvements to the ecosystem. As at the end of 2020, the number of registered users reached 372.8 million, representing an increase of 57.6 million as compared to the end of 2019.

Suppliers

During day-to-day operation and management, the Company maintained constant communication with the suppliers to understand their opinions and requirements and responded actively in order to enhance trust in partnering suppliers and strengthen bilateral cooperative relationship.

Major Customers and Suppliers

For the year ended 31 December 2020, the Group's five largest customers accounted for approximately 32.5% of the Group's total revenue and the Group's largest customer accounted for approximately 21.1% of the Group's total revenue. Besides, for the year ended 31 December 2020, the Group's five largest suppliers accounted for approximately 13.6% of the Group's total cost and the Group's largest supplier accounted for approximately 3.8% of the Group's total cost. To the knowledge of the Directors, (i) Ping An Life Insurance, Ping An Property & Casualty Insurance, Ping An Bank and Ping An Health Insurance, each being one of our five largest customers, were subsidiaries of Ping An Group; (ii) Ping An Puhui, one of our five largest customers, was a close associate of Ping An, Ms. WANG Wenjun and Mr. DOU Wenwei respectively. Other than the foregoing, during the year ended 31 December 2020, none of our Directors, their close associates or any Shareholders of the Company (who or which is, to the knowledge of the Directors, owned more than 5% of the Company's issued share capital) had any interest in any of our top five customers.

Remuneration Policy and Director's Remuneration

The Company has established a Nomination and Remuneration Committee for reviewing the Group's remuneration policy and structure for remuneration of the Directors and senior management of the Group. The remuneration is recommended or determined based on each Director's and senior management personnel's qualification, position and seniority. As for the non-executive Directors, their remuneration is determined by the Board upon recommendation from the Nomination and Remuneration Committee. Details of the remuneration of the Directors and the five highest paid individuals are set out in note 8 and note 9 to the consolidated financial statements in this Annual Report.

None of the Directors waived or agreed to waive any remuneration and there were no remuneration paid by the Group to any of the Directors as an inducement to join, or upon joining the Group, or as compensation for loss of office.

Employee Incentive Scheme

The EIS was approved by the Board on 26 December 2014 and was amended by the Board on 12 May 2017, 20 January 2018, 31 May 2019 and 21 October 2020.

Purpose

The purpose of the EIS is to attract and retain talents, to promote the long-term sustainable development of the Company and related entities, to realize the maximization of value for Shareholders, and to achieve mutual benefit for Shareholders, the Company and staff.

Eligible Participants

The EIS Participants include employees and any other persons as determined by the Board. The scope of grantees, specific targets and the number of EIS Options to be granted in each tranche will be determined by the Board with reference to the position and performance of the EIS Participants.

Maximum Number of Shares

The aggregate number of EIS Shares which may be granted by the Company in accordance with the EIS is 70,000,000 Shares (the number subject to share subdivision on the Listing Date). As of 31 December 2020, the aggregate number of outstanding Shares (the number subject to share subdivision on the Listing Date) underlying the EIS Options as granted by the Company under the EIS was 25,804,241.

Limit for Each Participant

Under the EIS, there is no specific limit on the maximum number of Shares which may be granted to a single eligible participant.

Remaining Life of EIS

The EIS is valid and effective for a period of 10 years from 26 December 2014 and up to 25 December 2024. The remaining life of the scheme is approximately 4 years. Any options that are outstanding on the expiry date of the EIS shall remain in force according to the terms of the EIS.

Consideration

No consideration is required to be paid by the grantees for the grant of options under the EIS.

Option Period

The term of any options granted under the EIS shall not exceed 10 years, subject to the Shareholders' approval of extension of the exercise period for an option beyond 10 years from the date of grant. The Board shall also determine any conditions, if any, that must be satisfied before all or part of an option may be exercised.

Exercise Price

Subject to the Listing Rules and the applicable laws and regulations, the Board shall have the sole discretion on the determination of the exercise price of the EIS Options granted.

Equity-linked Agreements

Save as the EIS mentioned above, no equity-linked agreements were entered into by the Group, or existed during the year ended 31 December 2020.



Directors' Report

Directors

The list of Directors who were in office during the year ended 31 December 2020 and up to the date of this Annual Report is as follows:

Executive Director

Mr. FANG Weihao (Chairman) (appointed on 15 May 2020)

Mr. WANG Tao (ceased to act as a Director on 15 May 2020)

Non-executive Directors

Ms. TAN Sin Yin

Mr. YAO Jason Bo

Ms. CAI Fangfang

Ms. LIN Lijun (appointed on 28 February 2020)

Mr. PAN Zhongwu (appointed on 28 February 2020)

Mr. DOU Wenwei (ceased to act as a Director on 28 February 2020)

Ms. WANG Wenjun (ceased to act as a Director on 28 February 2020)

Independent Non-executive Directors

Mr. TANG Yunwei

Mr. GUO Tianyong

Mr. LIU Xin

Dr. CHOW Wing Kin Anthony

Directors and Senior Management

Biographical particulars of the Directors and senior management of the Group are set out in the section headed "Directors and Senior Management" of this Annual Report.

Directors' Service Contracts

Each of the Directors has entered into a service contract with the Company. The principal particulars of these service contracts include: (a) a valid term of three years commencing from their respective effective date of appointment until the day on which the next general meeting of the shareholders for re-election of Directors is held; and (b) the service contracts are subject to termination in accordance with their respective terms. The service contracts may be renewed in accordance with the Memorandum and Articles of Association of the Company and the applicable Listing Rules.

None of the Directors has entered into a service contract that is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

Directors' Interests in Transactions, Arrangements or Contracts of Significance

Save as disclosed in the section headed "Connected Transactions and Continuing Connected Transactions" below, neither the Directors nor any entity connected with the Directors had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party subsisting during the year ended 31 December 2020.

Permitted Indemnity

Each of the Directors shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him or her as a Director in defending any proceedings, whether civil or criminal, in which judgment is given in his or her favor, or in which he or she is acquitted.

The Company has arranged appropriate insurance cover for the Directors in connection with the discharge of their responsibilities.

Management Contracts

Save for service contracts of the Directors, no contract concerning the management and operation of the whole or any substantial part of the business of the Company was entered into by the Company or existed during the Reporting Period.

Directors' Rights to Acquire Shares or Debentures

Save as disclosed in this Annual Report, at no time during the Reporting Period was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of Shares in, or debentures of the Company or any other body corporate; and none of the Directors, or any of their spouse or children under the age of 18, had any right to subscribe for equity or debt securities of the Company or any other body corporate, or had exercised any such right.

Directors' and Chief Executives' Interests and Short Positions in the Shares, Underlying Shares and Debentures

As of 31 December 2020, so far as known to the Directors, none of the Directors or chief executives of the Company had or was deemed to have interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations, within the meaning of Part XV of the SFO, which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or were recorded in the register required to be maintained by the Company under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Substantial Shareholders' Interests and Short Positions in the Shares and Underlying Shares of the Company

As of 31 December 2020, so far as known to the Directors, the following persons (other than the Directors or chief executives of the Company) had interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO, or who were, directly or indirectly, interested in 5% or more of the Shares of the Company:

Long positions/short positions in the Shares of the Company

Name of Substantial Shareholder	Nature of interest	Number of Shares held	Long positions/ short positions	Approximate percentage of shareholding ⁽¹⁾
Bang Qi Jian ⁽²⁾	Beneficial owner	128,110,000	Long positions	11.16%
		14,500,000	Short positions	1.26%
DOU Wenwei ⁽²⁾	Interest in controlled corporations	128,110,000	Long positions	11.16%
		14,500,000	Short positions	1.26%
WANG Wenjun ⁽²⁾	Interest in controlled corporations	128,110,000	Long positions	11.16%
		14,500,000	Short positions	1.26%
Glorious Peace ⁽³⁾	Beneficial owner	441,000,000	Long positions	38.43%
		441,000,000	Long positions	38.43%
An Ke Technology Company Limited ⁽³⁾	Interest in controlled corporations	441,000,000	Long positions	38.43%
Ping An ⁽³⁾	Interest in controlled corporations	441,000,000	Long positions	38.43%
Hopson Development Holdings Limited ⁽⁴⁾	Interest in controlled corporations	73,081,200	Long positions	6.37%
Sounda Properties Limited ⁽⁴⁾	Interest in controlled corporations	68,141,200	Long positions	6.02%
	Beneficial owner	955,000	Long positions	
CHU Mang Yee ⁽⁴⁾	Interest in controlled corporations	69,096,200	Long positions	6.02%

Notes:

- (1) The calculation is based on the total number of Shares in issue of 1,147,294,200 Shares as of 31 December 2020.
- (2) As of 31 December 2020, Bang Qi Jian was directly interested in 128,110,000 Shares (long positions) and 14,500,000 Shares (short positions) in the Company. Each of Ms. WANG Wenjun and Mr. DOU Wenwei owned 50% shareholding interest in Bang Qi Jian. As such, each of Ms. WANG Wenjun and Mr. DOU Wenwei was deemed to be interested in the Shares held by Bang Qi Jian.
- (3) As of 31 December 2020, Glorious Peace directly held a total of 441,000,000 Shares. Glorious Peace was wholly-owned by An Ke Technology Company Limited, which in turn was wholly-owned by Ping An. As such, each of Ping An and An Ke Technology Company Limited was deemed to be interested in the Shares held by Glorious Peace.
- (4) According to the disclosure of interest forms (the "DI Forms") dated 31 December 2020 filed by Hopson Development Holdings Limited ("Hopson Development") in relation to the relevant event on 29 December 2020, Hopson Development, through a series of corporations controlled by it, was interested in an aggregate of 73,081,200 Shares (including cash-settled unlisted derivatives representing 1,510,000 Shares). According to the DI Forms filed by Sounda Properties Limited ("Sounda") dated 31 December 2020 in relation to the relevant event on 28 December 2020, Sounda was deemed to be interested in 69,096,200 Shares, comprising 68,141,200 Shares indirectly held through Hopson Development which was controlled by Sounda, and 955,000 Shares directly held by Sounda. According to the DI Forms filed by Mr. CHU Mang Yee dated 31 December 2020 in relation to the relevant event on 28 December 2020, Sounda was wholly-owned by Mr. Chu Mang Yee. As such, Mr. Chu Mang Yee was deemed to be interested in the interest held by Sounda.

- (5) Pursuant to Section 336 of the SFO, the Shareholders are required to file disclosure of interests forms when certain criteria are fulfilled and the full details of the requirements are available on the Stock Exchange's official website. When a Shareholder's shareholdings in the Company changes, it is not necessary to notify the Company and the Stock Exchange unless certain criteria are fulfilled. Therefore, substantial Shareholders' latest shareholdings in the Company may be different to the shareholdings filed with the Company and the Stock Exchange. The above statements of substantial Shareholders' interests are prepared based on the information in the relevant DI Forms received by the Company as of 31 December 2020. The Company may not have sufficient information on the breakdown of the relevant interests and cannot verify the accuracy of information on the DI Forms.

Save as disclosed above, as of 31 December 2020, the Directors were not aware of any person (other than the Directors or chief executives of the Company) who had interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or were recorded in the register required to be kept by the Company under section 336 of the SFO, or who was, directly or indirectly, interested in 5% or more of the Shares of the Company.

Pre-emptive Rights

There are no provisions for pre-emptive rights under the Memorandum and Articles of Association or the Cayman Companies Law which would oblige the Company to offer new Shares on a pro-rata basis to the existing Shareholders.

Tax Relief and Exemption

The Board is not aware of any tax relief and exemption available to the Shareholders by reason of their holding of the Company's securities.

Directors' Interests in Competing Business

None of the Directors had engaged in or had any interest in any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group during the Reporting Period.

Contracts with Controlling Shareholders

Save as disclosed in the section headed "Connected Transactions and Continuing Connected Transactions" below, no contract of significance has been entered into among the Company or any of its subsidiaries and the Controlling Shareholders or any of their respective subsidiaries during the year ended 31 December 2020.

Connected Transactions and Continuing Connected Transactions

The Group has entered into the following connected transactions and continuing connected transactions during the year ended 31 December 2020:

Connected Transactions

For the year ended 31 December 2020, the Company had no one-off connected transactions which were required to be disclosed under the Listing Rules.

Non-Exempt Continuing Connected Transactions

As disclosed in the Prospectus, the following transactions of the Group constituted continuing connected transactions for the Company for the year ended 31 December 2020 (the "Continuing Connected Transactions"). For further details of the Continuing Connected Transactions, please refer to the section headed "Connected Transactions – Non-exempt Continuing Connected Transactions" on pages 255 to 271 of the Prospectus.

1. *Provision of Products and Services Framework Agreement*

On 18 April 2018, the Group entered into a provision of products and services framework agreement (the "Provision of Products and Services Framework Agreement") with Ping An, pursuant to which the Company shall provide various types of products and services to Ping An and/or its associates, including, but not limited to, (i) family doctor services comprising online consultation, hospital referral and appointment, inpatient arrangement and second opinion services; (ii) prepaid cards (i.e. "Health Life Pass") and health check-up service package; (iii) products in the health mall; and (iv) advertising services. Fees will be paid to the Company by Ping An and/or its associates in respect of the provision of such products and services. The initial term of the Provision of Products and Services Framework Agreement shall commence on the Listing Date and end on 31 December 2020, subject to renewal upon the mutual consent of both parties. As the Provision of Products and Services Framework Agreement expired on 31 December 2020, the Company and Ping An renewed the Provision of Products and Services Framework Agreement for a further term of three years (from 1 January 2021 to 31 December 2023). For further details of the renewal of the Provision of Products and Services Framework Agreement, please refer to the circular of the Company dated 14 October 2020.

Ping An is a substantial Shareholder of the Company and therefore is a connected person of the Company.

The annual cap for the year ended 31 December 2020 is RMB3,750.0 million, while the actual transaction amount for the year ended 31 December 2020 is approximately RMB2,708.1 million.

2. *Services Purchasing Framework Agreement*

On 18 April 2018, the Group entered into a services purchasing framework agreement (the "Service Purchasing Framework Agreement") with Ping An, pursuant to which Ping An and/or its associates shall provide a wide spectrum of services to the Company, including but not limited to consulting services, business promotion services, outsourcing services relating to finance, human resources and administration matters, insurance services, online traffic re-directing services and customer referral services. The Group shall, in return, pay service fees to Ping An and/or its associates. The precise scope of service, service fee calculation, method of payment and other details of the service arrangement shall be agreed between the relevant parties separately. The initial term of the Services Purchasing Framework Agreement shall commence on the Listing Date and end on 31 December 2020, subject to renewal upon the mutual consent of both parties. As the Services Purchasing Framework Agreement expired on 31 December 2020, the Company and Ping An renewed the Services Purchasing Framework Agreement for a further term of three years (from 1 January 2021 to 31 December 2023). For further details of the renewal of the Services Purchasing Framework Agreement, please refer to the circular of the Company dated 14 October 2020.

Ping An is a substantial Shareholder of the Company and therefore is a connected person of the Company.

The annual cap for the year ended 31 December 2020 is RMB600.0 million, while the actual transaction amount for the year ended 31 December 2020 is approximately RMB595.6 million.

3. *Property Leasing Framework Agreement*

On 18 April 2018, the Group entered into the property leasing framework agreement (the "Property Leasing Framework Agreement") with Ping An, pursuant to which the Group will lease properties from Ping An and/or its associates for office use, including but not limited to the properties of Ping An in Beijing, Shanghai, Guangzhou, Shenzhen and Fuzhou. The principal terms of the Property Leasing Framework Agreement are as follows:

- the initial term of the Property Leasing Framework Agreement shall commence on the Listing Date and end on 31 December 2020, subject to renewal through mutual consents by the parties;
- the Group is entitled to lease additional gross floor area from and among the available properties owned by Ping An and/or its associates during the term of the Property Leasing Framework Agreement; and
- the parties shall enter into separate agreements setting out the specific terms and conditions (including property rents, payment methods and other usage fees) in respect of the relevant leased property based on the principles, and within the parameters provided, under the Property Leasing Framework Agreement.

As the Property Leasing Framework Agreement expired on 31 December 2020, the Company and Ping An renewed the Property Leasing Framework Agreement for a further term of three years (from 1 January 2021 to 31 December 2023). For further details of the renewal of the Property Leasing Framework Agreement, please refer to the announcement of the Company dated 20 August 2020.

Ping An is a substantial Shareholder of the Company and therefore is a connected person of the Company.

The annual cap for the year ended 31 December 2020 is RMB77.3 million, while the actual transaction amount for the year ended 31 December 2020 is approximately RMB27.6 million.

4. *Financial Service Framework Agreement*

On 18 April 2018, the Company entered into a financial service framework agreement (the "Financial Service Framework Agreement") with Ping An, pursuant to which Ping An Bank shall provide deposit service, and Ping An and/or its associates shall provide wealth management service to the Company. For the deposit service provided, the Group deposits cash into the Group's bank accounts at Ping An Bank, including cash generated from the Group's daily business operations and proceeds generated from the Group's financing activities. In return, Ping An Bank pays deposit interests to the Group. In respect of the wealth management service, the Group purchases wealth management products from Ping An and/or its associates and receives investment income in return. The period of the Financial Service Framework Agreement is a fixed term effective from the Listing Date to 31 December 2020, subject to renewal upon the mutual consent of both parties. As the Financial Service Framework Agreement expired on 31 December 2020, the Company and Ping An renewed the Financial Service Framework Agreement for a further term of three years (from 1 January 2021 to 31 December 2023). For further details of the renewal of the Financial Service Framework Agreement, please refer to the circular of the Company dated 14 October 2020.

Ping An is a substantial Shareholder of the Company and therefore is a connected person of the Company.

- (i) the annual cap of maximum daily balance of deposits to be placed by the Group with Ping An Bank for the year ended 31 December 2020 is RMB13,819.1 million, while the actual maximum daily balance for the year ended 31 December 2020 is approximately RMB10,130.3 million,
- (ii) the annual cap of interest income received by the Group from Ping An Bank for the deposits for the year ended 31 December 2020 is RMB414.6 million, while the actual transaction amount for the year ended 31 December 2020 is approximately RMB44.5 million,



Directors' Report

- (iii) the annual cap of maximum daily balance of wealth management products purchased by the Group from Ping An Bank and/or its associates for the year ended 31 December 2020 is RMB11,055.3 million, while the maximum daily balance for the year ended 31 December 2020 approximately RMB3,756.4 million, and
- (iv) the annual cap of investment income paid to the Group by Ping An and/or its associates for the year ended 31 December 2020 is RMB497.5 million, while the actual transaction amount for the year ended 31 December 2020 is approximately RMB118.3 million.

Annual Review by the Independent Non-Executive Directors and the Auditor

During the Reporting Period, the independent non-executive Directors have reviewed the Continuing Connected Transactions and confirmed that they had been entered into and carried out:

- (i) in the ordinary and usual course of business of the Group;
- (ii) on normal commercial terms or better; and
- (iii) in accordance with relevant agreements governing them on terms that are fair and reasonable and in the interest of the Shareholders as a whole.

The auditor of the Company has performed certain agreed-upon procedures regarding the continuing connected transactions as set out above and entered into by the Group during the year ended 31 December 2020, in accordance with the Hong Kong Standard on Assurance Engagement 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the HKICPA, and confirms that:

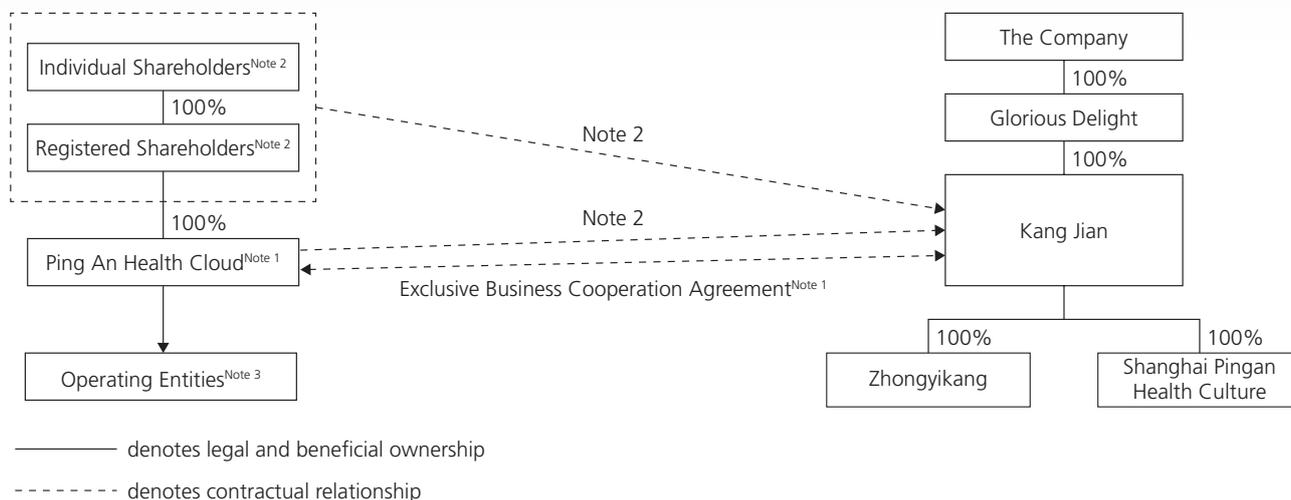
- (i) nothing has come to their attention that causes the auditor to believe that the disclosed continuing connected transactions have not been approved by the Board;
- (ii) for transactions involving the provision of goods or services by the Group, nothing has come to their attention that causes the auditor to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Group;
- (iii) nothing has come to their attention that causes the auditor to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and
- (iv) nothing has come to their attention that causes the auditor to believe that the disclosed continuing connected transactions have exceeded the annual cap as set by the Company.

Saved as disclosed in the "Connected Transactions and Continuing Connected Transactions" in this Annual Report, none of the related party transactions as disclosed in note 34 to the consolidated financial statements constituted as connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules, which is in compliance with the disclosure requirements under Chapter 14A of the Listing Rules.

Contractual Arrangements

The Group has entered into a series of contractual arrangements (the "Contractual Arrangements") with the WOFE (as defined below), the Operating Entities and the PAHC Shareholders (as defined below), pursuant to which the Group obtained effective control over, and received all the economic benefits generated by, the businesses operated by the Operating Entities.

Accordingly, through the Contractual Arrangements, the Group's Operating Entities' results of operations, assets and liabilities, and cash flows are consolidated into the Group's financial statements. The following simplified diagram illustrates the flow of economic benefits from the Group's Operating Entities to the Group stipulated under the Contractual Arrangements:



Notes:

1. Kang Jian provides business support, technical and consulting services in exchange for service fees from Ping An Health Cloud.
2. The PAHC Shareholders (as defined below) executed the exclusive equity option agreement and the exclusive asset option agreement in favor of Kang Jian, for the acquisition of all or part of the equity interests in and all or part of the assets in Ping An Health Cloud.

The PAHC Shareholders executed powers of attorney in favor of Kang Jian, for the exercise of all Shareholders' rights in Ping An Health Cloud.

The PAHC Shareholders granted first priority security interests in favor of Kang Jian, over the entire equity interests in Ping An Health Cloud.

Ping An Financial Technology, Shenzhen Kang Wei Jian Enterprise Management Company Limited, Shenzhen Kang Rui Jian Enterprise Management Company Limited and Urumqi Guangfengqi are collectively referred to as "Registered Shareholders". Ms. WANG Wenjun and Mr. DOU Wenwei are collectively referred to as "Individual Shareholders" (Registered Shareholders and Individual Shareholders together known as "PAHC Shareholders").

3. As at 31 December 2020, Ping An Health Cloud held 30 Operating Entities, namely Hefei Kuaiyijie, Jiangxi Nabaite, Jiangsu Nabaite, Pingan (Nantong) Internet Hospital, Pingan (Qingdao) Internet Hospital, Pingan (Hefei) Internet Hospital, Pingan (Yinchuan) Internet Hospital, Shanghai Hao Yi, Wanjia Healthcare, Guangdong Yecheng, Hebei Nabaite, Guangzhou Jifan, Hainan Pingan Health, Fuzhou Kangjian, Pingan (Chengdu) Internet Hospital, Shanghai Pingan Eighth Hospital, Shenyang Kangjian, Pingan Nanjing Medical Technology, Pingan (Taiyuan) Internet Hospital, Pingan (Guangxi) Internet Hospital, Hangzhou Kangyijian, Weihai Kangjian, Pingan Yingjian, Pingan (Harbin) Internet Hospital, Pingan (Zhengzhou) Internet Hospital, Pingan (Tianjin) Internet Hospital, Pingan (Kunming) Internet Hospital, Pingan (Guangzhou) Internet Hospital, Pingan (Jiangsu) Internet Hospital and Pingan (Chongqing) Internet Hospital.

A description of each of the specific agreements that comprise the Contractual Arrangements is set out below.

(a) Exclusive Business Cooperation Agreement

Ping An Health Cloud entered into an exclusive business cooperation agreement (the "Exclusive Business Cooperation Agreement") with Kang Jian on 18 October 2017, pursuant to which, in exchange of an annual service fee, Ping An Health Cloud agreed to engage Kang Jian, the wholly-owned foreign enterprise ("WOFE"), as its exclusive provider of business support, technical and consulting services, including but not limited to, technical services, network support, business consultation, equipment, leasing, market consultancy, system integration, product research and development and system maintenance. Under the Exclusive Business Cooperation Agreement, the service fee shall consist of 100% of the profit before tax of Ping An Health Cloud, after deducting any accumulated losses of Ping An Health Cloud and its subsidiaries from the preceding fiscal year, costs, expenses, tax and other statutory contribution in relation to the respective fiscal year.

(b) Exclusive Equity Option Agreement

Ping An Health Cloud entered into an exclusive equity option agreement (the "Exclusive Equity Option Agreement") with Kang Jian and the PAHC Shareholders on 18 October 2017, pursuant to which, Kang Jian has the irrevocable and exclusive right to purchase, or to designate one or more persons to purchase, from the Registered Shareholders all or any part of their equity interests in Ping An Health Cloud at any time and from time to time in Kang Jian's absolute discretion to the extent permitted by the PRC laws for consideration as the higher of (a) a nominal price or (b) the lowest price as permitted under applicable PRC laws. The Exclusive Equity Option Agreement is for an initial term of ten years and may be extended for five-year terms indefinitely. It shall remain effective unless terminated (a) by mutual agreement; or (b) in writing by Kang Jian with 30 days' notice.

(c) Exclusive Asset Option Agreement

Ping An Health Cloud entered into an exclusive asset option agreement (the "Exclusive Asset Option Agreement") with Kang Jian and the PAHC Shareholders on 18 October 2017, pursuant to which, Kang Jian has the irrevocable and exclusive right to purchase, or to designate one or more persons to purchase, from Ping An Health Cloud all or any part of its assets at any time at Kang Jian's absolute discretion and to the extent permitted by the PRC laws for consideration as the higher of (a) a nominal price or (b) the lowest price as permitted under applicable PRC laws. The Exclusive Asset Option Agreement is for an initial term of ten years and may be extended for five-year terms indefinitely. It shall remain effective unless terminated (a) by mutual agreement; or (b) in writing by Kang Jian with 30 days' notice.

(d) Powers of Attorney

Ping An Health Cloud entered into an irrevocable power of attorney (the "Powers of Attorney") with Kang Jian and the PAHC Shareholders on 18 October 2017, pursuant to which the PAHC Shareholders appointed Kang Jian, any directors authorized by Kang Jian (except the PAHC Shareholders) and his/her successors, or a liquidator replacing Kang Jian's director as their exclusive agent and attorney to act on their behalf on all matters concerning Ping An Health Cloud and to exercise all of its rights as a Registered Shareholder of Ping An Health Cloud in accordance with the PRC laws and the articles of association of Ping An Health Cloud. The term of the Powers of Attorney shall be the same as the term of the Exclusive Business Cooperation Agreement.

(e) Equity Pledge Agreement

Ping An Health Cloud entered into an equity pledge agreement (the "Equity Pledge Agreement") with Kang Jian and the PAHC Shareholders on 18 October 2017, pursuant to which the Registered Shareholders agreed to pledge as first charge all of their equity interests in Ping An Health Cloud to Kang Jian as collateral security for any and all of the guaranteed debt under the Contractual Arrangements and to secure the performance of their obligations under the Contractual Arrangements. During the pledge period, Kang Jian shall be entitled to receive any dividends or other distributable benefits arising from the equity.

The pledge in favor of Kang Jian shall take effect upon the completion of registration with the relevant administration for industry and commerce and shall remain valid after all the contractual obligations of the PAHC Shareholders and Ping An Health Cloud under the Contractual Arrangements have been fully performed and all the outstanding debts of the PAHC Shareholders and Ping An Health Cloud under the Contractual Arrangements have been fully paid.

Should an event of default (as provided in the Equity Pledge Agreement) occur and unless it is successfully resolved to Kang Jian's satisfaction within 30 days upon being notified by Kang Jian, Kang Jian may demand that the Registered Shareholders immediately pay all outstanding payments due under the Contractual Arrangements and/or dispose of the pledged equity interest to repay any outstanding payments due to Kang Jian.

The pledges under the Equity Pledge Agreement completed the registration with the relevant PRC authorities pursuant to the PRC laws and regulations on 9 March 2018.

Save as disclosed above, there were no other new contractual arrangements entered into, renewed and/or re-entered into between the Group and the PAHC Shareholders and/or Operating Entities during the year ended 31 December 2020. There was no material change in the Contractual Arrangements and/or the circumstances under which they were adopted during the year ended 31 December 2020.

For the year ended 31 December 2020, none of the Contractual Arrangements had been unwound on the basis that none of the restrictions that led to the adoption of the Contractual Arrangements had been removed. As of 31 December 2020, the Group had not encountered interference or encumbrance from any PRC governing bodies in operating the businesses through the Operating Entities under the Contractual Arrangements.

For the year ended 31 December 2020, the revenues of the Group mainly came from Ping An Health Cloud and its respective subsidiaries.

Qualification Requirements

Updates in Relation to the Qualification Requirements

On 11 December 2001, the State Council promulgated the Regulations for the Administration of Foreign-Invested Telecommunications Enterprises (the "FITE Regulations"), which were amended on 10 September 2008 and 6 February 2016. According to the FITE Regulations, foreign investors are not allowed to hold more than 50% of the equity interests in a company providing value-added telecommunications services, including Internet information services. On 23 June 2020, the National Development and Reform Commission and the Ministry of Commerce promulgated the Special Administrative Measures (Negative List) for Foreign Investment Access (2020 Edition) (effective on 23 July 2020), pursuant to which the proportion of foreign shares in a value-added telecommunications business shall not exceed 50% (except for e-commerce, domestic multi-party communication, storage and forwarding, and call center). In addition, a foreign investor who invests in a value-added telecommunications business in the PRC must possess prior experience in and a proven track record of operating value-added telecommunications businesses overseas (the "Qualification Requirements"). Foreign investors that meet these requirements must obtain approvals from MIIT and/or its authorized local counterparts which retain considerable discretion in granting such approvals. For details of the Qualification Requirements, please refer to pages 224 to 225 of the Prospectus.

Efforts and Actions Undertaken to Comply with the Qualification Requirements

Despite the lack of clear guidance or interpretation on the Qualification Requirements, we are gradually building up our track record of overseas telecommunications business operations and have taken the following steps to comply with the Qualification Requirements:

1. the Company established a website in Hong Kong and keeps updating it so that the capital market could learn information about the Company;
2. the Company formed a joint venture with Grab in Southeast Asia and launched its services in Indonesia through online healthcare service platform, including but not limited to online diagnosis, health mall, health information, offline appointment, corporate health services, etc. in 2020;
3. the Company formed a joint venture with Softbank Group in Japan and launched its services in Japan through online healthcare service platform, including but not limited to online consultation, hospital recommendation, health mall, counseling, and corporate health management, etc. in 2020.

Reasons for Adopting the Contractual Arrangements

Our value-added telecommunication services business, Internet cultural business, radio and television program production and operation business to the public and operation of online medical institutions operated through the Operating Entities and its respective subsidiaries are subject to foreign investment restriction or prohibitions in accordance with the Special Administrative Measures (Negative List) for Foreign Investment Access (2020 Edition). Since foreign investment in such business areas in which we currently operate is subject to restrictions under the current applicable PRC laws and regulations, after consultation with our PRC legal advisor (Haiwen & Partners), we determined that it was not viable for the Company to hold our Operating Entities directly through equity ownership. Instead, we decided that, in line with common practice in industries in the PRC subject to foreign investment restrictions, we would gain effective control over, and receive all the economic benefits generated by the businesses currently operated by our Operating Entities through the Contractual Arrangements between Kang Jian, on the one hand, and our Operating Entities and its respective Shareholders, on the other hand. The Contractual Arrangements allow the results of operations and assets and liabilities of Ping An Health Cloud and its subsidiaries to be consolidated into our results of operations and assets and liabilities under IFRS as if they were subsidiaries of the Group. For details of the foreign investment restrictions relating to the Contractual Arrangements, please refer to the sections headed "Contractual Arrangements – PRC Regulatory Background" and "Contractual Arrangements – Development in the PRC Legislation on Foreign Investment" on pages 221 to 224 and pages 243 to 248 of the Prospectus.

The Directors (including the independent non-executive Directors) are of the view that the Contractual Arrangements and the transactions contemplated thereunder are fundamental to the Group's legal structure and business, and that such transactions have been and will be entered into in the ordinary and usual course of business of the Group, are on normal commercial terms and are fair and reasonable and in the interest of the Group and the Shareholders as a whole. Accordingly, notwithstanding that the transactions contemplated under the Contractual Arrangements technically constitute continuing connected transactions under Chapter 14A of the Listing Rules, the Directors consider that, given that the Group is placed in a special situation in relation to the connected transactions rules under the Contractual Arrangements, it would be unduly burdensome and impracticable, and would add unnecessary administrative costs to the Company if such transactions are subject to strict compliance with the requirements set out under Chapter 14A of the Listing Rules, including, among others, the announcement, circular and independent Shareholders' approval requirements.

Risks Relating to the Contractual Arrangements

There are certain risks that are associated with the Contractual Arrangements, including:

If the PRC government finds that the agreements that establish the structure for operating our businesses in the PRC do not comply with applicable PRC laws and regulations, or if these regulations or their interpretations change in the future, we could be subject to severe consequences, including the nullification of the Contractual Arrangements and the relinquishment of the interests in the Operating Entities.

Our Contractual Arrangements may not be as effective in providing operational control as direct ownership, and Ping An Health Cloud or its Shareholders may fail to perform their obligations under our Contractual Arrangements.

We may lose the ability to use and enjoy assets held by Ping An Health Cloud that are material to our business operations if Ping An Health Cloud declares bankruptcy or becomes subject to a dissolution or liquidation proceeding.

The ultimate Shareholders of Ping An Health Cloud may have conflicts of interest with us, which may materially and adversely affect our business.

We conduct our business operations in the PRC through Ping An Health Cloud and its subsidiaries by way of the Contractual Arrangements, but certain terms of the Contractual Arrangements may not be enforceable under the PRC laws.

If we exercise the option to acquire equity ownership and assets of Ping An Health Cloud, the ownership or asset transfer may subject us to certain limitations and substantial costs.

Potential impact to the Company if the Contractual Arrangements are not treated as domestic investment.

Our Contractual Arrangements may be subject to scrutiny by the PRC tax authorities, and a finding that we owe additional taxes could substantially reduce our consolidated net income and the value of your investment.

Further details of these risks are set out in the section headed "Risk Factors – Risks Relating to Our Contractual Arrangements" on pages 61 to 68 of the Prospectus.

The Group has adopted the following measures to ensure the effective operation of the Group with the implementation of the Contractual Arrangements and the compliance with the Contractual Arrangements:

- (a) major issues arising from the implementation and compliance with the Contractual Arrangements or any regulatory enquiries from government authorities will be submitted to the Board, if necessary, for review and discussion as and when they arise;
- (b) the Board will review the overall performance of and compliance with the Contractual Arrangements at least once a year; and
- (c) the Company will engage external legal advisors or other professional advisors, if necessary, to assist the Board to review the implementation of the Contractual Arrangements and the legal compliance of Kang Jian and the Operating Entities in dealing with specific issues or matters arising from the Contractual Arrangements.

Listing Rules Implications and Waivers from the Stock Exchange

The transactions contemplated under the Contractual Arrangements constitute continuing connected transactions of the Company under the Listing Rules upon Listing as four of the parties to the Contractual Arrangements, namely Ms. WANG Wenjun, Mr. DOU Wenwei, Ping An Financial Technology, and Urumqi Guangfengqi are connected persons. Ping An Financial Technology is a subsidiary of Ping An, our Controlling Shareholder, and is therefore an associate of Ping An. Urumqi Guangfengqi is owned as to 50% and 50% by Ms. WANG Wenjun and Mr. DOU Wenwei, the Directors, and is therefore an associate of Ms. WANG Wenjun and Mr. DOU Wenwei respectively.

In respect of the Contractual Arrangements, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with (i) the announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the transactions contemplated under the Contractual Arrangements pursuant to Rule 14A.105 of the Listing Rules, (ii) the requirement of setting an annual cap for the transactions under the Contractual Arrangements under Rule 14A.53 of the Listing Rules, and (iii) the requirement of limiting the term of the Contractual Arrangements to three years or less under Rule 14A.52 of the Listing Rules, for so long as our Shares are listed on the Stock Exchange, subject, however, to the following conditions:

- (a) no change without independent non-executive Directors' approval;
- (b) no change without independent Shareholders' approval;



Directors' Report

- (c) on the basis that the Contractual Arrangements provide an acceptable framework for the relationship between the Company and its subsidiaries in which the Company has direct shareholding, on the one hand, and the Operating Entities, on the other hand, that framework may be renewed and/or re-entered into upon the expiry of the existing arrangements or in relation to any existing or new wholly foreign owned enterprise or operating company (including branch company) engaging in the same business as that of the Group which the Group might wish to establish when justified by business expediency, without obtaining the approval of the Shareholders, on substantially the same terms and conditions as the existing Contractual Arrangements; and
- (d) we will disclose details relating to the Contractual Arrangements on an on-going basis.

Annual Review by the Independent Non-Executive Directors and the Auditor

For the year ended 31 December 2020, the independent non-executive Directors have reviewed the Contractual Arrangements and confirmed that:

- (a) the transactions carried out during the year ended 31 December 2020 had been entered into in accordance with the relevant provisions of the Contractual Arrangements;
- (b) no dividends or other distributions had been made by Ping An Health Cloud to the holders of its equity interests which were not otherwise subsequently assigned or transferred to the Group;
- (c) any new contracts entered into, renewed and/or re-entered into between the Group and Ping An Health Cloud during the year ended 31 December 2020 are fair and reasonable, or advantageous to our Shareholders, so far as the Group is concerned and in the interests of the Company and the Shareholders as a whole; and
- (d) the Contractual Arrangements had been entered into in the ordinary and usual course of business of the Group, are on normal commercial terms and are fair and reasonable and in the interest of the Group and the Shareholders as a whole.

The Company's auditor has confirmed in a letter in accordance with the Hong Kong Standard on Assurance Engagement 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the HKICPA, under the requirements of Rule 14A.56 of the Listing Rules, to the Board that the transactions carried out pursuant to the Contractual Arrangements during the year ended 31 December 2020 had received the approval of the Board, had been entered into in accordance with the relevant provisions of the Contractual Arrangements, and that no dividends or other distributions had been made by the Operating Entities to the holders of its equity interests which were not otherwise subsequently assigned or transferred to the Group.

Auditor

The consolidated financial information of the Group has been audited by PricewaterhouseCoopers, who will retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting. The Company has not changed its auditor during any of the past three years.

Important Events After the Reporting Period

No important events affecting the Group occurred after 31 December 2020 and up to the date of this Annual Report.

Audit and Risk Management Committee

The Audit and Risk Management Committee has reviewed the consolidated financial statements of the Group as of 31 December 2020. The Audit and Risk Management Committee has also discussed with the management of the Company the accounting policies and practices and internal controls adopted by the Company. Based on the above review and discussion with the management of the Company, the Audit and Risk Management Committee is satisfied that the consolidated financial statements of the Group have been prepared in accordance with the applicable accounting standards.

Sufficiency of Public Float

The Company has obtained a waiver from the Stock Exchange and the Stock Exchange has accepted, under Rule 8.08(1)(d) of the Listing Rules, a lower public float percentage of not less than 21.3% at the issued share capital of the Company.

During the Reporting Period and as at the date of this Annual Report, based on the information that is publicly available to the Company and to the knowledge of the Directors, the Company has maintained the minimum public float as permitted by the Stock Exchange.

Litigation and Compliance

To the best knowledge of the Board, the Group has complied with the relevant laws and regulations that have a significant effect on the Group in all material respects. No litigation or claim of material importance is pending or threatened against any member of the Group.

Changes of Directors and Chief Executives and Their Information

During the Reporting Period, changes of Directors and chief executives are set out as follows:

1. Ms. LIN Lijun was appointed as a non-executive Director on 28 February 2020;
2. Mr. PAN Zhongwu was appointed as a non-executive Director on 28 February 2020;
3. Ms. WANG Wenjun ceased to serve as a non-executive Director on 28 February 2020;
4. Mr. DOU Wenwei ceased to serve as a non-executive Director on 28 February 2020;
5. Mr. FANG Weihao was appointed as the executive Director, the acting chairman of the Board and the chief executive officer of the Company on 15 May 2020, and the chairman of the Board of the Company on 11 November 2020;
6. Mr. WANG Tao ceased to serve as the executive Director, the chairman of the Board and the chief executive officer of the Company on 15 May 2020.



Directors' Report

Pursuant to the disclosure requirement under Rule 13.51B(1) of the Listing Rules, the changes in information of the Directors are as follows:

1. Ms. TAN Sin Yin, a non-executive Director, has served as an executive director of Ping An since April 2020;
2. Mr. Guo Tianyong, an independent non-executive Director, ceased to serve as an independent director of Digiwin Software Co., Ltd. from May 2020;
3. Mr. YAO Jason Bo, a non-executive Director, has served as a co-chief executive officer of Ping An since July 2020;
4. Mr. FANG Weihao, the executive Director, ceased to serve as the chairman of the board and the chief executive officer of Ping An International Financial Leasing Co., Ltd. from September 2020;
5. Dr. CHOW Wing Kin Anthony, an independent non-executive Director, has served as an independent non-executive director of OneConnect since October 2020;
6. Mr. TANG Yunwei, an independent non-executive Director, ceased to serve as an independent director of ADAMA Co., Ltd. from November 2020.

Save as disclosed above, as of 31 December 2020, there was no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

Closure of Register of Members

The register of members of the Company will be closed from 16 April 2021 to 21 April 2021, both days inclusive, in order to determine the identity of the Shareholders who are entitled to attend and vote at the annual general meeting to be held on 21 April 2021. All transfers of Shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong before 4:30 p.m. on 15 April 2021 for registration.

By the order of the Board

Chairman

FANG Weihao

2 February 2021

Corporate Governance Report

The Board is pleased to present the corporate governance report of the Company.

Corporate Governance Practices

The Board is committed to maintaining and promoting stringent corporate governance. The principle of the Company's corporate governance is to promote effective internal control measures, uphold a high standard of ethics, transparency, responsibility and integrity in all aspects of business, to ensure that the Company's affairs are conducted in accordance with relevant laws and regulations and to enhance the transparency and accountability of the Board to Shareholders.

The Board believes that good corporate governance standards are essential in providing a framework for the Company to safeguard the interests of Shareholders, enhance corporate value and formulate its business strategies and policies.

The Company was listed on the Main Board of the Stock Exchange on 4 May 2018. The Company has adopted the code provisions as set out in the Corporate Governance Code as our code of corporate governance.

In the opinion of the Directors, during the Reporting Period, the Company has complied with all applicable code provisions set out in the Corporate Governance Code, save and except for code provision A.2.1 which states that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Details of the deviations are set out in the sections headed "Chairman and Chief Executive Officer" in this Corporate Governance Report.

The Board will continue to regularly review and monitor its corporate governance practices to ensure compliance with the Corporate Governance Code, and maintain a high standard of corporate governance practices of the Company.

Compliance with the Code of Conduct Regarding Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listing Issues as set out in Appendix 10 to the Listing Rules as the code of conduct regarding Directors' dealings in the securities of the Company. Having made specific enquiry to all the Directors, all the Directors confirmed that they have complied with the required standards set out in the Model Code during the Reporting Period.

The Board has also established written guidelines to regulate all dealings by informed persons who are likely to be in possession of inside information in respect of the Company's securities and unpublished information as referred to in provision A.6.4 of the Corporate Governance Code.



Corporate Governance Report

Board of Directors

Board composition

The Board of the Company has ten directors (including the chairman), comprising one executive Director, five non-executive Directors and four independent non-executive Directors.

The list of Directors is as follows:

Executive Director

Mr. FANG Weihao (Chairman)

Non-executive Directors

Ms. TAN Sin Yin

Mr. YAO Jason Bo (Member of the Audit and Risk Management Committee and member of the Nomination and Remuneration Committee)

Ms. CAI Fangfang (Member of the Nomination and Remuneration Committee)

Ms. LIN Lijun

Mr. PAN Zhongwu

Independent Non-executive Directors

Mr. TANG Yunwei (Chairman of the Audit and Risk Management Committee and member of the Nomination and Remuneration Committee)

Mr. GUO Tianyong (Member of the Audit and Risk Management Committee and chairman of the Nomination and Remuneration Committee)

Mr. LIU Xin (Member of the Audit and Risk Management Committee and member of the Nomination and Remuneration Committee)

Dr. CHOW Wing Kin Anthony (Member of the Nomination and Remuneration Committee)

The biographies of the Directors are set out in the section headed “Directors and Senior Management” of this Annual Report. There is no relationship between members of the Board.

Chairman and Chief Executive Officer

Code provision A.2.1 of the Corporate Governance Code provides that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. However, having considered the relevant principles under provision A.2.1 of the Corporate Governance Code and reviewed the management structure of the Company, the Board is of the view that:

Mr. FANG Weihao concurrently holds the positions of both the chairman and the chief executive officer of the Company. However, the Board is of the opinion that the Company has built up a structure of the Board and has developed a very structured and strict operation system and a set of procedural rules for the meeting of the Board. The chairman of the Company does not have any power different from that of other Directors in relation to the decision-making process of the Company. Also, in the day-to-day operation of the Company, the Company has put in place an integrated system and structure. Decisions on all material matters will be subject to complete and stringent deliberation and decision-making procedures in order to ensure that the chief executive officer of the Company can perform his duties diligently and effectively. Based on the above reasons, the Board is of the opinion that the Company’s management structure is able to provide the Company with efficient management and at the same time, protect all Shareholders’ rights to the greatest extent.

Therefore, the Company does not currently intend to separate the roles of the chairman and the chief executive officer.

Independent Non-executive Directors

During the Reporting Period, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors and representing at least one-third of the number of members of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

Confirmation of Independence of Independent Non-executive Directors

Each of the independent non-executive Directors has confirmed his/her independence to the Company by providing an independent confirmation letter as required under Rule 3.13 of the Listing Rules, and the Company also considered all of them to be independent.

Non-executive Directors and Re-election of Directors

The non-executive Directors (including independent non-executive Directors) are appointed for a specific term of three years, subject to the Memorandum and Articles of Association and the Listing Rules.

Under the Memorandum and Articles of Association, at each annual general meeting, one-third of the Directors for the time being, or if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years. A retiring Director shall retain office until the close of general meeting at which he retires and shall be eligible for re-election at the general meeting.

Pursuant to the Article 16.18 of the Articles of Association, Mr. YAO Jason Bo, Ms. CAI Fangfang, Mr. LIU Xin and Dr. CHOW Wing Kin Anthony shall retire by rotation and, being eligible, offer themselves for re-election at the annual general meeting.

The Memorandum and Articles of Association also provides that all Directors appointed to fill a casual vacancy shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election at that meeting.

Pursuant to Article 16.2 of the Articles of Association, Mr. FANG Weihao was re-elected at the extraordinary general meeting held on 11 November 2020.

Responsibilities of the Directors

The Board is responsible for the management of the Company and accountable to the Shareholders for the assets and resources entrusted by them. The Board represents and is obliged to act in the interests of the Shareholders as a whole.

The Board directly, and indirectly through its committees, leads and provides direction to management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place.

All Directors, including non-executive Directors and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and expertise to the Board for its efficient and effective functioning.



Corporate Governance Report

The independent non-executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgment on corporate actions and operations.

All Directors have full and timely access to all the information of the Company and may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expense, for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them.

The Board is responsible for decision-making in all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant operational matters of the Company. The Board has delegated its powers relating to implementing decisions of the Board, directing and coordinating the daily operation and management of the Company to Mr. FANG Weihao, the chief executive officer.

Board Committees

The Board has established two committees, namely, the Audit and Risk Management Committee and the Nomination and Remuneration Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with specific written terms of reference which deal clearly with their authority and duties. The terms of reference of the Audit and Risk Management Committee and the Nomination and Remuneration Committee are available on the websites of the Company and the Stock Exchange.

Audit and Risk Management Committee

The Company has established an Audit and Risk Management Committee in compliance with the Corporate Governance Code. The primary duties of the Audit and Risk Management Committee are to review and supervise the financial reporting process and internal control system of the Group, review the financial information of the Group and consider issues relating to the external auditors and their appointment.

The Audit and Risk Management Committee comprises three independent non-executive Directors, namely, Mr. TANG Yunwei, Mr. GUO Tianyong and Mr. LIU Xin and one non-executive Director, namely, Mr. YAO Jason Bo. Mr. TANG Yunwei, being the chairman of the Audit and Risk Management Committee, is appropriately qualified as required.

During the Reporting Period, the Audit and Risk Management Committee has held four meetings. Details of the individual attendance records of each member of the committee are set out in the section headed "Attendance Record of Directors at Meetings". At the meeting, the Audit and Risk Management Committee reviewed the interim results announcement and interim report of the Group for the six months ended 30 June 2020, the management accounts of the Group for the three months ended 31 March 2020 and the nine months ended 30 September 2020 as well as the risk management and internal control system and the arrangements that allow the employees to raise concerns about the possible misconduct and made suggestions to the Board.

The Company has established special internal audit function which carries out the analysis and independent appraisal of the adequacy and effectiveness of the Company's risk management and internal control system.

Nomination and Remuneration Committee

The Company has established a Nomination and Remuneration Committee in compliance with the Corporate Governance Code. The primary duties of the Nomination and Remuneration Committee are to make recommendations to the Board on the remuneration policy and structure of the Directors and senior management of the Company, and on the establishment of a formal and transparent procedure for developing remuneration policy, to ensure that neither Director nor any of his/her associate be involved in deciding his/her own remuneration; to determine, based on the authorization of the Board, the remuneration package for individual executive Director and senior management of the Company, including monetary benefits, benefits in kind, pension rights and compensation amount (including compensation payable for loss or termination of office or appointment); to timely review the structure, size and composition of the Board and committees under the Board, and to advise on any change to be made to the Board and committees under the Board for coping with strategies of the Company; to study the criteria and procedures for selection of Directors and senior management, to make recommendation to the Board on the appointment and reappointment of Directors and plans for succession of Directors (especially the chairman and the chief executive officer), and to assess the independence of independent non-executive Directors.

The Nomination and Remuneration Committee has formulated and reviewed the board diversity policy of the Company, covering all aspects and factors of the board diversity, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and regional and industry experience. The Nomination and Remuneration Committee will discuss and agree on the measurable objectives of achieving board diversity (if necessary) and recommend them to the Board for adoption.

When identifying and selecting suitable Director candidates, the Nomination and Remuneration Committee will consider the personality, qualifications, experience, independence and other necessary conditions for coordinating corporate strategies and achieving board diversity (if appropriate) of the relevant candidates before making recommendations to the Board.

The Nomination and Remuneration Committee comprises four independent non-executive Directors, namely Mr. GUO Tianyong, Mr. TANG Yunwei, Mr. LIU Xin and Dr. CHOW Wing Kin Anthony and two non-executive Directors, namely Mr. YAO Jason Bo and Ms. CAI Fangfang. Mr. GUO Tianyong is the chairman of the Nomination and Remuneration Committee.

During the Reporting Period, the Nomination and Remuneration Committee held four meetings. Details of the individual attendance records of each member of the committee were set out in the section headed "Attendance Record of Directors at Meetings". At the meeting, the Nomination and Remuneration Committee reviewed the matter relating to the Directors who were subject to retirement and eligible to re-election, approved the remuneration package of senior management of the Company and nominated new candidates for directorship.

According to code provision B.1.5 of the Corporate Governance Code, the remuneration for members of the senior management of the Company for the year ended 31 December 2020 within the following bands is set out below:

	Number of Persons
Nil to RMB1,000,000	0
RMB1,000,001 – RMB2,000,000	1
RMB2,000,001 – RMB3,000,000	0
RMB3,000,001 – RMB4,000,000	1
RMB4,000,001 – RMB5,000,000	0
RMB5,000,001 – RMB10,000,000	1
Above RMB10,000,001	0

The remuneration details of all Directors and the five persons with the highest remuneration (other than Directors) for the year ended 31 December 2020 are set out in Notes 8 and 9 to the consolidated financial statements.



Corporate Governance Report

Nomination Policy for Directors

From the needs of the Company's business development, if the Nomination and Remuneration Committee considers it necessary to recommend directors to the Board, the Nomination and Remuneration Committee may take such measures as it deems appropriate to identify and evaluate candidates.

The secretary of the Nomination and Remuneration Committee is required to convene a Nomination and Remuneration Committee meeting and invites the Board members to nominate candidates (if any) for the Nomination and Remuneration Committee to consider before the meeting. The Nomination and Remuneration Committee may also nominate candidates who are not nominated by the Board members.

The Nomination and Remuneration Committee may recommend to the Board candidates recommended or nominated by the Company's Shareholders as the nominees elected by the Board. The appointment or re-election of Directors and the succession plan of Directors are subject to the approval by the Board.

The Nomination and Remuneration Committee may refer the candidate's personal profile and recommendations to the Board for consideration when recommending candidates. In order for the proposal to be effective, the recommendation must clearly state the nomination intention and the candidate agrees to be nominated. The personal profile must include and/or be accompanied by full details of the candidate required to be disclosed under the Listing Rules, including the information and/or confirmation required by Rule 13.51(2) of the Listing Rules.

According to Article 16.4 of the Memorandum and Article of Association of the Company, a Shareholder can serve a notice to the Company within the lodgment period of its intention to propose a resolution to elect a certain person other than the candidate listed in the shareholder circular of the general meeting as a Director without the recommendation of the Board or the review and nomination of the Nomination and Remuneration Committee. Details of the candidates so proposed will be sent to all Shareholders through a supplementary circular.

Board Diversity Policy

The Company recognizes and embraces the benefits of having a diverse Board, and sees diversity at Board level as an essential element in maintaining a competitive advantage. A truly diverse Board will include and make good use of differences in the talents, skills, regional and industry experience, background, gender and other qualities of the members of the Board. These differences will be considered in determining the optimum composition of the Board and when possible should be balanced appropriately. All appointments of the members of the Board are based on merit, in the content of the talents, skills and experience which the Board as a whole requires for operation.

Corporate Governance Report

The Nomination and Remuneration Committee of the Company reviews and assesses the composition of the Board and makes recommendations to the Board on appointment of new Directors. The Nomination and Remuneration Committee also oversees the conduct of the annual review of the effectiveness of the Board. In reviewing and assessing the composition of the Board, the Nomination and Remuneration Committee has considered the benefits of all aspects of diversity, including but not limited to those described above, and the measurable objectives, in order to maintain an appropriate range and balance of talents, skills, experience and background of the Board. In recommending candidates for appointment to the Board, the Nomination and Remuneration Committee will consider candidates on merit against objective criteria and with due regard for the benefits of diversity of the Board. In overseeing the conduct of the annual review of the effectiveness of the Board, the Nomination and Remuneration Committee will consider the balance of talents, skills, experience, independence and knowledge of the Board and the diversity representation of the Board. The measurable objectives of diversity are subject to review from time to time to ensure their appropriateness and confirm the progress of achieving such objectives.

Expertise and skills of the Directors include finance, financial management, law, healthtech, medicine and human resource management, etc. The Nomination and Remuneration Committee considers that the Board is sufficiently diversified.



Corporate Governance Report

Attendance Record of Directors at Meetings

The attendance record of each Director at the general meetings, Board and Board committee meetings of the Company held during the Reporting Period is set out in the table below:

Name of Directors	Number of Meetings Attended/Number of Meetings Eligible to Attend from 1 January 2020 to 31 December 2020			
	General Meeting	Board	Audit and Risk Management Committee	Nomination and Remuneration Committee
Executive Director				
Mr. FANG Weihao ⁽¹⁾ (Chairman)	1/1	5/5	–	–
Mr. WANG Tao ⁽²⁾ (ceased to act as a Director)	1/1	4/4	–	–
Non-executive Directors				
Ms. TAN Sin Yin	1/2	9/9	–	–
Mr. YAO Jason Bo	1/2	9/9	4/4	4/4
Ms. CAI Fangfang	1/2	9/9	–	4/4
Ms. LIN Lijun ⁽³⁾	1/2	7/7	–	–
Mr. PAN Zhongwu ⁽⁴⁾	1/2	7/7	–	–
Mr. DOU Wenwei ⁽⁵⁾ (ceased to act as a Director)	–	2/2	–	–
Ms. WANG Wenjun ⁽⁶⁾ (ceased to act as a Director)	–	2/2	–	–
Independent Non-executive Directors				
Mr. TANG Yunwei	1/2	9/9	4/4	4/4
Mr. GUO Tianyong	1/2	9/9	4/4	4/4
Mr. LIU Xin	1/2	9/9	4/4	4/4
Dr. CHOW Wing Kin Anthony	1/2	9/9	–	4/4

During the Reporting Period, save as disclosed in the above table, the chairman has held a meeting with the independent non-executive Directors.

Notes:

- (1) Mr. FANG Weihao was appointed as the executive Director, the acting chairman of the Board and the chief executive officer of the Company on 15 May 2020, and the chairman of the Board of the Company on 11 November 2020;
- (2) Mr. WANG Tao ceased to act as the executive Director, the chairman of the Board and the chief executive officer of the Company on 15 May 2020;
- (3) Ms. LIN Lijun was appointed as a non-executive Director on 28 February 2020;
- (4) Mr. PAN Zhongwu was appointed as a non-executive Director on 28 February 2020;
- (5) Mr. DOU Wenwei ceased to act as a non-executive Director on 28 February 2020;
- (6) Ms. WANG Wenjun ceased to act as a non-executive Director on 28 February 2020.

Continuous Professional Development of Directors

The Directors must always be aware of their duties as Directors and the operations, business activities and development of the Company.

Every newly appointed Director has received formal, comprehensive and tailored induction on the occasion of his appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of the Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements. Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills. The Company will arrange internal briefings for Directors and provide reading materials on relevant topics to Directors where appropriate. All Directors are encouraged to attend relevant training at the Company's expenses.

During the Reporting Period, the Company has provided the Directors with relevant reading information such as the latest legal and regulatory information for their reference and learning, to ensure that the Directors understand the business and operations of the Group and their duties and obligations.

During the Reporting Period, all Directors (including Mr. FANG Weihao as the chairman and the executive Director; Ms. TAN Sin Yin, Mr. YAO Jason Bo, Ms. CAI Fangfang, Ms. LIN Lijun and Mr. PAN Zhongwu as non-executive Directors; and Mr. TANG Yunwei, Mr. GUO Tianyong, Mr. LIU Xin and Dr. CHOW Wing Kin Anthony as independent non-executive Directors.) have pursued continuous professional development and have received training and training materials, including those from the Company's eligible professional/lawyer, about matters relevant to their duties as directors of a listed company. They also kept abreast of matters relevant to their role as Directors by attendance at seminars and conferences and reading relevant materials.



Corporate Governance Report

Corporate Governance Functions

The Board is responsible for performing the functions set out in the code provision D.3.1 of the Corporate Governance Code.

The Board is responsible for reviewing the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, and the Company's compliance with the Corporate Governance Code and the disclosure in this Corporate Governance Report. The Board has performed the above duties during the Reporting Period.

Director's Financial Reporting Responsibility on Consolidated Financial Statements

The Directors acknowledge their responsibility for preparing the consolidated financial statements of the Company for the year ended 31 December 2020.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement from the Company's independent auditor, PricewaterhouseCoopers, regarding its reporting responsibility on the financial statements is set out in the Independent Auditor's Report on pages 124 to 130 of this Annual Report.

Risk Management and Internal Control

An adequate and effective risk management and internal control system is an important guarantee to achieve the strategic goals of the Company. The risk management and internal control system shall ensure that the Company complies with the relevant laws, regulations and regulatory policies, the business activities of the Company are carried out effectively, and that the accounting records are true and accurate.

The Board and the management of the Company have always attached great importance to the establishment of the risk management and internal control system, and regarded it as one of the core contents of the operation, management and business activities, so as to continuously establish the risk management and internal control system that matches its strategies and integrates with its businesses.

The Board confirms its responsibility for ensuring that the Company establishes and maintains a fully effective risk management and internal control system. The Board is responsible for overseeing the risks exposure to the Company, determining the nature and level of risk that the Company is willing to take to achieve its development goals and implement its relevant strategies, and actively analyzing and developing strategies to manage the key risks exposure to the Company. The Audit and Risk Management Committee, on behalf of the Board, reviews the construction, implementation and inspection work of the management of the Company in the risk management and internal control system on a quarterly basis, and reviews the effectiveness of the risk management and internal control system on an annual basis. The Company gives the Directors sufficient instructions and information for performing their duties, so that the Directors can make an informed assessment when financial and other information is submitted for approval.

In order to ensure the effectiveness of the risk management and internal control system, the Company has adopted a "three lines of defence" model comprising the operational management carried out by business departments, the risk management carried out by the internal control department, the independent audit and anti-fraud investigation carried out by the audit and supervision team, and established the risk management and internal control organizational structure under the supervision and guidance of the Board with reference to the actual situation of the Company.

The Company's internal control and compliance team is primarily responsible for identifying and monitoring the risks and internal control of the Company, and reporting any findings and follow-up actions directly to the Audit and Risk Management Committee. All departments of the Company strictly follow the Company's internal control procedures and report any risks or internal control matters to the internal control and compliance team.

The Company's audit and supervision team is responsible for providing an independent evaluation of the effectiveness of the risk management and internal control system of the Company, receiving multi-channel reports, following up and investigating suspected fraud incidents, meanwhile assisting the management in promoting anti-corruption education to all employees of the Company. Internal audit and investigation results are reported directly to the Audit and Risk Management Committee. Before the formal confirmation that the problems found in the audit are completely rectified, the audit and supervision team is responsible for reviewing the rectification plan proposed by the management of the Company on the problems found in the audit and reviewing the adequacy and effectiveness of the relevant rectification measures.

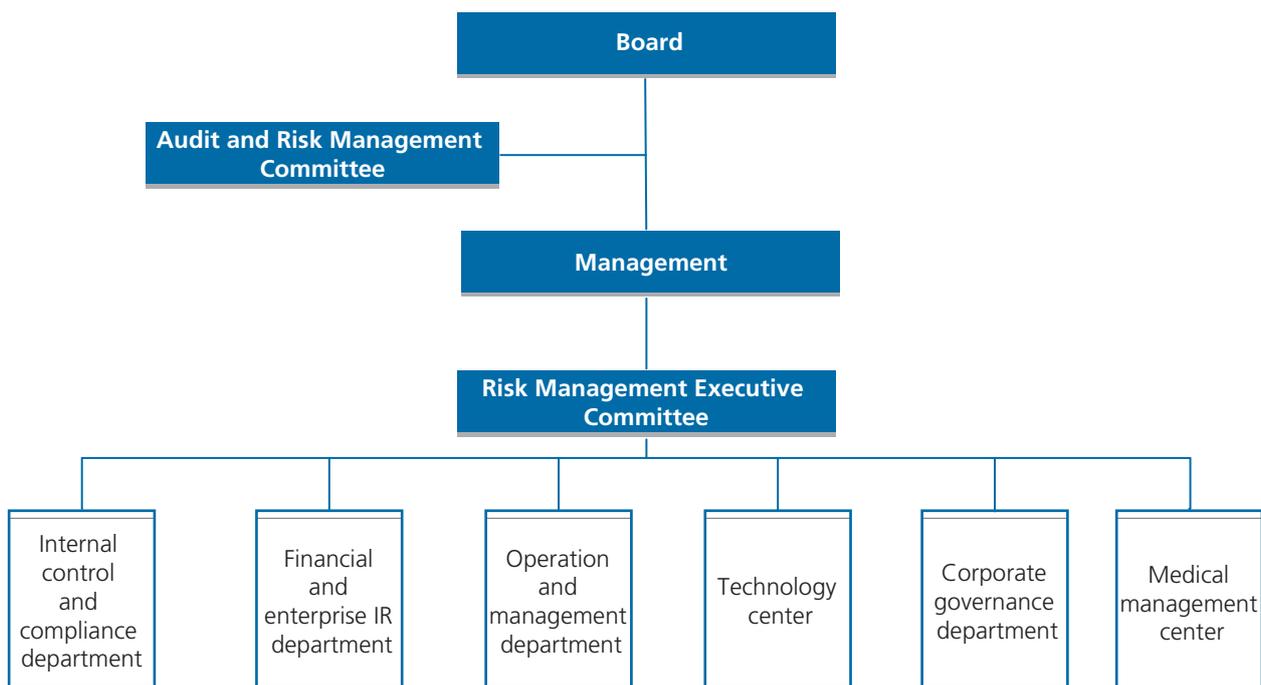
The aforesaid risk management and internal control system is designed to manage, and do not completely eliminate the risk that the Company may not be able to implement its business strategy, and may only make reasonable, but not absolute, assurances of material misstatement or loss.

Risk Management

The Company has been committed to continuously improving the risk management organizational structure, standardizing the risk management process, adopting qualitative and quantitative risk management methods to identify, evaluate and mitigate risks, and promoting the sustainable and healthy development of the Company's business under the premise of controllable risks.

Risk Management Organizational Structure:

The Company has implemented the requirements of external laws, regulations and regulatory policies, the Memorandum and Articles of Association and relevant systems on risk management, and has established a risk management organizational structure under which the Board shall assume the ultimate responsibility, the management shall directly lead with support from the Risk Management Executive Committee and close cooperation among various functional departments to cover all business lines and risks.





Corporate Governance Report

The Board is the highest decision-making body for risk management of the Company and is responsible for the effectiveness of risk management of the Company. The Board has established the Audit and Risk Management Committee to comprehensively understand and evaluate the Company's major risks and their management status, and supervise the effectiveness of the operation of the risk management system. As a professional committee under the management of the Company, the Risk Management Executive Committee of the Company is the leading body of the Company's risk management for conducting risk management and making major decisions thereof, which shall be responsible for the overall risk management of the Company. The duties of the Risk Management Executive Committee of the Company mainly include reviewing the overall objectives of risk management, risk appetite, risk limits and basic policies and principles of risk management, guiding the establishment and improvement of various risk management systems as well as promoting the building of a comprehensive risk management culture within the Company.

The Risk Management Executive Committee of the Company is chaired by the chairman of the Company while and the vice chairmen shall be assumed by the general manager of the Company and the leader for comprehensive risk management. Its members comprise leaders in charge of the management of different risks. The committee comprehensively covers the Company's compliant operational risk, liquidity risk, strategic risk, operational risk, brand reputation risk, IT operational risk, information security risk and medical risk, which fully implements the responsibilities of risk management.

Risk Management Culture:

With the continuous improvement of the risk management system, the Company has formed a comprehensive risk management culture and atmosphere among the Board, the management and employees of the Company, and gradually established an effective and smooth risk management mechanism from top to bottom and vice versa, laying a solid foundation for the risk management to play a full role in daily operation and support management and decision-making.

Risk Management Methods:

The Company continues to optimize its risk management system, improve its organizational structure, formulate risk management policy and guidelines, standardize the risk management procedures and fulfill risk management responsibilities. The Company adopts qualitative and quantitative risk management methods to effectively identify, assess and mitigate risks.

- The Company has established an optimal risk governance framework and risk management communication and reporting mechanism, and integrated risk management culture into the overall process of corporate culture establishment. The Company will strengthen the centralized risk management from the perspectives of policy formulation, system construction and risk reporting.
- The Company utilizes tools and methods such as the risk dashboard and stress tests to continuously develop and optimize the risk management techniques and models to identify, analyze and manage risks with qualitative and quantitative methods.
- The Company continues to improve its risk warning mechanism, providing timely and effective alerts on industry developments, regulatory information and risk events, guarding against potential risks and optimizing its risk management mechanism.
- The Company carries out comprehensive assessment of risk management capabilities, and constantly improves risk management monitoring indicators and measurement methods, promoting the smart transformation of the risk management to enhance the efficiency of risk management of the Company.

Risk Analysis:

The Company classifies risks into different categories for management to ensure that risks are identified and managed systematically. The risk exposures of the Company may change as its business scale, operational scope, complexity and external environment continue to change. Key risk definitions and applicable strategies are summarized as follows:

Compliance Operation Risk

Compliance operation risk refers to the risk of direct or indirect losses due to inadequate internal operational procedures, personnel, systems or external events.

The Company continues to pay attention to and implement regulatory compliance and operational risk management strategies. Based on the existing compliance management and internal control system, the Company integrates advanced internal and external experience, methods and tools, optimizes the compliance operational risk management structure, improves the system and mechanism and strengthens the coordination among various departments. The Company also establishes daily monitoring and reporting mechanism to regularly report the overall risk situation to the management, and continuously improves the effectiveness and standard of risk management.

Information Security Risk

Information security risk refers to the risk of leakage or damage of the Company's data information assets due to improper application systems and their underlying basic network.

The Company has placed great emphasis on the security of user sensitive information, established an information security committee to coordinate and promote works relating to information security. A data security committee has also been set up to enhance the capabilities of data security management. Measures have also been taken to ensure information security, such as encryption technology, information desensitization, control of information access permission, and restriction of information dissemination. The Company irregularly carries out training and promotion of information security to enhance the awareness of information security risk management within the Company.

IT Operation Safety Risk

IT operation safety risk refers to the risk resulting from improper methods, means, technologies and processes of the operation conditions of IT software and hardware, IT business systems or the comprehensive management of IT operation and maintenance personnel.

The Company has upgraded its safety protection system from multiple dimensions such as machine room, network, system, application and office environment. Through strict authorization application and approval, the Company has carried out the industrialized and automatic IT operation. The Company has strictly complied with the change process and regulations, continuously improved the change of operation and management, emergency plan management, and the monitoring coverage and warning mechanism, so as to continuously enhance the IT operation safety risk management capability.

Brand Reputation Risk

Brand reputation risk refers to the risk of negative comments on the Company from stakeholders due to the Company's operation, management or external events, resulting in brand reputation and other related losses.

The Company has established reputation risk management, press spokesperson and press release management and social media management policies to comprehensively guide external news promotion and reputation risk management. The Company adheres to the principles of prevention in advance, timely handling during an event and remedies afterwards, and combines the network system of brand culture ambassadors and irregular brand culture training to continuously improve the management standard of brand reputation risk.



Corporate Governance Report

Operational Risk

Operational risk refers to the risk of losses resulting from inadequate or failed operational processes, people and cross-departmental assistance.

The Company has always attached great importance to the management and control of operational risks. A risk management organization consisting of professionals has been established to continuously improve the effectiveness and standard of operational risk management through formulating operational risk management policies, reviewing risk points during the process based on business characteristics, establishing targeted management and control measures and carrying out multi-dimensional dynamic risk monitoring and management.

Strategy Risk

Strategy risk refers to the risk of mismatch between the Company's strategies and the market environment and the Company's ability due to ineffective procedures for strategy planning and implementation or changes in the business environment.

The management of the Company has attached great importance to strategy planning, which can only be implemented after strict discussion and review. The Company has also monitored the implementation of the strategy through the mechanisms of budget management, monitoring, and operation analysis and adjustment.

Medical Risk

Medical risk refers to the risk that injury or disability may occur to patients in the course of receiving medical services and all possible medical safety incidents related to patients, society or the Company.

The Company keeps up with the requirements of policies and regulations, timely improves the management regulations relating to the Company's Internet hospital management and Internet diagnosis and treatment, and establishes a professional management team for medical compliance management and medical quality control. Through the three-level quality control and training system, the operation of ISO9001 quality management system and the sound complaint handling procedure system, the Company continuously improves medical quality, service quality and customer satisfaction. It also maintains insurance coverage for medical liability risks associated with our operations.

The Audit and Risk Management Committee assists the Board in examining the overall risk profile of the Company and reviewing changes in the nature and severity of the Company's major risks. The Audit and Risk Management Committee considers that the management of the Company has taken appropriate measures to address and manage the key risks at a level acceptable to the Board.

Internal Control

The management of the Company is responsible for designing, implementing and maintaining the effectiveness of its internal control system, and the Board and the Audit and Risk Management Committee are responsible for exercising supervision over the appropriateness and effective implementation of the internal control measures introduced by the management.

Important segments of the Company's internal control system include delineating the management responsibilities of each party in key business segments, formulating clear written policies and procedures regarding important business processes and conveying to employees. The Company's policy is the management standard of each business process, covering aspects such as finance, legal affairs and operation, and all employees shall strictly implement it.

In order to further strengthen the management's responsibility for the Company's internal control system and clearly confirm the effectiveness of the control system by the management, the management of the Company conducts self-assessment and confirmation of the internal control of key businesses and strategic business lines. The internal control and compliance team assists the management in compiling the self-assessment questionnaire, guides the management of relevant departments in carrying out self-assessment, and collects, reviews and verifies the self-assessment results. The self-assessment and review results have been directly reported to the Audit and Risk Management Committee for consideration.

In addition, the audit and supervision team shall supervise the management in the construction of risk management and internal control system, regulate the management in the implementation of appropriate measures to objectively evaluate the effectiveness of the risk management and internal control system of the Company and report the evaluation results to the Audit and Risk Management Committee at least on an annual basis. The audit and supervision team directly makes a report to the Audit and Risk Management Committee in a timely manner regarding major internal control deficiencies, exercises supervision over the implementation of the rectification plan by the management, and reviews the full effectiveness of relevant rectification.

Effectiveness of Risk Management and Internal Control

The Audit and Risk Management Committee continues to review the risk management and internal control system on behalf of the Board. The review processes include but are not limited to holding meetings with each of the business and functional management teams, internal control legal staff, audit and supervision team and external auditors, reviewing relevant work reports and key performance indicator information, and discussing major risks with the senior management of the Company.

For the year ended 31 December 2020, the Board considers that the risk management and internal control system of the Company was effective and sufficient. The risk management and internal control system for finance, operation and compliance of the Company is effective and adequate.

In addition, the Board has confirmed that the accounting and financial reporting functions of the Company have been performed by the employees with appropriate qualifications and experience who have received adequate and appropriate training and development. Based on the work report of the Audit and Risk Management Committee, the Board has confirmed that the internal audit function of the Company is sufficient, the relevant resources and budget are sufficient, and the relevant employees are equipped with appropriate qualifications and experience, and have received sufficient training and development.

The Company has formulated an insider management, securities dealing and information disclosure policy to provide comprehensive guidance for the Directors, senior management, Shareholders holding more than 5% and other relevant employees in handling confidential information, dealing in securities and supervising information disclosure. Disclosure of regular reports, provisional reports and emergency handling of the Company are released after reasonable examination, so as to ensure that the information disclosed is true, accurate and complete, without false records, misleading statements or major omissions. The Board is responsible for implementing the procedural provisions in the information disclosure policy, and the Company's audit and supervision team is responsible for checking and supervising the effective operation of the procedures, and for supervising and urging the correction of abnormal behaviors.

Corporate Governance Report

Remuneration of the Auditors

Details of fees paid/payable for audit and non-audit services provided by PricewaterhouseCoopers for the year ended 31 December 2020 are set out below:

Services provided to the Company	Fees paid and payable (RMB'000)
Audit services	3,360
Non-audit services	61.7
Total	3,421.7

Joint Company Secretaries

Mr. LIU Cheng, a joint company secretary of the Company, is responsible for making recommendations to the Board on corporate governance matters and ensuring the Company's compliance with the policies and procedures of the Board, applicable laws, rules and regulations.

To maintain good corporate governance and ensure compliance with the Listing Rules and the applicable Hong Kong laws, the Company has also appointed Ms. CHEN Chun, a senior executive of SWCS Corporate Services Group (Hong Kong) Limited, to act as another joint company secretary to assist Mr. Liu in fulfilling his duties as a company secretary of the Company. Mr. Liu is the main contact person of Ms. Chen in the Company.

Details for the biographies of Mr. Liu and Ms. Chen are set out in the section headed "Directors and Senior Management – Senior Management" of this Annual Report.

During the year ended 31 December 2020, Mr. Liu and Ms. Chen have taken no less than 15 hours of relevant professional training in compliance with the requirements of Rule 3.29 of the Listing Rules.

Shareholders' Rights

To safeguard Shareholders' interests and rights, a separate resolution will be proposed for each issue at the general meetings, including the election of individual Directors. All resolutions put forward at the general meeting will be voted by poll pursuant to the Listing Rules and the poll results will be posted on the websites of the Company and the Stock Exchange in a timely manner after each general meeting.

Convening of Extraordinary General Meeting and Putting Forward Proposals

Under the Memorandum and the Articles of Association, general meetings shall be convened on the written requisition of any two or more Shareholders of the Company deposited at the principal office of the Company in Hong Kong, specifying the agenda of the meeting and signed by the requisitionists, provided that such requisitionists held as at the date of deposit of the requisition not less than one-tenth of the paid-up capital of the Company which carries the right of voting at general meetings of the Company. General meetings may also be convened on the written requisition of any one of the Shareholders of the Company which is a recognized clearing house (or its nominee(s)) deposited at the principal office of the Company in Hong Kong, specifying the agenda of the meeting and signed by the requisitionists, provided that such requisitionists held as at the date of deposit of the requisition not less than one-tenth of the paid-up capital of the Company which carries the right of voting at general meetings of the Company. If the Board does not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further 21 days, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Board provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to them by the Company.

As regards proposing a person for election as a Director, the procedures are available on the website of the Company.

Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board of the Company, Shareholders may send enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

Shareholders may send their enquiries or requests as mentioned above to the following address:

Address: 19/F, Block B, Shanghai Ping An Building, No. 166, Kaibin Road, Shanghai, PRC (For the attention of the investor relation team)

Email: IR_PAGoodDoctor@pingan.com.cn

Communication with Shareholders and Investor Relations

During the Reporting Period, the Company fulfilled its obligation of information disclosure in strict compliance with regulatory requirements to timely and fairly disclosed all its information, and ensured that all Shareholders, domestic and foreign institutions and individual investors have equal access to company information.

The information disclosed during the Reporting Period was true, accurate and complete, and there was no violation of the information disclosure provisions.

During the Reporting Period, the Company adhered to the principles of compliance, objectiveness, interaction, fairness and efficiency in providing services proactively and passionately to institutional and individual investors domestically and overseas, aiming at promoting the accuracy and service level of investor relations, continuously improving the mutual understanding between investors and the Company, and enhancing the level of corporate governance.



Corporate Governance Report

In 2020, the Company provided illustrations of its results by means of interim results presentation, domestic and overseas non-deal roadshows, reverse roadshows, investor open day, conferences of domestic and foreign investment banks and securities brokers, and made constant and extensive communication with institutional investors and small and medium-sized investors, and actively promoted itself to the market, thereby deepening the understanding of the market about the Company and its communication with the Company. Meanwhile, the Company maintains a website at www.pagd.net and a public email of IR_PAGoodDoctor@pingan.com.cn, which serve as a communication platform with the Shareholders and investors. Shareholders and investors are welcome to write a letter directly to the investor relations team or email to the public email address of the Company for any enquiries. The public can also view and follow our latest business development, corporate governance practices and relevant information on the website platform.

In 2020, the Company received 608 online visits of investors/analysts domestically and overseas, attended approximately 275 online investment conferences organized by domestic and foreign investment banks and stockbrokers, organized 8 online and offline roadshows, 1 large investor day as well as 2 online results presentations. Moreover, the Company was committed to improving the mechanisms of investors information collection and market information feedback, strengthening the dynamic monitoring of analyst reports and media and public opinions, and paid special attention to the investors' concerns and advice to improve the communication quality with investors in a targeted way, aiming at enhancing its governance level and intrinsic value.

Changes in the Memorandum and Articles of Association

The Company adopted the Memorandum and Articles of Association on 19 April 2018, effective from the Listing Date. During the Reporting Period, there was no change to the Memorandum and Articles of Association.

Environmental, Social and Governance Report

About This Report

1. Introduction to This Report

Ping An Healthcare and Technology Company Limited (hereinafter referred to as “Ping An Good Doctor”, the “Company” or “We/Us”) is pleased to release 2020 Environmental, Social and Governance Report (hereinafter referred to as “this Report”), elaborating the management efforts and achievement in the environmental, social and governance (the “ESG”) areas in 2020, aiming at responding to the expectations from stakeholders and the public, and objectively disclosing the performance of Ping An Good Doctor in terms of the sustainable development.

2. Reporting Scope

This Report mainly covers the period from 1 January 2020 to 31 December 2020 (hereinafter referred to as the “Reporting Period” or the “Year”). This Report mainly covers the Company’s principal businesses, including online healthcare business, consumer healthcare business, health mall business, and health management and interaction business. For details of the Company’s businesses, please refer to 2020 annual report of the Company.

3. Reporting Guideline

This Report is compiled in compliance with the “Environmental, Social and Governance Reporting Guide” (hereinafter referred to as the “ESG Reporting Guide”) of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (hereinafter referred to as the “HKEX” or the “Hong Kong Stock Exchange”) and with reference to the United Nations Sustainable Development Goals (SDGs). The ESG Reporting Guide content index is provided towards the end, for quick reference by readers.

4. Sources of Information for This Report

Information and data disclosed in this Report source from the internal official documents, internal statistics and the relevant public information of the Company. Unless otherwise specified, the monetary amounts herein shall be settled in Renminbi.

5. Assurance for This Report

The content disclosed in this Report has been considered and approved by the Board of Directors of Ping An Good Doctor. The Board is committed to supervising the content of this Report without false representation, misleading statement or material omission.

Environmental, Social and Governance Report

2020 Sustainable Development Performance

In 2020, Ping An Good Doctor took Environmental, Social and Governance (ESG) as the driving force of the Company's sustainable development and fully integrated ESG standards into the Company's development management. We clarified the Company's mission of "To build a bridge of effective communication between doctors and patients" and took advantage of the timely, efficient, and contactless Internet medical care to make efforts in fighting the COVID-19 pandemic, implementing the Village Doctor Program, and promoting inclusive healthcare. We optimized and improved our service quality, to bring a better experience to our customers. In terms of team building, we fully protected the rights and interests of employees and provided a comprehensive talent training system. We increased investment in low-carbon operations, responsible procurement, and community public welfare, striving to become a responsible corporate citizen. Our vision is to provide a family doctor for every family, to set up an e-health profile for every person, to develop a health management plan for everyone.

1. Fighting COVID-19



During the climax of the pandemic, the number of visits to Ping An Good Doctor platform reached

1.11
billion



The number of masks donated to hospitals in Wuhan and other medical institutions in different places

450
thousand



The number of "Anti-Virus Guide" Videos recorded and released

51



The number of provincial, municipal and regional governments cooperated with to set pandemic specialized lines to provide real-time online consultation service for COVID-19

62

2. Village Doctor Program



Upgraded

1,228

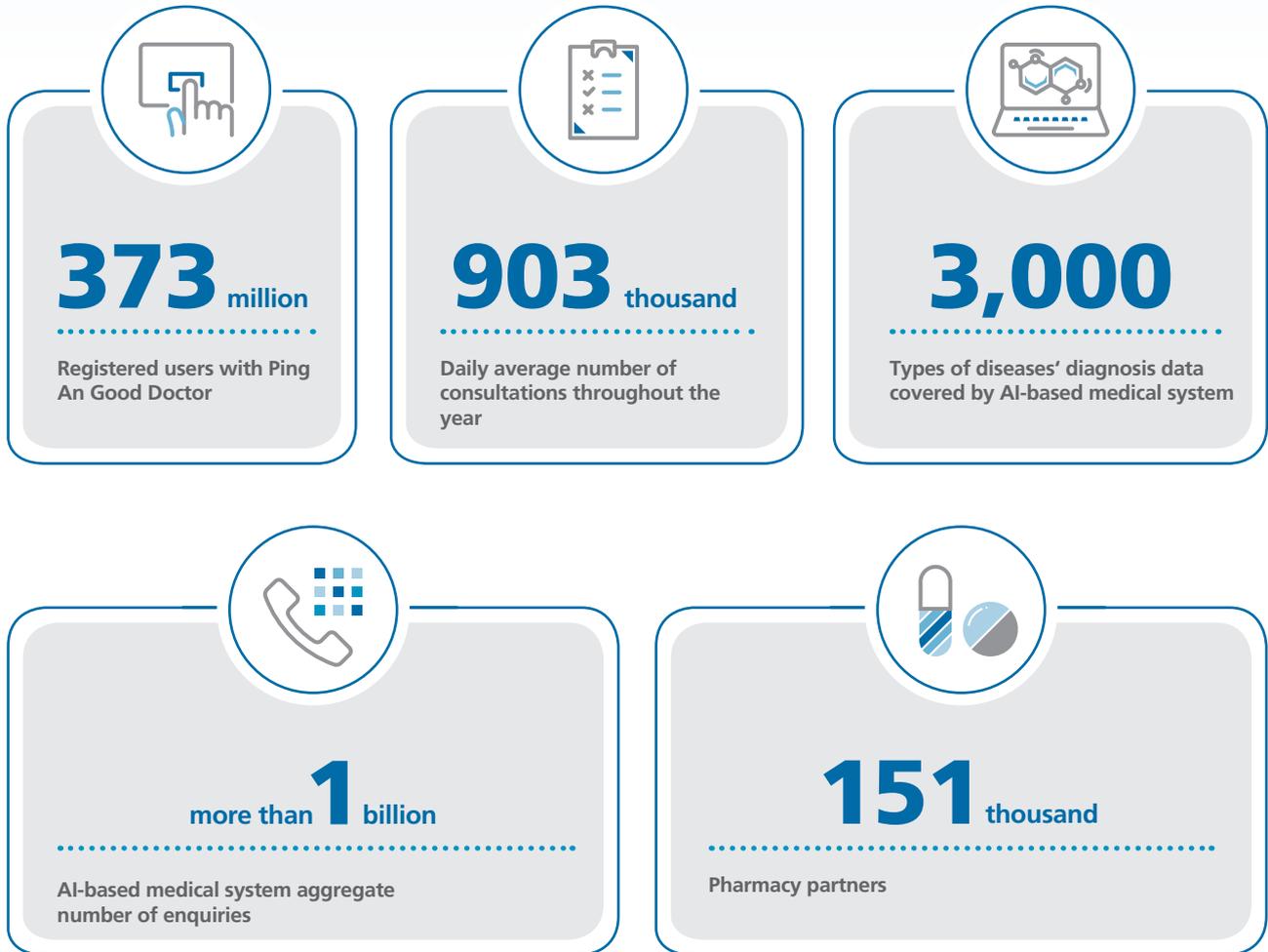
rural clinics



110 thousand

People covered by free medical consultations and examinations

3. Inclusive Healthcare

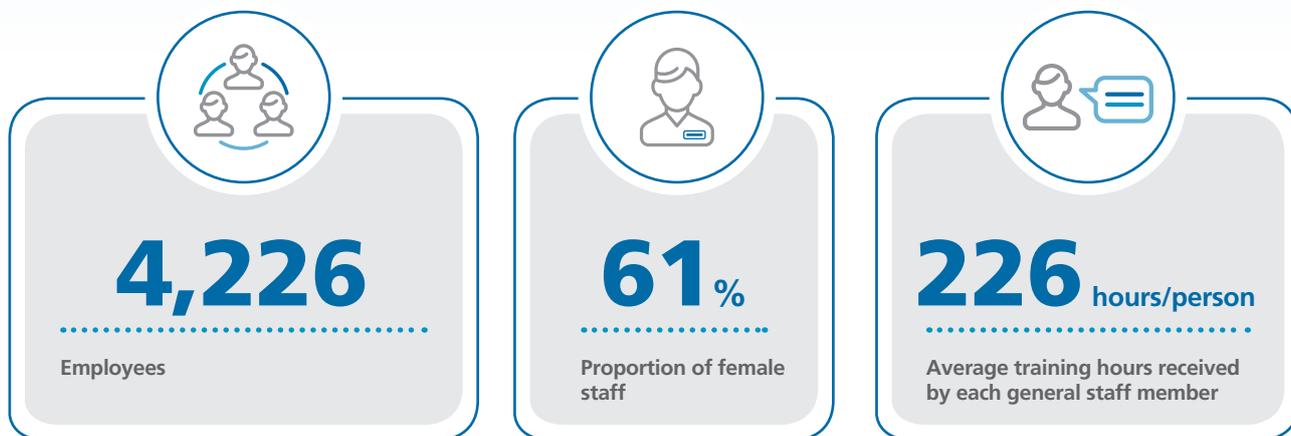


4. Client Experience



2020 Sustainable Development Performance

5. Staff Development



Mission of the Company

To build a bridge of effective communication
between doctors and patients

Vision of the Company

To provide a
family doctor
for every family

To set up an
e-health profile
for every person

To develop a health
management plan
for everyone

2020 Sustainable Development Performance

2020 Awards and Recognitions

Award	Date	Awarding Institution
Strategic Investment Institution of the Year on the Healthcare Investment Excellent List 2020 (2020第四屆醫療健康投資卓悅榜·平安好醫生獲得年度最佳戰略投資機構獎)	March 2020	HaoYue Capital (浩悅資本)
Innovative Healthcare APP of the Year 2020 (2020年度創新型健康醫療APP)	June 2020	China Internet Weekly (互聯網週刊)
"Listed Internet Healthcare Company of the Year" Gold Medal (金勳章獎「年度互聯網醫療上市公司獎」)	June 2020	Jiemian, Shanghai United Media Group (上海報業集團 界面新聞)
"Institution with Innovative and Advanced Technology" in Prevention and Treatment of COVID-19 by the Chinese Healthcare Community (全國醫健新冠肺炎疫情防治「科技創新先進機構」大獎)	July 2020	CN-Healthcare Review (健康界)
Golden Kirin Most Valuable Listed Company of New Economy (金麒麟最具價值新經濟上市公司獎項)	August 2020	Sina Finance (新浪財經)
Outstanding Contribution Award in Internet Healthcare 2020 (平安好醫生獲2020互聯網醫療傑出貢獻獎)	August 2020	China Internet Weekly (互聯網週刊)
Best Digital Apps of 2020 (2020年度最佳數字應用)	October 2020	Analysys (易觀)
Public Welfare Innovation Company of 2020 (2020公益創新企業獎)	November 2020	International Financial News (國際金融報)
Outstanding Company in Technological Innovation in "2020 China Benefit Corporation" (2020「中國益公司」科技創新傑出企業獎)	November 2020	Tencent (騰訊)
TOP 10 Influential Innovation Company in Healthcare 2020 (2020年度醫療健康領域最具影響力創新企業TOP10)	December 2020	Lieyunwang.com (獵雲網)
TOP 10 Innovation Company with Most Contributions in Fighting COVID-19 of 2020 (2020年度最具疫情貢獻創新企業TOP10)	December 2020	Lieyunwang.com (獵雲網)
New Healthcare Power Company of China 2020 (2020中國健康新勢力企業)	December 2020	People's Daily Online (人民網)
Wise 2020 King of New Economy – Most Influential Company (Wise2020中國新經濟之王「最具影響力企業」)	December 2020	36Kr (36氪)
China Securities Golden Bauhinia Awards: Best Listed Company of New Economy (中國證券金紫荊獎「最佳新經濟上市公司」)	December 2020	Hong Kong Dagong Wenhui Media Group (香港大公文匯傳媒集團)
Hong Kong Corporate Governance Excellence Award 2020 (2020年度香港公司管治卓越獎)	December 2020	The Chamber of Hong Kong Listed Companies (香港上市公司商會)
Internet Hospital with Gold Quality Services 2020, Social Responsibility Award, and Supporter for Fighting COVID-19 (「2020互聯網醫院金質服務大獎」·「社會責任獎」·「戰疫幕後力量」)	December 2020	Nanfang Metropolis Daily (南方都市報)
Responsible Contribution Award of the Year in Southern Weekly Annual Gala (南方週末年度盛典「年度責任貢獻獎」)	December 2020	Southern Weekly (南方週末)
Outstanding Listed Company 2020 (傑出上市公司大獎2020)	December 2020	am730, iFeng Hong Kong Stocks, and PR ASIA (《am730》及鳳凰網港股·PR ASIA亞洲公關)
Company of the Year in Nanfang Charity Communication Awards (南方公益傳播獎·年度獎)	December 2020	Nanfang Daily (南方日報)
"New Economy-Technology Company" Award at Hong Kong Listed Companies Development Summit Forum 2020 and the 8th Top 100 Hong Kong Listed Companies Contest (2020香港上市公司發展高峰論壇暨第八屆港股100強頒獎典禮「新經濟科技公司獎」)	December 2020	Top 100 Hong Kong Listed Companies Research Center (港股100強研究中心)
Honor Award for Company with Outstanding Social Responsibility of 2020 (2020年度社會責任優秀企業 – 奧納獎)	December 2020	Organizing Committee of the Social Responsibility Conference (社會責任大會組委會)

Feature I:

Ping An Good Doctor Safeguarding Health for All in the Combat in Unity Against COVID-19

The COVID-19 pandemic that broke out in early 2020 has affected the feeling of all Chinese people. As a leading company in Internet healthcare, Ping An Good Doctor has paid constant attention to the developments of the pandemic. At the very beginning since the outbreak, the Company started to mobilize various resources and gave full play to the unique advantages of Internet medical services of "no contact," "no cross-infection risk," and "round-the-clock services," to provide all-round support for the public in fighting the pandemic in aspects of online consultation, supplies support, ensuring medicine supplies and online education.

1. Online Consultation

Soon after the outbreak of the pandemic, Ping An Good Doctor set up a working group on combating COVID-19 and established an online consultation and prevention mechanism. Its thousands of in-house medical workers sacrificed their Spring Festival vacation for the online consultation for COVID-19. Ping An Good Doctor also opened a 7*24h online pandemic consultation section and the Global Medical Consultation Platform available in English, and assembled a team of doctors and experts from various departments of Ping An Good Doctor to provide global users with professional COVID-19 consultation services and guidance on protection against the pandemic.

Ping An Good Doctor developed an online process for Internet hospitals to handle suspected COVID-19 cases according to the Guidance for Corona Virus Disease 2019: Prevention, Control, Diagnosis and Management (Trial Edition 2) issued by the National Health Commission. Also, targeting the characteristics of COVID-19, the Company created a "3Qs + 3As" online consultation prevention mechanism and screening standards to actively identify potential patients with COVID-19 to avoid any missed diagnosis.

To form a wider service network, Ping An Good Doctor cooperated closely with relevant agencies of 62 provinces, cities, and regions, including Wuhan, Fujian, Beijing, and Chongqing, to provide real-time online consultation services for COVID-19 and open anti-pandemic free consultation hotlines in provinces and cities, providing free consultations on COVID-19 and guidance on protection against COVID-19. We also cooperated with more than 30 leading companies in the industry, including Baidu, WeChat Work, Pinduoduo, Meituan Dianping, Kuaishou, Weibo, Moji Weather, Zhihu, Himalaya, and High-speed Train Master, to provide 24-hour online consultation services and real-time updates of the pandemic and content of medical science popularization.

During the climax of the pandemic, the number of visits to the Ping An Good Doctor platform reached 1.11 billion, the number of newly registered users of the APP increased by 10 times, and the average number of daily consultations by new APP users was 9 times the usual.

During the climax of the pandemic

The number of visits to Ping An Good Doctor platform reached

1.11 billion 



The number of new registered users of the APP increased by

10 times 



The increase in the number of new APP users' daily consultations reached

9 times 



Feature I: Ping An Good Doctor Safeguarding Health for All in the Combat in Unity Against COVID-19

Case:

Ping An Good Doctor Fighting COVID-19 with Cloud Consultations

During the climax of the pandemic in 2020, Ping An Good Doctor received more than 700,000 visits per day, which was equivalent to the total number of visits per day in more than 70 Grade A tertiary hospitals. Increasingly patients with common diseases choose online consultation services for the safety and convenience of Internet healthcare. The strong consultation ability is supported by the AI-based diagnosis and treatment technology, the Company's core technology. With the user's age, gender, and symptoms being input, the AI-based medical system can quickly help the user find a suitable professional doctor. The system can also help doctors answer users' questions more efficiently, reduce repetitive manual labor, shorten the time required for doctors to diagnose diseases, and provide diagnostic references during the consultation to avoid misdiagnosis.

As a key player in the medical and healthcare industry, Ping An Good Doctor fully capitalized on its strength of technological empowerment of online medical care to help the people nationwide win this battle.

Case:

Ping An Good Doctor Giving Play to Features of Internet Healthcare to Support the Fight Against COVID-19

At the end of January 2020, Ping An Good Doctor received a consultation from a patient who was taking a high-speed train. It was understood that the patient had symptoms of fever, chest tightness, and cough, and had been to Wuhan in the last month, who was a highly suspected case of COVID-19. To prevent the spread of the disease, Ping An Good Doctor immediately contacted the patient for emotional comfort with guidance on pandemic prevention, and immediately notified the high-speed rail crew to guide them to implement quarantine measures. Meanwhile, Ping An Good Doctor reported the situation to the CDCs in Shandong and Henan and contacted 110 and the railway center promptly. With coordination among multiple parties, the patient was successfully sent to the nearest city with screening capabilities for medical screening.

Relying on the special advantages of the timely and efficient Internet healthcare with no face-to-face contact, Ping An Good Doctor helped traditional hospitals screen patients during the COVID-19 pandemic and effectively reduced cross-infection among patients, which was highly recognized and praised by users.

2. Supplies Support

At a time when medical resources in Wuhan and other cities were in short supply, Ping An Good Doctor immediately donated 200,000 masks to first-line medical workers in Wuhan. In addition, to continuously support medical institutions across China to respond to the pandemic, we quickly collected 250,000 surgical masks through multiple channels and donated them to relevant medical and health institutions in many provinces and cities across China, to provide protection for frontline medical staff in the epicenter of the pandemic.



3. Ensuring Medicine Supplies

Facing the short supply of anti-pandemic materials and medicines and logistics services during the pandemic, Ping An Good Doctor gave full play to the professional advantages of the Internet healthcare platform, maintained close contact with suppliers, and made every effort to ensure sufficient supply of medicines and health products in the online mall. We integrated platform merchants and supply chain resources, expanded and improved products for pandemic prevention, and launched an area for chronic disease medication services for users with chronic diseases. We also strengthened cooperation with logistics providers to ensure timely medication for chronic disease patients during the pandemic.

Feature I: Ping An Good Doctor Safeguarding Health for All in the Combat in Unity Against COVID-19

4. Online Education

Ping An Good Doctor swiftly organized experts and doctors to record anti-pandemic videos and hold live-streaming sessions to interpret the key points of the treatment of and protection against COVID-19 for primary medical and healthcare workers.

Ping An Good Doctor and Beijing Medical Doctor Association jointly recorded and released a series of 51 “Anti-Virus Guide” popular science videos, covering special groups such as the elderly, pregnant women, and children. They included detailed pandemic prevention guidelines for pandemic prevention knowledge, staying home, community activities, disinfection and food, and pandemic-specialized psychological counseling. During the pandemic, the videos were viewed more than 115 million times on the Internet, and popular science articles on fighting the pandemic on the WeChat official account were read more than 140,000 times.

During the climax of the pandemic

The number of “Anti-Virus Guide” videos recorded and released

51 videos



The number of video playback exceeded

115 million times



The reading volume of popular science articles about fighting the epidemic on WeChat official accounts exceeded

140 thousand times



Anti-pandemic popular science videos by Ping An Good Doctor

Feature II:

Village Doctor Program: Poverty Alleviation by Ping An Good Doctor through Medical Support

To thoroughly implement the Outline for the Plan of Health China 2030, actively respond to the national call for poverty alleviation, and implement the "Three-Village Project" of Ping An Group, we launched the "Village Doctor Program" in 2018, with an aim to improve the standard of medical services in poor regions in China. In 2020, we intensified the practice of "upgrading rural clinics," "assisted diagnosis," "training village doctors," and "physical examination and free medical consultation," forming a primary closed-loop assistance system. We optimized the upgrading of medical services, implemented a three-dimensional project for rural clinics, village doctors and villagers on poverty alleviation through medical support, and effectively improved the standard of basic medical services in poor regions.

As of December 31, 2020, the Village Doctor Program has built and upgraded **1,228** rural health clinics, and offered free medical consultation and checkups for more than **110,000** people.

Main Content of Ping An Good Doctor's "Village Doctor Program"

Upgrading Rural Clinics

- Ping An Good Doctor equipped rural clinics with the multipurpose integrated examination and inspection devices and other medical equipment, provided primary medical rescue equipment and basic medical material resources, effectively improved the facilities of rural clinics, and enhanced their diagnosis and treatment standard and rescue capabilities.

Training Village Doctors

- Ping An Good Doctor joined hands with the governments of poverty-stricken counties, Health Commissions, and the Chinese Medical Doctor Association to provide online + offline medical training for village doctors in poverty-stricken counties, to help them improve their medical standards. We also helped village doctors to master the equipment and auxiliary diagnosis and treatment applications provide through the village clinic assistance program and use the Ping An Good Doctor Village Doctor online application (Village Doctor APP), which provides village doctors with general medical practice training, live-streaming of famous doctors, remote training, and pairing supports.

Physical Examinations

- With the help of mobile testing vehicles equipped with fully digitized DR, color Doppler ultrasound, electrocardiogram, urine analyzer, and other medical devices, Ping An Good Doctor provided local villagers in poverty with free physical examinations and medical consultation, and carry out routine screening for a variety of organ diseases and tumors. In addition, Ping An Good Doctor organized the "Expert Consultations for Villagers" event to provide free expert consultation services for people in rural areas.

Assisted Diagnosis

- With the Village Doctor APP, village doctors can access the Ping An Good Doctor intelligent consultation assistance system via the "smart assistant," make consultations in the forms of "text + pictures," and improve the accuracy of initial diagnosis with the "intelligent guided diagnosis + professional doctor" manual assistance based on the knowledge base with a mass of cases. Meanwhile, the Village Doctor APP integrates high-quality resources of hospitals at all levels, allowing village doctors and higher-level hospital experts to consult remotely at any time, and timely referral of serious patients. When referring, village doctors can use the "appointment assistant" function to make appointments for villagers so that villagers only need to go on time, simplifying the process of medical consultation for villagers.

Feature II: Village Doctor Program: Poverty Alleviation by Ping An Good Doctor through Medical Support

Case:

Substantial Upgrade of Village Doctor APP

In 2020, Ping An Good Doctor made a substantial upgrade for the Village Doctor APP. The new version of the APP opened a special module of "Villager Health Records," which is convenient for village doctors to record villagers' consultations in real-time. Through the establishment of medical history and medical records to track villagers' medical history, the new Village Doctor APP can improve the accuracy and comprehensiveness of village doctors and remote experts' medical diagnosis of villagers. Also, a "Popular Health Science" module was added to the APP, for the release of popular medical science articles and training videos, to provide village doctors with health knowledge such as popular health science and health management for people with chronic diseases. In the future, Ping An Good Doctor will continue to enrich and improve the functions and content of the Village Doctor APP, to more effectively help local areas improve the standard of basic medical care.

Case:

Ping An Good Doctor Organizing Ten Renowned Doctors to Record Online Anti-pandemic Training Videos

Soon after the outbreak of the pandemic in 2020, village doctors, as the "gatekeepers" of grassroots pandemic prevention in rural areas, faced severe challenges such as lack of medical supplies and insufficient experience in pandemic prevention. In the anti-pandemic training live-streaming project for village doctors jointly organized by the Group, China Volunteer Service Federation, and the Chinese Association for Science and Technology, Ping An Good Doctor quickly organized ten former chief physicians and deputy chief physicians from the Departments of Respiratory Medicine, Traditional Chinese Medicine, Psychology, Gastroenterology at the People's Liberation Army General Hospital in Beijing and the General Hospital of Guangzhou Military Region to record training videos on pandemic prevention, and promote pandemic prevention knowledge among village doctors and the public and share their experience in fighting the pandemic in live-streaming. The topics of the training covered how to identify suspected cases, how to observe severe cases, how to fight the pandemic from the perspective of traditional Chinese medicine, and how to prevent and control the pandemic for children and the elderly. In addition to instructions, the experts also set up an online Q&A session in the live-streaming to answer questions of concern from village doctors and the public directly in remote links.

Since the launch at the end of January 2020, the serial videos of training by renowned doctors have released 16 episodes on 13 media platforms across China, including CCTV News Mobile, Xinhua News Agency, Toutiao, and Sina Weibo. By now, they have been viewed nearly 40 million times on the Internet, and the highest number of views of a single video has exceeded 5 million.

Doctors at Ping An Good Doctor worked day and night, to impart their knowledge and experience in fighting the pandemic in their respective fields and convey medical knowledge to grassroots village doctors and a large number of patients, helping village doctors win the grassroots battle against the pandemic.

Feature II:

Village Doctor Program: Poverty Alleviation by Ping An Good Doctor through Medical Support

Case:

Ping An Health Protection Action: In Weixin County, Zhaotong, Yunnan Province

In June 2020, the “Ping An Health Protection Action” visited Weixin County, Zhaotong City, Yunnan Province, bringing comprehensive health checks and medical and health supplies and lectures on health management to more than 100 villagers.

Weixin County is under the jurisdiction of Zhaotong City, Yunnan Province. Restricted by geographical conditions and economic development, the local medical and healthcare are backward, and it is not uncommon for people to fall into or return to poverty due to illness. Ping An Good Doctor joined hands with other professional companies of Ping An to bring medical testing equipment to Chang’an Township, Weixin County, where they conducted free disease screening and consultations for more than 100 local villagers, organized medical knowledge training and health science popularization for village doctors and villagers, and donated medical and health supplies. Ping An Good Doctor’s free consultations for rural residents bridged the gap between rural medical care and urban hospitals, and truly delivered healthcare to the mountainous areas, building a solid line of defense for rural healthcare.



Ping An Good Doctor in Zhaotong, Yunnan Province

Feature II: Village Doctor Program: Poverty Alleviation by Ping An Good Doctor through Medical Support

Case:

Ping An Good Doctor Donating Medical Equipment to Shawan District, Leshan, Sichuan

On October 29, the Village Doctor Program team of Ping An Good Doctor visited Shawan District, Leshan, Sichuan, donated equipment worth more than RMB250,000 to primary medical institutions, and carried out appropriate technical training for local primary medical workers. The Company also provided physical examinations and auxiliary diagnosis and treatment services for poor villagers in Shawan District. This event attracted more than 100 grassroots medical workers and poor villagers, which was highly praised by local residents.



Ping An Good Doctor in Leshan, Sichuan Province

In the future, Ping An Good Doctor will continue to implement the widely-recognized model of the "Village Doctor Program", intensify the integration of the Company's internal advantageous medical resources, cooperate with inspection vehicles to villages/communities, and continue to build a whole assistance process of the health and medical ecosystem based on the closed-loop of "prevention-inspection-treatment-management." The Company will carry out activities such as remote consultations, famous doctors serving rural residents, and health lectures, to effectively serve the grassroots residents and fully contribute to the construction of healthy villages.

Future Work Plan for the "Village Doctor Program" of Ping An Good Doctor

Physical Examination and Free Consultation

- To cooperate with mobile testing vehicles for physical examinations and free medical consultations in rural areas and provide free disease screening and general medical consultation for poor villagers, to bring them health.

Development of the AI-based Medical System

- To provide online general professional training for village doctors on the self-developed External Doctor APP, provide a free online system for consultation and AI-based medical system, and establish consultation/medical history archives for villagers, to help village doctors further improve the quality and efficiency of medical services.

Healthcare Science Popularization

- To provide villagers with a series of health lectures remotely or offline, assist in establishing the idea of general hygiene and health, carry out health education, and assist in the development of good hygiene habits, to improve the decorum and hygienic quality of villagers.

Feature III:

Ping An Good Doctor Supporting Inclusive Healthcare with Technological Empowerment

Ping An Good Doctor actively innovates the medical service model and strives to provide equal, inclusive, and accessible medical services for the public. With its strong domestic and overseas high-quality medical resources and the world's leading AI technology, Ping An Good Doctor has realized the full utilization of high-quality resources and smooth coordination, allowing 1.4 billion Chinese people to enjoy professional healthcare services more equitably and at lower costs. As of December 31, 2020, Ping An Good Doctor had 373 million registered users and received a daily average of 903 thousand consultations throughout the year in medical services. Ping An Good Doctor has over 2,200 in-house medical workers, and gathers 21,116 experts across China. It has established a sound offline service network, including 151,000 pharmacy partners, over 56,000 healthcare service providers, including over 160 medical beauty clinics, 430 TCM clinics, nearly 2,300 check-up centers, nearly 1,800 dental clinics, over 2,000 offline health management merchants and over 50,000 clinics as of 31 December 2020.

1. Internet Healthcare: Coordination among Healthcare, Medical Insurance, and Medicine

In recent years, Internet healthcare has become an important driving force for the "reform of medical care, medical insurance and pharmaceutical industry," playing an important role in improving medical quality and reducing medical costs. The COVID-19 pandemic that broke out at the beginning of 2020 accelerated the implementation of the Social Health Insurance (SHI) payment policies, and many local governments responded positively. Ping An Good Doctor quickly responded to the call of the nation to comprehensively deploy medical insurance services and promote the construction of Internet hospitals. As of the end of 2020, five projects have been opened and connected to the SHI payment system, namely, Hubei Province, Yinchuan City, Shunde Hospital affiliated to Jinan University, Dongguan City Hospital of Traditional Chinese Medicine and Fuzhou Hospital of Traditional Chinese Medicine. These projects bring convenient, efficient, and secure Internet medical services to local citizens. Moreover, Ping An Good Doctor has given full play to its advantages of online diagnosis and treatment to empower public hospitals and provide services such as online follow-up consultations and prescription renewal for offline users of local hospitals.

Yinchuan Ping An Internet Hospital Launching Online SHI Payment Service

Case:

In 2020, Yinchuan Internet Hospital of Ping An Good Doctor reached in-depth cooperation with Yinchuan Administration Center for Social Insurance Funds, became a designated medical institution of the city, and launched online payment service for outpatient from SHI personal accounts. More than 2 million residents of Yinchuan can seek medical advice at Yinchuan Ping An Internet Hospital with their medical insurance card and enjoy one-stop services including online diagnosis and treatment, prescription, medical insurance payment and home delivery of medicines. This has truly realized "seeking medical advice without going to the hospital and seeing a doctor and buying medicine with medical insurance."



Yinchuan Ping An Internet Hospital connected with SHI payment system and made one-stop services available

Feature III: Ping An Good Doctor Supporting Inclusive Healthcare with Technological Empowerment

2. Ping An Doctor Home Building a Professional Bridge for Doctor-Patient Communication

In mid-2020, Ping An Good Doctor initiated a comprehensive strategic upgrade focusing on channels, services, and capabilities and launched the sub-brand “Ping An Doctor Home.” With the mission of building a professional bridge for doctor-patient communication, it is committed to creating China’s largest and most competitive platform for Internet healthcare services with the most advanced model. The launch was followed by a series of innovative functions and upgraded products.

In response to the difficulties and needs of patients seeking famous doctors, Ping An Doctor Home created a “Dual-medical Mode” unique in the industry, focusing on specialized diseases, to help famous medical experts across China set up online consultation rooms and build a fast channel for patients to visit famous doctors. Ping An Doctor Home also launched health assistance services with a multi-tier membership system for individuals and families, providing considerate health management for each user and each family.

Ping An Doctor Home also launched the industry’s first “Online Comprehensive Medical Care.” Through synergy with insurance products, it has created the industry’s largest and most comprehensive protection system, eliminating doubts and worries that users may have about online healthcare.

1) Comprehensive Upgrade of the Private Doctor Services

Based on “Private Doctors,” Ping An Doctor Home launched health assistance services with a multi-tier membership system of for individuals and families, providing families with a full range of medical and health services for children, adults, and the elderly. Supported the world’s leading AI technology and high-quality medical resources at home and abroad, Ping An Doctor Home designates each user with an exclusive doctor and a family doctor for each family, provides 7x24 high-quality and personalized medical and health services, and produced continuous and complete personal health files by long-term tracking of users’ health.

2) Long-term Support from the “Dual-medical Model”

For most patients, in the treatment of difficult and complicated diseases, critical diseases, and the choice of complex diagnosis and treatment plans, experienced medical experts and famous doctors mean more guarantee and hope. As a result, it is difficult to make appointment with “famous medical experts” in major hospitals, while patients have to “travel thousands of miles to seek medical treatment.” In order to see a famous doctor, the cost of medical treatment and time spent by patients remain high.

In face of industry opportunities and market demands, Ping An Good Doctor has taken full advantage of convenient channels on the Internet, adopted the “Dual-medical model”, and signed contracts with famous doctors as partners, to jointly build famous doctor studios.

The famous doctor studio covers the whole process before, during, and after the diagnosis. The country’s top medical experts and famous doctors offer online consultations focusing on specialized diseases and provide patients with accurate and reliable expert diagnosis and treatment plans. Ping An Good Doctor’s in-house doctors accredited by the famous doctors help the famous doctors complete pre-diagnosis preparations and post-diagnosis follow-ups and quickly respond to the needs of patients for consultations, to improve the efficiency of consultations of famous doctors in many ways.

The famous doctor studio gathers resources to empower famous doctors. First is brand empowerment, which is to enhance the doctors’ influence with professional brand operations. Second is efficiency empowerment, which is to concentrate patients with online channels and in-house doctors, so that the famous doctors can be appropriately match with patients and the efficiency of doctor management can be improved. The famous doctor studio can also accurately divert patients with difficult and complicated diseases and participate in academic seminars, to provide academic empowerment for famous doctors. For patients, the famous doctor studio builds a bridge for online diagnosis, breaks the limitations of time and space, and provides patients with a platform for one-on-one online instant communication with the country’s top famous doctors.

Feature III:

Ping An Good Doctor Supporting Inclusive Healthcare with Technological Empowerment

The famous doctor studio supports online consultation services in the form of photos, texts, voice messages, and videos, which facilitates communication between doctors and patients. With the industry-leading AI-based medical system, patients can enjoy more convenient, efficient, considerate, and warm high-quality medical and healthcare services.

By December 2020, the famous doctor studio services have covered dermatology, pediatrics, obstetrics and gynecology, urology, orthopedics, and traditional Chinese medicine, bringing together experts in various fields. In the future, more medical experts will join the famous doctor studios and put them into operation, to provide patients with more comprehensive and high-quality services and work together to promote the development of healthcare.

Case:

Ping An Doctor Home Inviting a Medical Expert to Famous Doctor Studio

In November 2020, Academician Liao Wanqing, a dermatologist at Changzheng Hospital, officially signed a contract with Ping An Doctor Home, becoming its first "Internet dermatology specialist." Ping An's unique "Dual-medical Model" allows more people to have access to precious and scarce high-quality medical resources and Academician Liao's top medical expertise and capabilities to benefit more patients who are eager to get treated.



Ping An Good Doctor and Academician Liao Wanqing signed a contract

3) Online Consultation for Assurance

Ping An Doctor Home launched the industry-first "Online Comprehensive Medical Care," boasting medical accountability and medicine quality as its pillar services and covering seven security guarantees including doctor qualification, quality of diagnosis and treatment, and medicine safety, which directly addresses the pain points of "trust" between doctors and patients.

Feature III: Ping An Good Doctor Supporting Inclusive Healthcare with Technological Empowerment

Seven Security Guarantees of Ping An Doctor Home

Guarantee 1: Qualifications of Doctors	Before the consultation, Ping An Doctor Home guarantees the authenticity of the information presented by the doctor.
Guarantee 2: Access Speed	After initiating the consultation, the user can get a response from the doctor in a short time, completely getting rid of the experience of "queuing for two hours and seeing a doctor for five minutes."
Guarantee 3: Accuracy of Diagnosis and Treatment	After the consultation, the platform provides responsibility guarantee for the accuracy of expert diagnosis.
Guarantee 4: Professional Prescription	The platform ensures that the prescriptions received by users are diagnosed and confirmed by the receiving doctor and that the prescriptions are professional and safe.
Guarantee 5: User Privacy	In the payment for prescription orders, the user's personal privacy is protected.
Guarantee 6: Medicine Delivery	After the medicine order is placed, we ensure that the medicine will be delivered accurately and within the promised time.
Guarantee 7: Medicine Quality	The medicine in the order has quality guarantee.

Moreover, with the synergy with insurance products, Ping An Doctor Home provides users and doctors with full protection throughout the consultation and an insured amount of up to RMB1 million. Personal damages and time and property losses caused by the doctors, the platform, or medicine quality will all be compensated within the scope of the guarantee, allowing patients to feel at ease when seeking medical advice.

3. Strategic Cooperation to Support Health for All

Ping An Good Doctor actively explores in inclusive healthcare, cooperates with pharmaceutical manufacturers, industry associations, non-profit organizations and other stakeholders, carries out strategic cooperation projects to promote high-quality medical resources among the greater public, making a contribution to improving the standard of healthcare for all and achieving Health China 2030.

Case:

Ping An Good Doctor Joining Hands with Pfizer China and the Red Cross Foundation to Build a Platform for Health Education and Management of Chronic Diseases

At the 3rd China International Import Expo in November 2020, Ping An Good Doctor, Pfizer China, and the Red Cross Foundation announced the joint launch of the 2020 care project for rheumatoid arthritis (RA) patients entitled "Attention to RA, Care for Joints." The project was about jointly building a platform for health education and management of chronic diseases, and carrying out online optimization of the management of RA, to improve the awareness and treatment rate of RA patients and achieve effective prevention and control for the entire RA group. The first phase of the project will be carried out in Beijing, Shanghai, Guangdong, Yunnan, Henan and Jiangxi. In the future, it will expand to other parts of China, to benefit more patients with RA.



Ping An Good Doctor signing a contract with Pfizer China

Environmental, Social and Governance Report

1. ESG Management

1.1. ESG Management Structure

The Board of Directors coordinates, leads, and takes charge of the sustainable development management and ESG information disclosure of Ping An Good Doctor. The Company integrates ESG factors into its strategic decision-making and daily operation management, and the Board of Directors and the management hold regular meetings to supervise and review the results of ESG work. The Company clarifies the responsibilities of all levels and departments in ESG management, supervises and urges all departments to implement relevant requirements, and continuously improves the engagement of employees, to realize comprehensive planning and management of corporate ESG work.

1.2. Stakeholders Engagement

Ping An Good Doctor attaches great importance to the appeals of stakeholders, actively communicates with stakeholders through various channels on a regular basis, and listens to the requirements and expectations of stakeholders with timely responses. All stakeholders can access sustainable development-related information through online and offline channels. In 2020, we distributed questionnaires to internal and external stakeholder groups through social platforms and emails and collected a total of 208 responses from all parties. We have established extensive and efficient communication channels with stakeholders to strengthen mutual trust and respect, for the purpose to better meet the expectations and requirements of all stakeholders.

In 2020, the total number of responses received from stakeholders

208

Stakeholders	Expectations and Appeals	Responding Measures for Communication
Investors and Shareholders	Sustainable profitability Standardized corporate governance Guarantee of rights and interests	Generate long-term revenue Improve internal control system Disclose information regularly Convene general meetings
Users and Consumers	Product health and safety Service quality Privacy and information security Business Integrity	Improve quality control system Conduct customer satisfaction survey and handle complaints Enhance risk control Strengthen legal advocacy
Employees	Guarantee of legitimate rights and interests Unblocked road for career development Guarantee of emoluments and benefits Fine working atmosphere	Comply with laws and regulations Build channels for employee training and promotion Improve emolument and benefit system Conduct employee satisfaction survey
Suppliers and Partners	Openness and fairness Win-win cooperation Mutual development	Standardize procurement procedures Improve communication mechanism Establish long-term management model

1. ESG Management

Stakeholders	Expectations and Appeals	Responding Measures for Communication
Government and Regulatory Institutions	Compliance with national policies Performance of tax obligation Strengthening construction of the anti-corruption culture Participation in regional co-development	Operate in accordance with laws and regulations Pay taxes in a timely and proactive manner Coordinate with government for its supervision Promote employment
Community	Facilitation to community development Protection of community environment	Conduct public welfare projects Implement green operation
Industry Association	Industry experience exchange Promoting industry advancement	Participate in industry forum Improve research and development capability

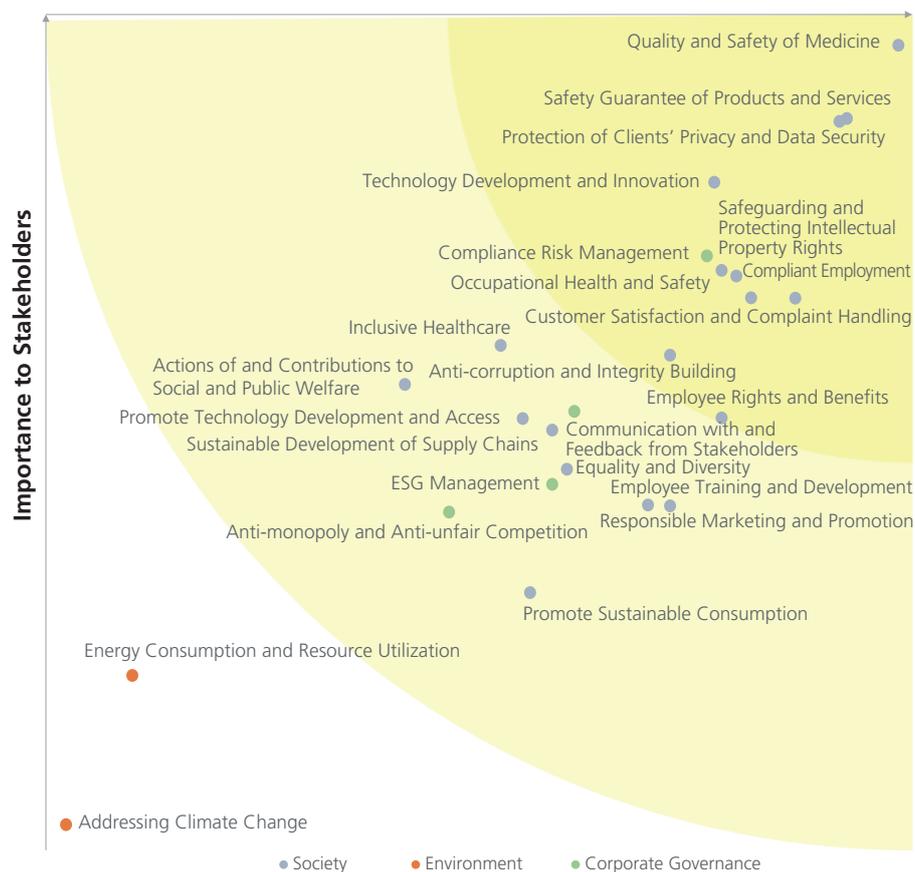
1.3. Identifying Issues of Materiality

In 2020, Ping An Good Doctor hired external professional consultants to track industry trends, analyze national policies, and identify and evaluate material ESG issues based on the Company's business practices in multiple areas, including corporate governance, employment and labor practices, supply chain management, product responsibility, anti-corruption, community contribution, response to climate change, and energy and resource use. Through surveys covering the Company's internal and external stakeholders, we determined a matrix of material issues as the basis for the compilation of this report.

Screening Processes of Material Issues in 2020

Sources of the Issues
<ul style="list-style-type: none"> – Recommendation of the Company's management – Internal and external expert analysis and recommendations – ESG standards and guidelines – Focuses of the capital market – Analysis of multimedia information – Benchmarking with domestic and foreign peers – Suppliers' suggestions and feedback – Opinions from the community
Screening Criteria
<ul style="list-style-type: none"> – Contribution to sustainable development – Common concern of stakeholders – Emphasized issues in the guidelines – Meeting the Company's strategic development needs

Matrix of Issues of Materiality of Ping An Good Doctor 2020



Environmental, Social and Governance Report

2. Leading with High Quality

Performance Highlights of This Part



As an important member of Ping An medical ecosystem, Ping An Good Doctor is China’s leading Internet medical service platform. We strive to build a bridge for doctor-patient communication, comprehensively deploy medical insurance services, and accelerate the advancement of Internet hospital projects and the wider access to high-quality medical resources, committed to providing equal, inclusive, and accessible medical services for the public. Besides, through various systems and measures, we increase our investment in R&D and innovation, guarantee product and service quality, improve customer satisfaction, and secure customer information and privacy.

2.1. R&D and Innovation

Ping An Good Doctor attaches great importance to core technology research and management of independent intellectual property and has launched major technological innovations and products such as the AI-based medical system and the “one-minute” clinic. Among them, the AI-based medical system has been rated as the highest level by WONCA, the world’s largest family physician organization, which symbolizes the alignment of China’s intelligent AI health technology with international standards and that Ping An Good Doctor’s AI system meets the world’s highest standards for AI health technologies.

Case:

Ping An Good Doctor’s AI System Receiving WONCA Certification of Highest Standard, Becoming the First Internationally Recognized AI Medical System

The AI-based medical system developed by Ping An Good Doctor is equipped with knowledge about 3,000 diseases. Continuously trained with accumulated 1 billion consultation data, the system covers the entire consultation process, doubles the efficiency of doctor consultations, greatly reduces the possibility of misdiagnoses and missed diagnoses, and improves patients’ experience with remote medical consultations.

In April 2020, Ping An Good Doctor received the highest level of certification by WONCA, the world’s largest family physician organization, for its AI-based medical system. The panel of experts agreed that Ping An Good Doctor’s AI system can efficiently help family physicians collect the medical history of users, eliminate the differences in knowledge of general practitioners, and provide professional reference for family physicians in the form of an initial diagnosis. The WONCA certification of Ping An Good Doctor’s AI system also proves that Ping An Good Doctor’s AI technology is an globally leading provider of timely and high-quality medical solutions for patients from different countries and different cultures, meeting their personalized healthcare needs and providing advanced technical support for family physicians around the world.



Ping An Good Doctor’s AI system received WONCA certification

2. Leading with High Quality

2.1.1. Protection of Intellectual Property Rights

Ping An Good Doctor attaches great importance to the protection and management of intellectual property rights, protects its own intellectual property rights, and undertakes not to infringe the intellectual property rights of other parties. The Company strictly abides by the Patent Law of the People's Republic of China, the Trademark Law of the People's Republic of China, the Copyright Law of the People's Republic of China, and other laws and regulations.

In 2020, we formulated and issued the Management System for Intellectual Property (2020), the Detailed Rules for Patent Management (2020), the Detailed Rules for Trademark Management (2020), and the Detailed Rules for Copyright Management (2020), so as to effectively safeguard the Company's intangible assets and maintain the order of the Internet healthcare market. According to the Management System for Intellectual Property (2020), the Company has established a joint conference mechanism for intellectual property. Its participants include the legal compliance team and directors or competent executives of the divisions and teams involved in the issues, who shall discuss and make evaluation opinions on major intellectual property matters, and report to the Company's management for decision-making. The system also clarifies the responsibilities of each division in protecting intellectual property rights and avoiding infringement of the intellectual property rights of other parties.

In 2020, we set up a dedicated intellectual property team to manage the Company's intellectual property affairs, including the establishment of the intellectual property system and the optimization of work processes, the application and review of patents and trademarks, the review of matters in relation to intellectual property in business review, and handling of intellectual property cases. We require employees to strictly abide by the terms of any applicable agreements for proprietary information and invention and use other parties' names, trademarks, logos, data, or software appropriately in accordance with relevant laws and the authorization of the intellectual property owner. In 2020, we released 15 emails on IP promotion and guidance, held 7 patent training sessions, and 2 trade secret protection training sessions. We also organized 11 employees to participate in the Shanghai Intellectual Property Worker Examination, all of which passed and obtained the Shanghai Intellectual Property Worker qualification.

In 2020, Ping An Good Doctor formulated and implemented the Detailed Rules for Patent Reward Management to motivate employees with bonuses, in order to encourage innovative R&D and create an atmosphere of innovation. Ping An Good Doctor completed 67 patent applications.

As of December 31, 2020, the aggregate number of patents applied by Ping An Good Doctor was 198.



2. Leading with High Quality

2.2. Quality Assurance

Ping An Good Doctor regards quality assurance as the cornerstone of its development, and comprehensively controls the quality of each business process of its daily operations to ensure the quality and safety of products and services.

2.2.1. Medical Service Quality Management and Control

In 2020, Ping An Good Doctor optimized its system for medical service quality management and control, and formulated or updated more than 30 systems for medical service quality management and control, including the System for the Medical Quality Management Committee, the Online Diagnosis and Treatment Management System, the Online Electronic Prescription Management Measures, and Ping An Health Cloud Protection of Patient Privacy System, which cover the entire process of online medical treatment. Through pre-, during, and post-event control and early warning, the Company has achieved the monitoring and improvement of the quality of medical services.

Regarding the recruitment of doctors, Ping An Good Doctor requires applicants to submit complete the identity and practice information of a doctor, standardizes the qualification rules and audit procedures for doctors, strictly evaluates doctors' clinical diagnosis and treatment capabilities, and establishes a compliance system for doctors' practice. In terms of Internet diagnosis and treatment standards, Ping An Good Doctor has formulated the Standards for the Diagnosis and Treatment of Internet Hospitals of Common Disease, sorted out common diseases that cover about 80% of the daily consultations of different departments, promoted diagnosis and treatment compliance and rational use of drugs, which helps graded diagnosis and treatment and improve online treatment effect. As of December 31, 2020, the satisfaction rate with the medical consultation service of Ping An Good Doctor was 98%.

In 2020, to further improve the quality control of online healthcare, we screened for the risks of the entire online healthcare process and identified 36 risk points in the four dimensions, namely, management of qualifications and medical service of Internet hospitals, management of service personnel of Internet hospitals, management of diagnosis and treatment of Internet hospitals, and handling of external medical complaints. In response to these risk points, we made targeted quality control and improvement for the entire process. We have established mechanisms such as a three-tier quality control system and a quality publicity board to monitor medical behaviors in real time through the quality control system, provide real-time warnings for high-risk cases, and make timely responses and interventions.

Case:

Ping An Good Doctor Invites Famous Doctors and Experts to Discuss the Standards for the Diagnosis and Treatment of Internet Hospitals of Common Disease

Ping An Good Doctor has formulated the Standards for the Diagnosis and Treatment of Internet Hospitals of Common Disease based on the characteristics of online diagnosis and treatment of common diseases and the diagnosis and treatment practice of Internet hospitals. It covers about 80% of the common diseases with daily consultations in various departments on the platform with corresponding diagnostic criteria and treatment plans, to provide patients with standardized online diagnosis and treatment services. We invited experts from Sun Yat-sen Hospital to review the Standards and received their unanimous recognition and praise.

In 2020, we upgraded the early warning and intervention mechanism for critical and high-risk cases, determined the methodology of critical illness rules, and regularly updated the rules. As of December 31, 2020, the number of critical illness rules has been updated to 297, covering 100% of online consultations. 2,000-3,400 risk cases are marked every day to help doctors reduce the risk of diagnosis. Every quarter, we make optimize according to the data performance of the rules to ensure the accuracy of recognition. Since the second half of 2020, we regularly test the AI assistant for judging critical illness cases, to improve the accuracy of critical illness rules and reduce the pressure on doctors to review. We have established a three-tier review mechanism to extract the most controversial cases in AI judgment, and a senior director will determine whether the critical illness rules are accurate, to speed up AI learning and improve the accuracy of AI algorithms.

2. Leading with High Quality

Case:

Ping An Good Doctor Building a Complaint System of the Medical Center

In 2020, Ping An Good Doctor designed, developed, and launched the system for complaint transfer among management divisions. The system is capable of data synchronization with the customer service system, case matching, doctor intervention, expert evaluation, and summary classification. The new system shares data with the customer service order system. The customer service staff can directly synchronize the user complaint order to the complaint backstage, avoiding the complicated mail flow process. After receiving a complaint from the customer service system, an in-house doctor will be arranged for medical intervention as soon as possible, and the intervention information can be recorded. When necessary, the case can be transferred to designated medical experts for professional analysis and evaluation, and provide medical professional support for the medical center and customer service division. When the case is closed, the system can also classify the case to facilitate review and summary, formulate relevant rules for medical quality control, implement system control, and reduce risks and errors of the same type. In addition, the system realizes the link between complaints and doctors' performance, to control the quality of doctors' work.

2.2.2. Product Quality Control

In strict compliance with laws and regulations including the Drug Control Law of the People's Republic of China, the Good Supply Practice for Pharmaceutical Products (GSP), the Food Safety Law of the People's Republic of China, and Provisional Regulations on the Review and Approval of Internet Pharmaceutical Trades and Services of People's Republic of China, we create a stringent product quality management and control system and get our product quality assurance work implemented based on the needs of users.

Entire-process Quality Control for Products

We have developed a quality management process that covers the entire process of products. From procurement, acceptance, storage, distribution, to recall, we have strict quality control procedures; for substandard products, we have a complete management system. In order to ensure the quality of the products in the distribution process, we have signed special contracts with third-party partnering companies involved in the distribution and made provisions for packaging, maintenance, and subcontracting during the distribution process.

Regarding drug quality control, Ping An Good Doctor has formulated an internal Quality Department Management Policy and a number of specific quality management systems in accordance with the Good Supply Practice for Pharmaceutical Products, Detailed Implementing Rules for the Certification of Good Supply Practice for Pharmaceutical Products and other regulations. The procurement, maintenance, storage, sales, expiry date, and special and substandard drugs are under full control. In the process of drug procurement, we strictly examine the legal qualifications of the supplier and regard quality as the top priority for the selection of drugs and supplier. We strictly follow the requirements of the Good Supply Practice for Pharmaceutical Products to classify and display drugs. We clearly specify the expiry date and unqualified verification standards of drugs. For the drug storage, we have formulated a Drug Storage Management System to ensure the accurate quantity of stored drugs and stable quality during storage to avoid errors in drug delivery. By formulating and implementing of the Returned Drug Management System, we tighten the procedures for returned drugs to ensure drug quality.

In 2020, we did not have any cases of recall due to product safety and health reasons.

2. Leading with High Quality

Quality Control of the Platform

Regarding the selection of merchants on the Health Mall platform of Ping An Good Doctor, to ensure that all merchants on the platform have obtained business qualifications and the source of the goods in sell are legal, we have introduced a third-party agency for qualification auditing and verify the qualifications of merchants and brands that join the mall. The result will be sent back to the merchant through the platform system.

	Content of Audit	Audit Process
Audit of Entry Qualification	Basic qualification and industry qualification	Submission of the merchant for audit → Audit by the merchant access office → Approval by the merchant access office → Audit by the third-party audit agency → The merchant filling in information and providing qualifications correctly → Approval by the third-party audit → The platform reviews and confirms the qualification review before giving approval → The merchant signs the contract and pays the fees → Approval in the mall administration's review → Successful access
Audit of Brand Qualification	Completeness and authenticity of documents	Submission of the merchant for audit – Third-party audit – In case of an issue, the third party rejects and notifies the merchant of the issue – The merchant resubmits after modification – Complete qualification – Approval by the third party after re-audit – The third party verifies the authenticity of the material – In case of an issue, the merchant modifies – The third party again verifies – Final approval after verification – Authorization by the platform

In 2020, based on the improvement of platform management rules for merchants on the platform, Ping An Good Doctor Health Mall issued new management rules for violation by suppliers, covering both the platform and own-branded products. It comprehensively supervises and manages the business activities of merchants/suppliers in processes of merchant/supplier entry, qualification audit, page audit, product sampling, after-sales service, exit management and settlement.

Management Rules for Merchants/Suppliers on Ping An Good Doctor

Merchants/Suppliers	Business Violation Points Management Rules of Ping An Good Doctor App, Management Rules of Ping An Health Cloud APP for Violations by Suppliers (applicable for buyer suppliers)
Entry	Rate Standards of Ping An Health Cloud for Entry, Norms of Ping An Good Doctor for Shop Naming of Merchants, Requirements of Ping An Health Cloud APP for Qualifications for Business Categories (2019)
Product Web Page Management	Norms of Ping An Health Cloud APP for Releasing of Detailed Information of Goods, Rules and Requirements of Ping An Health Cloud APP for Audit of Launch of Goods, Norms for Quality of Industry Marks
Product Quality Management and After-sale Services	Norms for Refunding Products Without Providing Any Reason Within Seven Days, Management Rules of Ping An Health Cloud APP for After-sales Services
Settlement and Exit Management	Norms for the Settlement Process for Merchants of the Health Mall, Management Rules of Ping An Health Cloud APP for Exiting the Mall

2. Leading with High Quality

In 2020, we updated the business violation points management rules for reward points of platform merchants, increased the penalties for false promotion, imposed severe punishments on false promotion with bad influence with publicity and warnings to all employees, to promote merchants' compliant promotion. We have restrained the quality, delivery speed, and after-sales processing efficiency of buyer suppliers by adding management rules for them, to guarantee the shopping experience of mall users. We strengthened quality audits by introducing third-party qualification audit companies, to ensure that the authorization of suppliers or merchants to sell products is true and effective from the source. We also formulated a monthly sampling plan to urge suppliers and merchants to improve product quality.

2.3. Customer Service

"Customer and service first" is the service tenet of Ping An Good Doctor. We optimize the internal management system and policy system for customer service, listen patiently and give active feedback on customer opinions and suggestions, and improve the serviceability and standard of customer service staff, so as to provide customers with the best service experience.

We formulated the Work Orders Management System, the Interim Administrative Measures for Complaints Processing by Customer Service Staff of Merchants, and the Business Violation Points Management Rules of Ping An Good Doctor App to standardize the handling process for customer complaints and requirements for customer service of merchants. For customer service personnel, we formulated the Measures for the Management of Performance Appraisal for Call Center Personnel, linking the performance salary of customer service personnel with customer satisfaction and complaints, to encourage customer service personnel to continuously improve their service standard. We comprehensively guarantee the quality of customer service by establishing a process-oriented and systematic customer service plan.

2.3.1. Customer Service Risk Assessment and Management

To further improve the management system for customer service, we carried out a preliminary analysis for risks in customer service in 2020, comprehensively sorting out user contact points and identifying and analyzing the main risks in various business scenarios of customer service, and subdivided the types and risks of customer complaints. Through risk analysis, we identified two major risks involved in customer service. First, the failure to respond to customer complaints in a timely manner led to the escalation of complaints and the risk of negative impact on brand reputation. Second, loose restrictions on the viewing permission of customers' private information led to the risk of customer information leakage. In response to the above risks, Ping An Good Doctor formulated a rapid handling mechanism for customer complaints in 2020 and sorted out and restricted customer information viewing permissions to improve the management and control of risks in customer service.

2.3.2. Customer Communication and Satisfaction Surveys

In terms of customer communication and feedback of opinions and suggestions, Ping An Good Doctor has achieved efficient customer communication by establishing a complete customer complaint handling process and conducting user research and customer satisfaction surveys.

Ping An Good Doctor has established an all-platform channel for customer complaints, including the instant messaging system of the online platform, calls, emails, and letters, to manage customer complaints at different levels and in different categories. For cases involving a small amount and no injury, Ping An Good Doctor fully implements a rapid handling mechanism, which stipulates that complaints and feedback shall be completed within one working day. For material cases, a special complaint handling team shall be established and reported to the risk decision-making committee, and all relevant departments shall be organized to handle and give feedback within a limited period. As of December 31, 2020, the customer service team of Ping An Good Doctor has provided 2.68 million counts of services and accepted 22,422 customer complaints.

Ping An Good Doctor evaluates and understands user experience and appeals through the Net Promoter Score (NPS) system and sets performance appraisal targets for all relevant business units based on the NPS value, to urge them to improve user experience based on customer feedback. Besides, we collect results of customer satisfaction with the customer service of Ping An Good Doctor through satisfaction surveys on telephone service, online service, and complaint handling.

2. Leading with High Quality

Satisfaction Surveys on Customer Service of Ping An Good Doctor in 2020

	Satisfaction Survey Results	Work Focus and Performance in 2020
Satisfaction with Telephone Service	98.8%	The Company optimized the interactive voice response (IVR) process of customer service complaints, simplified the service processing process and formulated a solidified handling plan for common business scenarios, which greatly improved the one-time settlement rate of customer complaints
Satisfaction with Online Services	91.4%	The Company added the customer self-service function, targeting the unique business scenarios of online customer service, and carried out the intensified training on comfort skills in online customer service, to improve the flexible application of online service tone particles
Satisfaction with Handling of Complaints	98.4%	The Company comprehensively implemented a speedy handling mechanism for cases involving a small amount and no injury, greatly reducing the processing time of customer complaints

2.3.3. Improving User Experience with Technology

Ping An Good Doctor makes full use of the powerful technical capabilities of internet technology companies to comprehensively improve the quality and efficiency of customer service by continuously updating and iterating artificial intelligence and other technologies.

1) *Intelligent Identification of Customers' Needs*

Ping An Good Doctor achieves "personalized application scenarios" with algorithms, that is, to customize product recommendations according to different scenarios and customer characteristics to meet the personalized needs of customers. We analyze the life cycle of customers and their shopping behavior patterns, and provide them with customized product and service recommendations at different nodes, to enhance their shopping experience. We analyze the search behavior trajectory of customers, optimize the display of search results according to customer preferences and product structure, to enhance their search experience. Besides the algorithmic recognition technology, Ping An Good Doctor regularly analyzes the sales of products to keep abreast of changes in customer needs. We also manage customers hierarchically, and make personalized product recommendations for different customer segments through the customer relationship management (CRM) system.

2) *Coordination of Online Consultation and the Online Shopping Mall*

Ping An Good Doctor has built a complete interactive closed loop within its own-branded products to enhance customer service experience throughout the entire life cycle. We have added entries to the modules of "Doctor FAQ" and "Medication Consulting" on sales pages of OTC drugs in the mall to facilitate customers to initiate consultations and inquiries with online doctors about drugs. When a customer consultation is complete, we will intelligently identify and recommend the products that the customer may be interested in and give discounts based on the customer's consultation behavior.

3) *AI Customer Service*

To comprehensively improve the efficiency of customer service, we constantly develop and improve the back-end application capabilities of AI customer service. In 2020, we employed AI to analyze the content of customer inquiries, and provide customer service with response recommendations, effectively increasing the customer service response speed. We identified user messages with AI's semantic comprehension ability, and determined and marked the type of conversation. We have developed a functional application for intelligent quality inspection. With the help of AI's voice recognition and semantic comprehension capabilities, we achieved full-coverage sampling of incoming and outgoing phone calls, improved service quality inspection monitoring, and reduced the risk of customer service errors. Through the above measures, the comprehensive capacity of customer service in 2020 increased by 13% compared with that in 2019.

2. Leading with High Quality

2.3.4. Improve Service of Customer Service Personnel

As an intelligent medical service provider, Ping An Good Doctor has high requirements on the basic medical knowledge and ability of customer service personnel. We hold regular training on basic medical knowledge for customer service personnel to improve their medical knowledge reserve and professional capabilities, who can better provide customers with more accurate and effective responses and improve customer satisfaction.

Case:

Ping An Good Doctor Holding Special Training on Basic Medical Knowledge for Customer Service Personnel

In 2020, to improve the response-ability of card customer service in handling medical cases, Ping An Good Doctor organized special training on basic medical knowledge for customer service for all non-frontline members of the customer service team and some frontline card customer service personnel. General practitioners served as trainers in this training. The main content of the training included basic medical knowledge and the difference between prescription drugs and OTC drugs. The training also included an introduction to the current status and common problems of Ping An Good Doctor's major consumer medical products, to enhance the customer service personnel's comprehensive understanding of the Company. This training effectively improved the customer service team's skills in handling medical cases, and helped them provide customers with more accurate information before the intervention of the medical team, thereby improving customer service efficiency.

2.4. Information Security

Ping An Good Doctor attaches great importance to network information security and strictly abides by relevant laws and regulations such as the Provisions on the the Regulations on Technical Measures for Internet Security Protection and the Regulations on the Protection of Personal Information of Telecommunication and Internet Users. Besides fully complying with the Ping An Group Information Security Policy¹, the Ping An Privacy Protection Statement², and the Ping An Group's Management Regulations on Information Security 2020, we have formulated several standards including the Policy on the Information Security System of Ping An Health Cloud Company Limited, the Policy on Data Security of Ping An Health Cloud Company Limited, and the Standards of Ping An Health Cloud Company Limited for Information Security, and the Privacy Policy of Ping An Good Doctor and other internal policies and systems, to improve standardized information security management processes. With complete management systems and advanced technology, the Company has created a solid "firewall" for network security and customer privacy.

2.4.1. Information Security Management

Ping An Good Doctor improves its information security management structure. An Information Security Management Committee was established, chaired by the Chairman of the Board of Directors, responsible for the overall planning, supervision, and implementation of the Company's security management system, making decisions on major security issues, and ensuring the effective implementation of the security management system. We have set up security specialists in each business division, responsible for daily information security work. We have also introduced performance evaluations for the information security management to the divisions, which include information security incidents, information security response and risk restoration, and security red lines.

¹ http://pingan.com/app_upload/file/official/sustainability/InformationSecurity.pdf

² http://pingan.com/app_upload/file/official/sustainability/PrivacyProtection.pdf

2. Leading with High Quality

To technically safeguard the security and stability of the Company's infrastructure environment and systems, Ping An Good Doctor conducts comprehensive penetration tests on business systems every year and on newly added function points before and after the system is launched. We will scan for security vulnerabilities and fix hidden security risks that have been discovered. We also regularly review and clean up the access policies of the firewall access control list (ACL), clean up the hidden danger policies, and reinforce access rules between various network areas.

To safeguard the security of equipment and information storage in the server room, we regularly carry out standardized inspections of the operation and maintenance of the server room, and record the output and input, relocation of equipment, and operation of the server room. For emergencies in the operation and maintenance process of the server room system, including system failures, network attacks, virus outbreaks, network equipment and application server abnormalities, and other types of failures, we have formulated detailed response measures and operating procedures to ensure the smooth operation of the system.

To improve the organization and command capabilities and contingency response capabilities in response to security emergencies and ensure the normal operation of Ping An Good Doctor's business in such critical cases, we have formulated the Emergency Response Plan of Ping An Health Cloud for Information Security according to the Emergency Response Plan of People's Republic of China for Internet Security Incidents and the Emergency Response Plan of People's Republic of China for Communications Security. We also actively carry out promotion and education of internal information security awareness, knowledge and skills training, and emergency drills for employees, to improve their information security skills and emergency response capabilities.

Ping An Good Doctor Holding the "Red-Blue Confrontation" Information Security Drill

Case:

In October 2020, Ping An Good Doctor held an information security drill called "Red-Blue Confrontation", using security penetration technology to simulate attacks. Through this drill, Ping An Good Doctor investigated potential safety hazards and implemented safety reinforcement after the event. Besides, the drill helped us deepen our understanding of the authority relations between business systems, which would be helpful for improving the access mechanism and regulations in the future. We also improved the application boundaries and set clearer control rules for different business boundaries.

To comprehensively enhance employees' information security awareness, we carry out information security awareness promotion work for employees in our daily work, including training for all staff, position-specialized training, and internal monthly publications. In 2020, the Company conducted a total of 6 training sessions on data security risks.

In 2020, the total number of training sessions on data security risks

6 times

Ping An Good Doctor Holding Information Security Training Sessions

In 2020, Ping An Good Doctor carried out several information security training sessions. With online + offline training, it promoted knowledge about information security management and everyday secure use of information among employees and helped them deeply understand information security and the Company's requirements on information security compliance, to enhance employees' capabilities of information security processing.

Training for security testing. We carry out security testing training for employees in special positions and technical training on information security technology methods, such as common attack methods of hackers, system penetration testing procedures and classifications, and security assessment methods, to strengthen the information security awareness of employees in special positions and improve their insight into and protection capabilities of information security issues.

Training for information security development. For the development and operation of SDL security testing, we carry out SDL security testing training for relevant testing and development staff, where we introduce and demonstrate the process and detailed operation of SDL security testing in detail, to improve the skills of staff in relevant technical positions in information security testing and maintenance technology.

Information security training for all employees. We release the Promotion and Education on Prevention of Personal Information Leakage and Monthly of Ping An Good Doctor on Information Security Awareness Training to all employees of the Company and hold information security awareness promotion and education for all of them, to enhance their information security awareness.

2.4.2. Customer Privacy Protection

To ensure the security of customer information and privacy, we have formulated several internal policies and systems, including the Standards of Ping An Health Cloud Company Limited for Information Security: Privacy, the Privacy Policy of Ping An Good Doctor, the Privacy Policy of Ping An Good Doctor (applicable for doctors), and the Privacy Policy of Ping An Good Doctor (applicable for village doctors), to regulate the operation of customer privacy information collection, privacy information use, and privacy information protection.

When collecting customer private information, we disclose the rules for information collection and use and clearly indicate the purpose, method, and scope of information collection and use, and obtain consent from the customer. It is strictly prohibited to collect personal information unrelated to the provision of services. Private information can only be used for the purpose stated at the time of collection or the purpose directly related to it. If the relevant information is used beyond the scope authorized by the customer due to business needs, the purpose of the information must be explicitly presented to the customer again and the customer's consent must be obtained. Private information must be kept by dedicated personnel in a centralized manner. Adequate protective measures must be taken to prevent the disclosure, tampering, or destruction of private information. We will delete customers' personal information by appropriate methods before the expiration of the information use authorization and ensure that no copies of private information are retained. Moreover, when signing cooperation agreements with third-party entities, we will include the protection of customer privacy information in the terms of contract, requiring the third-party entity not to use customer privacy information beyond the scope of services or disclose information to other individuals or organizations.

In 2020, we carried out systematic investigations into the functions and pages of the system involving sensitive customer information and completely disabled the export of sensitive information. We also desensitized functional pages of the system that involved users' private information in a hierarchical manner and monitored the system behavior of inquiries involving users' private information, which is coordinated with the Company's risk prevention and control system. In addition, we comprehensively sorted out the account permissions of staff using customer information, classified the account permissions, and minimize the account permissions based on job responsibilities.

Environmental, Social and Governance Report

3. A Compliant Good Company

Performance Highlights of This Part

The integrity training hours per capita approximately

13.56 hours

The total number of internal anti-corruption risk actions and relevant internal audit investigations

20

Ping An Good Doctor follows the Ping An Business Code of Conduct³. We always does business in a responsible manner, strengthens integrity and compliance, and abides by the standards of integrity. We also uphold strict responsible marketing practices and standards of behavior, and present our Company, brand, and services to the public in compliance and truthfully.

3.1. Risk Management

Ping An Good Doctor establishes and improves risk management systems, improves the risk management structure, system specifications, and technical means, effectively strengthens risk prevention and resistance capabilities, and achieves healthy and sustainable development of the Company.

In 2020, the Company established a comprehensive risk management organizational structure with the ultimate report to the Board of Directors, directly led by the management, supported by the Risk Management Executive Committee (RMEC), and actively and closely cooperated with risk management divisions. The RMEC is the coordination organization of the Company's overall risk management work. It is responsible for the Company's overall risk management and control work and the deliberation of material risk issues, and submits material risk issues to the Company's management for final approval. The Chairman of the RMEC shall be the Chairman of the Company, who has the highest decision-making power over all matters of the committee. The Vice Chairman of the RMEC shall be the General Manager of the Company and the person in charge of overall risk management, who shall coordinate the overall risk management of the Company. In principle, members of the RMEC shall be the persons in charge of risk management divisions.

This year, the Company updated the Comprehensive Risk Management System and optimized and clarified the responsibilities and reporting process of risk management divisions. The Company sorted out and identified eight types of risks, namely in liquidity, compliance operations, information security, IT operation security, brand reputation, operations, strategies, and medical treatment. In response to the identified risks, the risk management divisions formulated corresponding risk control policies and process rules based on their respective functions.

3.2. Integrity Building

Ping An Good Doctor strictly abides by laws and regulations related to anti-corruption, honesty, and business ethics, including the Company Law of the People's Republic of China, the Anti-monopoly Law of the People's Republic of China the Anti Unfair Competition Law of the People's Republic of China, and the Interim Provisions on Banning Commercial Bribery from the State Administration for Industry and Commerce, and formulated the Employee Code of Conduct, which requires employees to abide by laws, be clean and self-disciplined, and improve business ethics in their everyday work. The Company has zero tolerance for corruption, fraud, and other unethical behaviors. It has formulated internal systems such as the "Red, Yellow and Blue" Brand Punishment System, the Anti-fraud System, the Management Policy for Conflict of Interest of Employees, and the Management System on Petition, and constantly improve the anti-embezzlement, anti-money laundering and anti-fraud mechanism, regularly takes anti-corruption and internal audit actions. It links violations and frauds with managers' performance salaries, and has established an effective system of fraud prevention and punishment. To further prevent corruption and other unethical business practices, Ping An Good Doctor encourages employees and all parties in the society with direct or indirect business relationships with the Company to report fraud. The Company's employees and all parties in the society may provide information about actual or suspected fraud cases in the Company and of its staff through the Company's public reporting telephone numbers, e-mail addresses, and letters, and those who provide valuable clues will be rewarded.

In building an integrity culture, the Company adheres to the principle of "Equal Attention to Punishment and Prevention, with Emphasis on Prevention," strengthens policy publicity and education, and creates a "Law-abiding + 1" corporate culture environment. The Company severely punishes violations, prompting employees to abide by laws and regulations, uphold integrity, and resist the temptation of improper interests. This year, we carried out anti-corruption education and training activities for the management, division directors, and general employees to popularize and publicize anti-corruption information to the whole staff to enhance their awareness of compliance. Under strict supervision and management, no anti-corruption lawsuits took place this year. In 2020, the Company's per capita integrity training hours were approximately 13.56, and 20 internal anti-corruption risk or related internal audit investigation actions were carried out.

³ http://pingan.com/app_upload/file/official/sustainability/CodeofConduct.pdf

3. A Compliant Good Company

Anti-corruption and Compliance Training Hours and Participation Rate by Rank of Ping An Good Doctor in 2020

	Total Training Hours	Participation Rate
Anti-corruption and Compliance Training for Senior Management	841	100%
Anti-corruption and Compliance Training for Employees	56,464	100%

Case:

Ping An Good Doctor Holding Various Trainings on Integrity to Promote a Culture of Integrity

In 2020, Ping An Good Doctor continued to intensify the building of integrity and provided staff with promotion and guidance on integrity and warning education by organizing various themed training activities. In 2020, the Company's anti-corruption training activities included law popularization education, case sharing, themed activities, and policy interpretation. The content of the training was close to the actual situation of the employees' daily work, combined with vivid and real cases, which was highly practical and helped employees improve their risk prevention awareness and consciously resist corruption and other illegal activities.

廉洁自律，警钟长鸣

“廉政反贪腐”主题活动

健康互联网 审计监察团队 2020年第5期

为加强公司廉政反贪腐文化建设，增强员工守法合规意识，筑牢廉洁自律思想防线，健康互联网审计监察团队将定期为大家带来“廉政反贪腐”主题活动，供大家学习。

【普法宣传，以案说法】

案例一：
谢某某、林某某利用杨某提供的“smarttool”等软件，通过技术手段非法侵入某知名电商平台“X旗舰店”等商户的账户维护后台，窃取被害人周某等人的交易类个人信息共计240372条，后谢某某、林某某将窃取的个人信息进行获利。最终，林某某、谢某某、杨某犯侵犯公民个人信息罪，被判处有期徒刑三年二个月至三年六个月不等，并处罚金。

Q&A什么是侵犯公民个人信息罪？
【侵犯公民个人信息罪】违反国家有关规定，向他人出售或者提供公民个人信息，情节严重的，处三年以下有期徒刑或者拘役，并处或者单处罚金；情节特别严重的，处三年以上七年以下有期徒刑，并处罚金。违反国家有关规定，将在履行职责或者提供服务过程中获得的公民个人信息，出售或者提供给他人的，依照前款的规定从重处罚。窃取或者以其他方法非法获取公民个人信息的，依照第一款的规定处罚。

案例二：
张某在某公司担任电商运营总监期间，利用负责公司网络销售，开展刷单推广、更换红源包装、招待客户等职务之便，采用虚增刷单费用、虚设中间商、虚报报销款项等方法，侵占公司人民币31万余元，用于个人日常开销及归还欠款等。最终，张某犯职务侵占罪，被判处有期徒刑一年六个月，责令张某退赔犯罪所得发还被受害单位。

Q&A什么是职务侵占罪？
【职务侵占罪】公司、企业或者其他单位的人员，利用职务上的便利，将本单位财物非法占为己有，数额较大的行为。公司、企业或者其他单位的人员，利用职务上的便利，将本单位财物非法占为己有，数额较大的，处五年以下有期徒刑或者拘役；数额巨大的，处五年以上有期徒刑，可以并处没收财产。

案例三：
朱某在担任上海某信息技术网络有限公司运营经理期间，利用负责APP产品推广及市场外拓投放等职务便利，将本公司业务发包给某信息科技(上海)有限公司过程中，收取对方给予的好处费人民币9万余元，后将上述钱款用于家庭开支。最终，朱某犯非国家工作人员受贿罪，被判处有期徒刑二个月，退赃的赃款予以没收。

案例四：
张某某在担任某知名本地生活平台公司高级销售经理期间，利用职务便利，优先为某餐饮管理有限公司提供平台补贴活动资格、首页广告位锁定等扶持资源，提高该餐饮管理有限公司在平台上的竞争优势。为此，张某某从该餐饮管理有限公司法定代表人张某某处收取人民币25万余元。最终，被告人张某某犯非国家工作人员受贿罪，被判处有期徒刑十个月，缓刑一年，退赃的赃款，予以没收。

Q&A什么是非国家工作人员受贿罪？
【非国家工作人员受贿罪】公司、企业或者其他单位的工作人员利用职务上的便利，索取他人财物或者非法收受他人财物，为他人谋取利益，数额较大的，处五年以下有期徒刑或者拘役；数额巨大的，处五年以上有期徒刑，可以并处没收财产。公司、企业或者其他单位的工作人员在经济往来中，利用职务上的便利，违反国家规定，收受各种名义的回扣、手续费，归个人所有的，依照前款的规定处罚。

3. A Compliant Good Company

3.3. Responsible Marketing

Ping An Good Doctor strictly complies with the Advertising Law of the People's Republic of China, the Interim Measures for Administration of Internet Advertising, and other laws and regulations, and has formulated and implements the Advertising Standards, the Basic Measures on Advertising Review, and other internal systems and guidelines to regulate marketing behaviors, to ensure the compliance of brand promotion and avoid false publicity. We also carry out strict training and regular assessments of professional skills for marketing staff to continuously improve the professionalism of the team and resolutely prevent misleading services.

3.3.1. Compliant Marketing

Ping An Good Doctor has formulated several internal management systems to effectively manage and regulate brand promotion campaigns and ensure that they meet the requirements of laws and regulations. The Company has formulated the Brand Management Measures for centralized management of brand image and advertising content. In brand promotion, the Company regulates the Company's trademarks and logo labels in promotion media such as business advertisements, promotional data, and publications

in a centralized manner. Before carrying out any form of publicity, the business team must go through the formalities of competent divisions in accordance with the Advertising Standards, the Basic Measures on Advertising Review, and other laws and regulations. The publication of politically sensitive, illegal, pornographic, and violent content is strictly prohibited. The Company has also regulated the responsible divisions and procedures for external publicity and media interviews in a centralized manner with the Management System for Press Spokesperson and External Publicity Press Release. In addition, to cope with the potential compliance risks in brand publicity due to the rapid development of online social media, the Company has also specially formulated the Management System for Social Media to regulate the use of official accounts on social media of the headquarters, branches, and subsidiaries of the Company and personal accounts of their employees.

In addition, we have implemented a three-tier review and supervision process for the description of goods and services on the Health Mall platform to ensure that the promotion of platform merchants meets the requirements of relevant national laws and regulations.

Tier one: Standard Publication

To formulate the Standards for Industry Mark Quality, the Standards for Release of Ping An Health Cloud APP Commodity Details and other regulations, and require merchants to design their publicity content in strict accordance with the regulations.

Tier two: System Review

To automatically judge and intercept prohibited words and sensitive words in advertising, and prohibit merchants from publishing such information.

Tier three: Manual Review

To conduct manual review and random inspection over advertising content that has passed system review. No sales on-shelves is allowed in case of any violation, which shall be dealt with according to the Points Management Rules for Merchants of Ping An Health Cloud APP.

3.3.2. Management and Training of Salespersons

Ping An Good Doctor has formulated the Management Measures of Ping An Good Doctor for Account Managers at the Sales Center, which regulates the marketing behaviors of the account manager team and clarifies that in case of any provision of false data or misleading publicity to customers, those responsible will be punished based on the severity of the circumstances.

We require that in the external publicity of products or services by an account manager, no words or sentences that slander peers or hospitals, or names of real hospitals, doctors, customers, or any other sensitive information shall appear. In product promotion, an account manager shall avoid inappropriate comparisons with competing products. Besides, the training materials for each product and service promotion must be reviewed by the leader of the instructor.

Ping An Good Doctor provides training on service quality for the account manager team every week on the online training platform and livestreaming, to standardize the script of the account manager team and eliminate any misleading and exaggerated marketing to customers.

Environmental, Social and Governance Report

4. A Good Employer

Performance Highlights of This Part

The total number of employees

4,226

Proportion of female staff

61%

Average training hours received by each general staff member

226 hours/person

Aggregate counts of medical team members trained

55,644

Coverage rate of the exclusive healthy workplace program for employees:

100%

Ping An Good Doctor adheres to the people-oriented principle and guides employees to organically integrate their personal goals with corporate development goals. It gives full play to the potential and value of each employee and stimulates the vitality and competitiveness of the team, to achieve mutual growth of both the Company and employees.

In 2020, Ping An Good Doctor intensified the building of corporate culture. It has established a strong corporate culture with the goal of "An Army, A School, and A Family," effectively promoted the improvement of each employee's work ability and sense of honor, and built a highly cohesive and centripetal work team.

Corporate Culture of Ping An Good Doctor	
An Army:	The Company takes the relations between the Party and the general public as its focus and unifying team thinking and driving culture building as its aims. It has launched an internal "Hand in Hand Growth Plan" to promote a 1+1 paired performance model between the front-end team and the middle and back-end teams. It also helps teams grow together through PK competitions, and promotes healthy internal competition and cross-team collaboration. The Company intensifies the building of three systems for honor, development, and incentives to drive long-term sense of honor and combat ability of the team and individuals.
A School:	The Company adheres to the principle of meeting the development needs of employees in the Company, and takes strategic information, breaking team barriers, everyday learning, and demonstrating employee capabilities as the goals of employee learning and development. It insists on the approach of "bringing in + taking out" professional knowledge and skills, and tailor-made learning plan for each employee to develop in the Company.
A Family:	The Company takes employee care as the core, and creates a family concept that is caring, warm, and fun. The administrative service division and the labor union coordinate in functions to create an administrative service brand image with the characteristics of Ping An Good Doctor. The Company comprehensively enhances employee care in the five major aspects of medicine, food, housing, transportation, and play, to create a good experience of work and life for employees.

4. A Good Employer

4.1. Talent Employment

Employees are always the primary driving force to promote the sustainable development of Ping An Good Doctor. In business operations, we attach great importance to protecting the legitimate rights and interests of employees, strictly abide by relevant laws and regulations, and constantly improve internal employment policies and management systems, to build an excellent employer brand and achieve the growth of both the Company and employees.

We strictly abide by the Labor Law of the People's Republic of China, the Labor Contract Law of the People's Republic of China, the Social Insurance Law of the People's Republic of China, and other laws and regulations. Within the Company, through the systematic formulation and implementation of several internal management systems, including the Recruitment Management System of Ping An Health Cloud, the Remuneration Management System of Ping An Health Cloud, and the Employee Handbook of Ping An Health Cloud Company Limited, the Company has effectively established a complete internal system for human resources management, achieved the effective allocation of human, material, and financial resources within the Company, and ensured the standardized progress of human resources management activities.

In recruitment and employment, we abide by the Ping An Group Employee and Agent Rights and Benefits Policy⁴, always adhere to the principle of equal employment, respect the legitimate rights and interests of employees in accordance with the law, and prevent the discrimination on grounds of nationality, gender, ethnicity, marital status, and religion, to build an equal, open and inclusive diversified working environment.

The Company will strictly audit the ID card and graduation certificates of the new employee during the on-boarding process to avoid the use of child labor. In 2020, there were no incidents of child labor in the Company. The Company will sign labor contracts with all employees in accordance with the principle of equality and voluntariness and pay social insurances and housing fund in accordance with the law to effectively protect the legitimate rights and interests of employees. Besides, we have established and implemented a normalized attendance system, strictly abided by local regulations on wages, overtime hours, and legal benefits, and resolutely eliminated forced labor.

As of December 31, 2020, the Company has 4,226 employees, all of whom are contract employees.

Number of Employees in Gender Groups



Number of Employees in Age Groups

Age	Number
Under 30	2,348
30 – 50	1,832
Above 50	46

⁴ http://pingan.com/app_upload/file/official/sustainability/EmployeeRights.pdf

Number of Employees in Regions

Regions	Number
Mainland China	4,221
Hong Kong, Macao, Taiwan and overseas	5

4.2. Talent Development

Ping An Good Doctor actively fosters inter-disciplinary talents, provides excellent talents with rotation and transfer opportunities based on business needs and their performance, and prompts the in-depth exploration of employees in the professional field and the accumulation of experience in business management, to effectively broaden employees' horizons and strategic thinking, give full play to the potential of employees, and encourage them to continuously improve their senior professional qualities and professional capabilities.

4.2.1. A Fair and Complete Assessment and Promotion Mechanism

We have established a complete and fair employee career level and promotion assessment system, which closely integrates the realization of employees' personal goals with the Company's overall goals, to maintain the overall vitality of the team and promote the core driving force of the team to pursue excellence.

In terms of employee performance appraisal, we have formulated and implemented the Personnel Management Measures of Ping An Health Cloud and the Performance Accountability Management System of Ping An Health Cloud and integrated performance tracking of employees into the daily management process. In the middle and at the end of each year, we perform employee performance appraisals, where the two parties involved conduct two-way feedback and communication on the appraisal results to further promote the expansion and improvement of employees' personal capabilities. We also provide employees with performance appeal channels, if employees disagree with the evaluation results, they can file an appeal through this channel to ensure that the evaluation results are fair, just and transparent.

In terms of employee promotion, we have formulated and implemented the Personnel Promotion Management Rules of Ping An Health Cloud, and formulated detailed examination mechanisms and procedures for employee promotion and class promotion.

Examination Process for Employee Promotion

Junior Promotion	The candidate to be promoted is nominated by the department manager, and the staff summarizes on four parts including his/her prior performance, important projects, future plans and self-evaluation of values. The evaluation committee makes an anonymous score on his/her comprehensive quality and makes a decision. The one who passes it will be assessed by HR and takes office.
Intermediate Promotion	The candidate to be promoted is nominated by the department manager, and the staff provides work report, and the cross-evaluation committee consisting of branch directors, direct directors and cross department directors conducts a cross evaluation on the candidate being nominated. The evaluation committee grades the candidate with respect to his/her overall capabilities and the one who passes it will be assessed by HR and takes office.
Class Promotion	The candidate to be promoted is nominated by the department manager, and the staff submits personal work summary and work report. HR conducts an online 360-degree evaluation on the staff being nominated and conducts an offline discussion in conjunction with the business party. The cross-evaluation committee grades the candidate with respect to his/her comprehensive capabilities and past performance, and the one who passes it will be assessed by HR and takes office.



4. A Good Employer

4.2.2. A Competitive Salary and Benefit System

Ping An Good Doctor adheres to the value-oriented salary management principle and provides employees with competitive salary and welfare guarantee. The Company carries out differentiated and multi-channel design based different sequences and their respective positions and has established a comprehensive compensation system of “cash salary + short-term incentives + long-term incentives”, where the determination of the reward level is closely linked to organizational performance and individual performance, to fully reflect the true value contribution of employees. The Company adheres to a performance-oriented incentive mechanism. In addition, in order to attract and retain talents, the Company has launched an option incentive plan for employees since its establishment, to make employees maintain their enthusiasm and practice the concept of common growth of the Company and employees.

4.3. Personnel Training

Ping An Good Doctor improves and deepens the high-standard personnel training and training system, making it a strong backing and backbone for the common growth of employees and the Company. We actively promote the construction and application of employee training systems, develop different training modules for different audiences, and effectively help every employee to improve their professional capabilities and expand their capabilities, to effectively meet the training needs of employees at different positions and levels and accelerate the organic integration of employees and the Company.

4.3.1. Advocating Online Flexible Learning

Due to the COVID-19 pandemic, the relocation of the workplace, and the split of the workplace of the headquarters, in 2020, we fully advocated online and flexible learning and transferred the offline key training projects to the Zhiniao learning platform to make training diversified, practical, and flexible, to fully mobilize the enthusiasm of employees to participate in training and ensure the cohesion and morale of the team under special circumstances.

Case:

Ping An Good Doctor Guiding Employees to Use Time Flexibly for Online Learning to Ensure the Effects of Training During the Pandemic

In 2020, Ping An Good Doctor actively promoted the development of online training courses, flexibly operated and developed online learning, and ensured that employees effectively spent their free time at home in improving relevant professional knowledge and skills through online training. With the above measures, the Company can guarantee employees' learning during the pandemic in the short term and support the promotion of the efficiency of general education and learning of front-line staff in the long term, effectively broadening the channels for training to empower business.

We made full use of the Zhiniao learning platform and other functions to transfer key training programs, such as Niuren (Master) Forum, Niu Cloud Online Classroom, and Niu Skill, from offline to online, so that employees can flexibly choose training programs and participation time according to their own needs and actual conditions, thereby greatly improving the morale of employees after resuming work and allowing them to quickly engage in work. For new recruits, we completed the development of the online learning system in March and officially put it into use to ensure that new employees understand the business work and corporate culture as soon as possible, improve their business capabilities and team cohesion, and effectively shorten the breaking-in period.

4.3.2. Promoting the Transformation and Upgrading of the Training System

We optimize our training system based on the adjustment of the Company's strategies and business focuses, so that the training system can be organically integrated with the Company's development strategy and business development, so as to enhance the professional capabilities of team members and strengthen the core competitiveness of the Company.

Training Systems of Ping An Good Doctor

	Training Form and Content
Orientation Training	To introduce corporate culture and HR and administrative procurement systems to new employees in the form of online and offline O2O and organize offline meetings and interactive exchanges for senior management and elite employees to promote the rapid integration of new employees into the team.
Professional Training	<p>It focuses on business-specialized training and general skills training and adopts a combination of offline salon workshops and online livestreaming learning.</p> <p>Professional training. Based on the Company's strategy and business pain points, internal and external experts are regularly invited to deliver public lectures, salons, and livestreaming courses on medical, product operation, technology, and other topics.</p> <p>General skill training. Focusing on self-management and office skills improvement of staff, face-to-face courses on office software applications and thinking skills are offered, which combine learning and exercises and emphasize practicality and feasibility.</p>
Training for Leadership	The trainees are mainly for senior managers and middle managers. The training of senior managers focuses on the improvement of strategic leadership and business sensitivity, introduces courses from well-known business schools such as China Europe International Business School, organize management interactions and exchanges in the form of experiential teaching, and hold brainstorming and seminars on current business development. The training for middle managers focuses on the improvement of the basic management ability of new managers and the advanced training of the practical management ability of senior managers. They are carried out in the form of projects and open classes. The themes include "encouragement to subordinates," "problem analysis and solving," "upward management," and "business acuity." The training covers all of the Company's middle managers.



4. A Good Employer

1) *Strengthening the Construction of Three Major Branded Business Schools*

Under to the principle of “business-based, planned in advanced, flexibly executed, and results ensured,” Ping An Good Doctor flexibly uses and develops online learning and actively promotes the upgrade of its own training brands. It cooperates with business units to build three major training brands in medicine, technology, and sales, to share business experience and skills and improve the professional skills of different business teams.

Case:

Business Units Jointly Building and Strengthening the Construction of Three Major Branded Business Schools

Medical School

Ping An Good Doctor promotes the transfer of its medical training system from online to offline to improve training efficiency and reduce training costs. In 2020, we completed the construction and launch of the online classes of internal medicine and surgical medicine. To strengthen the professional quality and management ability of professionals, we have established a general and grassroots leadership training system for doctors, assistants, and functional personnel, promoted online departmental general training for the medical team, and improved the input-output ratio of the training of first-line shift medical assistants, to effectively promote the efficiency of daily work and service standards.

ET School

In addition to continuously promoting the operation and optimization of the original system of the ET School, we have added modules of CTO’s quarterly sharing of excellent technical cases and business team sharing to realize the transformation of courses of internal business experience cases and general education from offline to online, to disseminate internal experience, strengthen business training for technicians, and improve the input-output ratio.

Sales School

In addition to continuously operating and optimizing the original training system for field staff, and improving the livestreaming training of account managers, we have added a new general training system module for internal staff. Specially for the performance pressure of business personnel, the marketing center fully applies online tools in standardized and scientific operation training programs to carry out interactive learning and assessment for field sales personnel to enhance the online learning stickiness of trainees and strengthen the effect tracking and inspection, so as to effectively improve employees’ morale and fully mobilize employees’ enthusiasm.

4. A Good Employer

2) Optimization of Training Programs

In 2020, we systematically optimized and upgraded existing key training programs based on the Company's business development and employees' own needs.

Training Category	Training Program	Training Objective
Senior	Niurentang Training Program for Veteran Directors Training Program for New Directors and Reserve Talents	In the form of experiential training, sand table simulation, internal seminars, and external open courses, they focus on improving the business sensitivity and strategic planning and execution of the senior management team
Intermediate	Veteran: Niu Better Management Training New: Niu Start Management Training	In the form of open classes and rotation training, they gradually enhance the comprehensive team management awareness and skills of veteran and newly-promoted middle managers
Business Team	Business Brand School Internal Professional Sharing	Based on business development, each school enhances employee professional skills through internal independent sharing, exchanges, and learning
Professional Skill	Niuren (Master) Forum Niu Skill General Training	External experts are invited to share industry hotspots, general skill training and an internal learning community is built, to further create an organizational learning atmosphere
New Recruit	General Training for New Recruits	The face-to-face training system for new employees is optimized, new learning manuals are added, and necessary information and systems are supplemented, to help new employees learn and integrate into their positions at the beginning of their employment
Values	Promotion of Corporate Culture	Comprehensively intensifying the learning of employee values and building a corporate culture through multi-scenario promotion

Training for Employees in Different Gender Groups

Gender	Number of Trainees	Per Capita Training Hours	Coverage of Training (%)
Male	1,571	185	96%
Female	2,526	240	98%

4. A Good Employer

Training for Employees at Different Levels

Employee Level	Number of Trainees	Per Capita Training Hours	Coverage of Training (%)
Senior	53	38	87%
Intermediate	718	202	90%
Primary	3,326	226	98%

In 2020, the aggregate counts of medical team members trained

55,644

Achieving the coverage of

100 %

4.4. Employee Care

Ping An Good Doctor strictly abides by the Law of the People's Republic of China on the Prevention and Control of Occupational Diseases, the Law of the People's Republic of China on Work Safety, and other laws and regulations, and strives to improve safety management and create a healthy and safe working environment for employees. During the pandemic, Ping An Good Doctor carried out alternate work arrangement and diversion of personnel, equipped each workplace with alcohol, masks, and other precautions, regularly conducted workplace disinfection, and carried out popular science courses on pandemic prevention on the Qingniao platform, to ensure the safety of every employee at work.

In addition to the annual physical examination, the Company also purchases supplementary commercial insurance for all employees, registers them with private doctors, and purchases exclusive healthy workplace plans in a centralized manner. Family members of employees can also enjoy the Company's exclusive benefits for physical examination and medical treatment. As a result, employees' sense of belonging to the Company is further enhanced. During the reporting period, we had no accidents of work-related injuries, and the lost working hours due to work-related injuries were 136.44 hours.

Ping An Good Doctor attaches great importance to employee care, abides by Ping An Group Employee and Agent Rights and Benefits Policy⁵, provides employees with a variety of benefits and help them balance their health and life. We implement the Administrative Liaison Officers Responsibilities and Management Measures of Ping An Health Cloud strictly, and set up administrative liaison persons in business units to provide support and assistance to employees in need. The Company has established internal basketball, football, swimming, and badminton clubs to carry out a variety of cultural and sports activities to promote employees to maintain a balance between work and life. We pay attention to the physical and mental health of female employees, provide customized packages of physical examinations and Women's Day holiday for female employees, and has built safe and convenient nursery rooms for breastfeeding employees. We strictly abide by national regulations, provide paid maternity leave and breastfeeding leave for female employees, and grant childbirth allowance. On festivals, we send online greetings and gifts to employees and hold celebrations to enhance their sense of belonging and cohesion.

⁵ http://pingan.com/app_upload/file/official/sustainability/EmployeeRights.pdf

Ping An Good Doctor Purchasing Exclusive Health Management Plans for All Employees to Protect Their Physical and Mental Health

In May 2020, Ping An Good Doctor took advantage of its own business in the field of health management and launched the Office Health Plans, customized workplace health management plans for all employees of the Group, which cover different health conditions of employees in an all-round way and actively intervene at the source, to provide employees with free health workplace management services to prevent occupational health problems before they occur. The plan includes:

1. Personalized health courses. In response to the different personal and family health needs of employees, the plans provide each employee with customized maternity and childcare, health care, fitness, hair care, and other specialized courses, to help pregnant, middle-aged, and young employees maintain good physical and mental health.
2. Sub-health management. The plans fully cover the sub-health risks of office workers and provide online "Private Doctor" service for employees with shoulder and neck pain, sleep disorders, mental health, and other problems. They also conduct regular online follow-up for employees, pay attention to the health of employees in a timely manner, and provide corresponding nursing care recommendations.
3. Rehabilitation management for mild cases. For employees in mild cases, the plans take advantage of the Company's medical service resources to customize health plans for employees, give advice on life care, and make timely follow-up, to help employees recover as soon as possible.
4. Case-based disease management. For sick employees, the plans designate dedicated doctors to them to provide health services, covering the entire process of diagnosis, treatment, and rehabilitation. They also actively track the development of sick employees to help them recover smoothly.



Office Health Plans

Environmental, Social and Governance Report

5. Jointly Building a Better Home

Performance Highlights of This Part

Greenhouse gas emission density: **2.262** tons of CO₂e/person

Energy consumption density: **11.596** GJ/person

Water consumption density: **8.570** m³/person

Total number of partnering suppliers: **1,932**

Ping An Good Doctor is well versed in sustainable development, insists on energy conservation and emission reduction in its operations, emphasizes the creation of a green and responsible supply chain, and works with community partners to create a harmonious home.

5.1. Green Operation

Ping An Good Doctor practices green development and operation, contributes to ecological protection, energy conservation, and emission reduction. We strictly abide by the Environmental Protection Law of the People's Republic of China, the Energy Conservation Law of the People's Republic of China, and other laws and regulations, follow Ping An Group Low Carbon Business and Operation Policy⁶ and Ping An Group Green Operation Policy⁷. We strictly manage environmental performance internally. Special environmental rectification has been carried out on all employees of the Company to improve the utilization of workplace resources.

As a non-manufacturing company, Ping An Good Doctor's impact on the environment mainly comes from the consumption of energy and resources and emissions in workplace, office waste, and a small amount of waste electronic products, without direct pollution to water or land or significant environmental impact. Despite this, we still insist on integrating environmental protection concepts into every aspect of daily operation and management, advocate green office, and encourage employees to save resources and eliminate waste. In 2020, we used a water-source heat pump system in the workplace of Ping An Building in Shanghai, using water/ground source as the system's cold/heat source to provide cooling/heating for the office building, whose energy consumption is significantly lower than that of traditional air conditioning. We further strengthen the management of electricity consumption and reduce unnecessary waste. In terms of resource conservation, we strictly control the use of disposable items. For example, we no longer provide disposable paper cups and encourage employees to bring their own water cups. We encourage employees to bring their own lunches, reduce purchases of takeaways, and avoid the use of disposable tableware. We encourage paperless office through the EOA system, an online platform, promote the recycling of paper, and increase the utilization rate of paper. In terms of waste management, we strictly abide by the Prevention and Control of Solid Waste Pollution of the People's Republic of China, and strictly classify and manage solid wastes and hand them over to qualified third parties for compliant treatment. We pay attention to workplace hygiene conditions and initiate regular special disinfection measures in workplace to ensure a safe office environment for employees. The Company's administrative procurement team conducts special inspections of the workplace twice a day, focusing on inspections of public areas such as pantry and toilets, paying attention to workplace hygiene and water usage, and turning off lights in unmanned areas to ensure that resources are not wasted.

In 2020, we renovated two workplaces in Xi'an and Wuhan as medical workplaces. During the furnishing process, we strived to minimize the impact on the environment. We formulated uniform furnishing standards that met the national environmental protection standards. The construction waste generated during the construction process was handed over by the constructor to a organization qualified for construction waste removal and transportation for disposal. After the renovation, we required an outsourcing professional company to carry out air treatment such as photocatalyst and atomization, and then rented air purifiers for purification. The workplaces were put into use only after passing the air quality test.

⁶ http://pingan.com/app_upload/file/official/sustainability/LowCarbon.pdf

⁷ http://pingan.com/app_upload/file/official/sustainability/GreenOperation.pdf

5. Jointly Building a Better Home

Case:

Workplace Plastic Reduction Action

To support the creation of an environmentally friendly and healthy working environment and further promote energy saving, emission reduction, and pandemic prevention, we actively responded to the call of the plastic-reduction action initiated by the Management Office of Ping An Building, guiding and encouraging employees to use plastic bottled water rationally. We put proposals on the front desk and roll-up banners on floors for publicity. We advocated bringing self-use water glasses and no longer provided bottled water in regular meeting rooms. We also sent a public email to all employees as a reminder notice.



5. Jointly Building a Better Home

Key Environmental Performance Data 2020

Key Performance Indicator	Unit	2020	2019
Greenhouse gas emissions	Tons of CO ₂ e	9,561.279	8,616.385
Greenhouse gas emission intensity	Tons of CO ₂ e/person	2.262	2.971
Waste electronic products	Tons	1.293	1.144
Waste ink/toner cartridge	Tons	0.089	0.053
Weight of waste lamps and bulbs	Tons	0.083	0.093
Waste dry batteries	Tons	0.007	0.018
Total hazardous waste	Tons	1.471	1.308
Hazardous waste density	Tons/person	0.0003	0.0005
Total office waste	Tons	363.346	143.549
Office waste density	Tons/person	0.086	0.049
Office paper usage	Tons	8.780	2.957
Electricity consumption	kWh	13,612,704.820	10,633,653.841
Electricity consumption density	kWh/person	3,221.180	3,666.777
Total energy consumption	GJ	49,005.737	38,281.154
Energy intensity	GJ/person	11.596	13.200
Total water consumption	m ³	36,230.120	27,255.720
Water intensity	m ³ /person	8.570	9.399

Notes to the environmental data:

The collection period of the environmental data spans from January 1, 2020 to December 31, 2020. The scope of environmental data collection includes nine workplaces of Ping An Healthcare and Technology Company Limited (Shanghai Xuhui, Shanghai Zhangjiang, Guangzhou, Beijing, Qingdao, Hefei, Xi'an, Chengdu, Wuhan) and two server rooms (Shanghai Baoxin and Shanghai Waigaoqiao).

5. Jointly Building a Better Home

During the year, the Company was not involved in any emission of greenhouse gases (Scope 1) in the course of business development. The greenhouse gas emissions were the emission of greenhouse gases (Scope 2) arising from the use of purchased electricity. The relevant emission factors are determined under the Reporting Guidance on Environmental KPIs from the Hong Kong Stock Exchange, while emission factors of greenhouse gas for electricity purchased are determined under Baseline CO₂ Emission Factors for Regional Power Grids in China 2011 and 2012 from the Department of Climate Change, National Development and Reform Commission (currently under the jurisdiction of the Ministry of Ecology and Environment of the People's Republic of China).

The Company's total energy consumption in 2020 was indirect energy consumption arisen from the use of indirect energy (that is, purchased electricity). Consumption factors are determined under the General Principles for the Calculation of Comprehensive Production Energy Consumption (GB2589-2008T).

Office wastes are non-hazardous wastes generated in the office area.

Total hazardous wastes refer to the amount of waste electronics, waste ink cartridges/toner cartridges, waste lamps and bulbs and waste batteries produced.

The intensity values are calculated based on the total number of employees of the Company.

As our operations do not involve other environment and natural resources, the disclosure of A3 level regarding the significant impact on environment and natural resources is not applicable.

5.2. Responsible Procurement

Ping An Good Doctor follows the Ping An Group Sustainable Supply Chain Policy⁸. We adheres to the principle of equality and mutual benefit, and with highly transparent and responsible procurement processes and supplier management measures, it has established firm and close cooperative relationships with its supplier partners to effectively promote the comprehensive and sustainable development of the entire supply chain. We strictly abide by the Tender Bidding Law of the People's Republic of China and other laws and regulations, formulate and implement internal policies such as Sourcing Management Measures of Ping An Health Cloud Co., Ltd., and make clear provisions for supplier access, evaluation and management, and strive to become a driving force of the responsible supply chain.

When evaluating suppliers, the inspection team is composed of supplier management team, the procurement management team, and representatives of user divisions. When necessary, we will commission a third-party company to conduct independent audits. The audit points include multiple dimensions such as risk and strength. In addition, the contracts we signed with suppliers all include anti-commercial bribery terms, which must be signed by the supplier before the contracts take effect.

We are committed to the sustainable development of the entire supply chain, clearly proposes to create a sustainable supply chain in the Management Rules on Procurement Suppliers to ensure that there will be no environmental, social and governance risks during cooperation, and advocate the Company's sustainability development policy. In the access certification and scoring for suppliers, we require suppliers to meet the requirements of national environmental protection regulations and their upstream companies to meet environmental protection requirements. We increase the weight of environmental protection qualifications in the inspection scoring, and regard the supplier's environmental protection qualifications as a key scoring item in the technical standard setting. If suppliers are involved in sewage discharge, gas discharge, and solid waste discharge, we require them to have complete harmless treatment processes and technical means. The commodity materials provided to Ping An Good Doctor must be renewable and easy to disassemble when being remanufactured. Suppliers shall establish a reverse logistics responsibility system to ensure that there is a recyclable mechanism for the goods provided to Ping An Good Doctor when they are aging and discarded.

⁸ http://pingan.com/app_upload/file/official/sustainability/SustainableSupplyChain.pdf

5. Jointly Building a Better Home

Case:

Ping An Good Doctor Selecting an Environmentally Friendly Carton Supplier

Ping An Good Doctor's business has developed rapidly, and there has been an increase in demand for various express cartons. As the carton industry has a great impact on the environment, we specifically communicated with suppliers, trying to reduce the environmental impact on our operations.

In November 2020, we invited the core carton supplier of Ping An Good Doctor to communicate on the latest environmental certification. We had discussion focusing on whether the supplier reached the ISO9001 and ISO14001 environmental management system certification, the OHSAS18001 occupational health and safety management system, and other certification standards.

Ping An Good Doctor and the supplier agreed that at present, sustainable development is the mainstream development concept of society and companies. In the future, under the premise of meeting national environmental protection standards, both parties will formulate high production standards that meet the Company's requirements based on the environmental certifications of the world's leading companies, and work together to make more efforts in environmental protection.

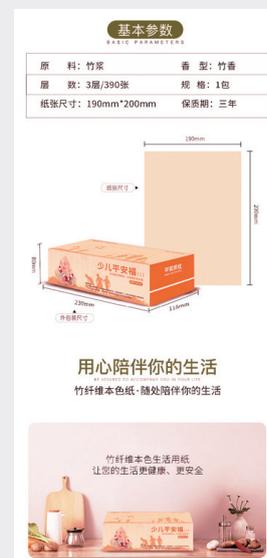
Case:

A Cooperation Project with An Environmentally Friendly Bamboo Paper Supplier

In 2020, we cooperated with an outstanding environmentally-compliant tissue manufacturer to launch customized eco-friendly bamboo paper tissue products.

Bamboo paper tissues are more environmentally friendly than wood tissues, because the growth cycle of trees is longer. According to statistics, 8 million trees are cut down every day in the world to make tissues, equivalent to 80 square kilometers of forests. The growth cycle of bamboo is short, which is also renewable. Using bamboo instead of trees to make paper can reduce the cutting down of 330 million trees every year, which in turn helps maintaining ecological balance. Moreover, the bamboo tissue is not bleached and has no additives, which is safer to the health of consumers.

In 2020, Ping An Good Doctor sold environmentally friendly bamboo tissues worth about RMB4 million, contributing to environmental protection and sustainable development.



5. Jointly Building a Better Home

To ensure the quality of Ping An Good Doctor's branded products, we have established a special inspection mechanism for OEM product suppliers. In the inspection before the introduction of suppliers, we will conduct on-site inspections on qualifications, operating conditions, production capacity, personnel management, and after-sales management of the supplier, and a multi-dimensional comprehensive evaluation. In the production and delivery process, we will supervise the production schedule and progress on site, conduct random inspections on samples and bulk goods, or commission a third party to conduct quality inspections, to ensure product quality throughout the process.

As of December 31, 2020, our total number of partnering suppliers by geographical location is 1,932 as follows:

Number of Suppliers by Geographical Location

Number of Suppliers in Mainland China	1,928
Number of Suppliers in Hong Kong, Macao, Taiwan and overseas	4

5.3. A Community Partner

Ping An Good Doctor follows Ping An Group Community Impact Guide⁹, emphasizes fulfilling its responsibilities as a corporate citizen and actively participates and invests in community poverty alleviation, community medical care, care for the elderly, women and children by leveraging the resources and advantages of the Internet healthcare platform, thus contributing to the harmonious development of society.

Case:

Ping An Good Doctor Supporting the Fight Against Poverty by Helping Farmers Create Poverty Alleviation Products and Expand Sales Channels

In 2020, Ping An Good Doctor actively responded to Ping An Group's poverty alleviation project, and joined hands with Ping An Property & Casualty Insurance Company to organize the Company's anniversary poverty alleviation project and the poverty alleviation star product project. The Company undertook customized development of products, warehousing and logistics, and after-sales service, focusing on agricultural products, and sold poverty alleviation products worth a total of more than RMB1.5 million. The suppliers involved in the project involved poverty-stricken areas in Ningxia, Xinjiang, Inner Mongolia, Guizhou, and Chongqing. The implementation of these poverty alleviation projects effectively helped the development of local industries and contributed to the national cause of poverty alleviation.



⁹ http://pingan.com/app_upload/file/official/sustainability/CommunityImpactGuide.pdf

5. Jointly Building a Better Home

Case:

Ping An Good Doctor Launching the “Cuncao Chunhui” Online Free Consultation to Support the “Healthy China Mother Action”

In August 2020, Ping An Good Doctor launched the “Cuncao Chunhui” online free consultation under the “Healthy China Mother Action.” Female users and mothers across China could access the service area on the homepage of the medical edition of the Ping An Good Doctor APP and receive free medical and health consultation services. In this activity, Ping An Good Doctor gathered around 100 specialists in obstetrics and gynecology and pediatrics with many years of clinical experience to use Internet technology, broke through the time and space limitations of traditional free consultation, achieved the goal of “further expanding the coverage and benefit of public welfare projects,” and promoted the development of healthcare for women.

平安好医生
特约单位 全国妇联 国家卫健委 国家体育总局
健康中国 母亲行动
“寸草春晖”在线义诊

妇产科专场
活动时间: 8月1日-8月15日
妇产科部分医生展示

杜彦孜 / 副主任医师
原 新疆维吾尔自治区人民医院
擅长: 备孕、孕产妇保健、高危孕妇、妊娠期合并症及并发症、不孕症、阴道炎等

刘婷 / 副主任医师
原 中国人民解放军309医院
擅长: 月经不调、痛经、闭经、异常子宫出血、宫颈疾病、生殖道感染等

刘蕊 / 副主任医师
原 解放军火箭军特色医学中心
擅长: 妇科炎症、宫颈病变、妇科不孕不育、生殖内分泌、围产保健等

立即问诊

5. Jointly Building a Better Home

Case:

Ping An Good Doctor's "Health Care for Hundreds of People" Charity Action Helping the Elderly Bridge the Digital Divide

In October 2020, in response to the National Health Commission's call for filial piety and respect for the elderly, the volunteer team of Ping An Good Doctor's "Health Care for Hundreds of Thousands" charity action came to Nanquan Community, Pudong New Area, Shanghai, and launched the "Respect for the Aged Month" free health and medical consultation activity. During the event, Ping An Good Doctor's volunteers guided the elderly to use smart devices and experience the remote consultation service of Ping An Good Doctor APP in a "hands-on and one-on-one" manner, eliminating the "digital divide" faced by the elderly and helping them enjoy more convenient and professional medical and health services.



Environmental, Social and Governance Report

Appendix

HKEX Environmental, Social and Governance Reporting Guide Content Index

Serial number	ESG indicator	Disclosure	Corresponding chapter	Disclosure responsibility
A1 Emissions	General Disclosure Information on the policies; and compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Disclosed	5. Jointly Building a Better Home	Comply or explain
	A1.1 Types of emissions and respective emissions data.	Not applicable	Ping An Good Doctor is not involved in the emission of gas pollutants. Accordingly, such indicator is not applicable.	Comply or explain
	A1.2 Greenhouse gas emissions in total (in tons) and, where appropriate, Intensity (e.g. per unit of production volume, per facility).	Disclosed	5. Jointly Building a Better Home	Comply or explain
	A1.3 Total hazardous waste produced (in tons) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Disclosed	5. Jointly Building a Better Home	Comply or explain
	A1.4 Total non-hazardous waste produced (in tons) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Disclosed	5. Jointly Building a Better Home	Comply or explain
	A1.5 Description of measures to mitigate emissions and results achieved.	Disclosed	5. Jointly Building a Better Home	Comply or explain
	A1.6 Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Disclosed	5. Jointly Building a Better Home	Comply or explain

Serial number	ESG indicator	Disclosure	Corresponding chapter	Disclosure responsibility
A2 Usage of Resources	General Disclosure Policies on efficient use of resources including energy, water and other raw materials.	Disclosed	5. Jointly Building a Better Home	Comply or explain
	A2.1 Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Disclosed	5. Jointly Building a Better Home	Comply or explain
	A2.2 Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Disclosed	5. Jointly Building a Better Home	Comply or explain
	A2.3 Description of energy use efficiency initiatives and results achieved.	Disclosed	5. Jointly Building a Better Home	Comply or explain
	A2.4 Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Disclosed	5. Jointly Building a Better Home	Comply or explain
	A2.5 Total packaging material used for finished products (in tons) and, where appropriate, with reference to per unit produced.	Not applicable	Ping An Good Doctor is not involved in the direct provision of packaging material for finished products. Accordingly, such indicator is not applicable.	Comply or explain
A3 Environment and Natural Resources	General Disclosure Policies on minimizing the issuer's significant impact on the environment and natural resources.	Not applicable	Other environment and natural resources are not involved in the daily operation of Pingan Good Doctor, so the disclosure of significant impact on environment and natural resources at A3 level is not applicable.	Comply or explain
	A3.1 Description of the significant impacts of activities on the environment and natural resources and actions taken to manage them.	Not applicable	Other environment and natural resources are not involved in the daily operation of Pingan Good Doctor, so the disclosure of significant impact on environment and natural resources at A3 level is not applicable.	Comply or explain

Appendix

Serial number	ESG indicator	Disclosure	Corresponding chapter	Disclosure responsibility
B1 Employment	General Disclosure Information on the policies; and compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Disclosed	4. A Good Employer	Comply or explain
	B1.1 Total workforce by gender, employment type, age group and geographical region.	Disclosed	4. A Good Employer	Recommended disclosure
	B1.2 Employee turnover rate by gender, age group and geographical region.	Not Disclosed	4. A Good Employer	Recommended disclosure
B2 Health and Safety	General Disclosure Information on the policies; and compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Disclosed	4. A Good Employer	Comply or explain
	B2.1 Number and rate of work-related fatalities.	Disclosed	4. A Good Employer	Recommended disclosure
	B2.2 Lost days due to work injury.	Disclosed	4. A Good Employer	Recommended disclosure
	B2.3 Description of occupational health and safety measures adopted, how they are implemented and monitored.	Disclosed	4. A Good Employer	Recommended disclosure

Serial number	ESG indicator	Disclosure	Corresponding chapter	Disclosure responsibility
B3 Development and Training	General Disclosure Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. Note: Training refers to vocational training, which may include internal and external courses paid by the employer.	Disclosed	4. A Good Employer	Comply or explain
	B3.1 The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Disclosed	4. A Good Employer	Recommended disclosure
	B3.2 The average training hours completed per employee by gender and employee category.	Disclosed	4. A Good Employer	Recommended disclosure
B4 Labor Standards	General Disclosure Information on the policies; and compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labor.	Disclosed	4. A Good Employer	Comply or explain
	B4.1 Description of measures to review employment practices to avoid child and forced labor.	Disclosed	4. A Good Employer	Recommended disclosure
	B4.2 Description of steps taken to eliminate such practices when discovered.	Disclosed	4. A Good Employer	Recommended disclosure

Appendix

Serial number	ESG indicator	Disclosure	Corresponding chapter	Disclosure responsibility
B5 Supply Chain Management	General Disclosure	Disclosed	5.Jointly Building a Better Home	Comply or explain
	Policies on managing environmental and social risks of the supply chain.			
	B5.1 Number of suppliers by geographical region.	Disclosed	5.Jointly Building a Better Home	Recommended disclosure
	B5.2 Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Disclosed	5.Jointly Building a Better Home	Recommended disclosure
B6 Product Responsibility	General Disclosure	Disclosed	2.Leading with High Quality	Comply or explain
	Information on the policies; and compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.			
	B6.1 Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Disclosed	2.Leading with High Quality	Recommended disclosure
	B6.2 Number of products and service related complaints received and how they are dealt with.	Disclosed	2.Leading with High Quality	Recommended disclosure
	B6.3 Description of practices relating to observing and protecting intellectual property rights.	Disclosed	2.Leading with High Quality	Recommended disclosure
	B6.4 Description of quality assurance process and recall procedures.	Disclosed	2.Leading with High Quality	Recommended disclosure
	B6.5 Description of consumer data protection and privacy policies, how they are implemented and monitored.	Disclosed	2.Leading with High Quality	Recommended disclosure

Serial number	ESG indicator	Disclosure	Corresponding chapter	Disclosure responsibility
B7 Anti-corruption	General Disclosure Information on the policies; and compliance with relevant laws and regulations that have a significant impact on the issuer, relating to bribery, extortion, fraud and money laundering.	Disclosed	3.A Compliant Good Company	Comply or explain
	B7.1 Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Disclosed	3.A Compliant Good Company	Recommended disclosure
	B7.2 Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Disclosed	3.A Compliant Good Company	Recommended disclosure
B8 Community Investment	General Disclosure Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Disclosed	5.Jointly Building a Better Home	Comply or explain
	B8.1 Focus areas of contribution (e.g. education, environmental concerns, labor needs, health, culture, sport).	Disclosed	5.Jointly Building a Better Home	Recommended disclosure
	B8.2 Resources contributed (e.g. money or time) to the focus areas.	Disclosed	5.Jointly Building a Better Home	Recommended disclosure



Independent Auditor's Report

To the Shareholders of Ping An Healthcare and Technology Company Limited
(incorporated in the Cayman Islands with limited liability)

Opinion

What we have audited

The consolidated financial statements of Ping An Healthcare and Technology Company Limited (the "Company") and its subsidiaries (the "Group") set out on pages 131 to 211, which comprise:

- the consolidated statement of financial position as at 31 December 2020;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

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

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarized as follows:

- Impairment of goodwill
- Provision for sales promotion
- Valuation of Health Membership Plans claim liabilities

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Impairment of goodwill</p> <p>Refer to note 2.10, 4(a) and 15 to the consolidated financial statements.</p> <p>As at 31 December 2020, the Group held a significant amount of goodwill amounting to RMB969.9 million, of which RMB961.6 million arose from the acquisition of Ping An Wanjia Healthcare Investment Management Co., Ltd. in 2018. Based on management's assessment, there is no impairment charge for goodwill.</p> <p>We focused on this area due to the magnitude of the carrying amount of the asset and the fact that significant judgements were required by management (i) to identify whether any impairment indicators existed for the asset during the year; (ii) to determine the appropriate recoverable amounts, being higher of the fair value less costs of disposal and value in use; and (iii) to select key assumptions to be adopted in the valuation models for the impairment assessments, including forecast revenue growth rate, gross profit margin, terminal growth rate, and discount rate used in the projection period.</p>	<p>We obtained an understanding of the management's internal control and assessment process on goodwill impairment and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors.</p> <p>We validated the key controls in respect of impairment assessments, including the periodic evaluation of impairment indications as to whether indicators of impairment exist by corroborating with the management and market information, the determination of appropriate impairment approaches, the adoption of valuation models and the assumptions and calculation of impairment charge.</p> <p>Management performs annual impairment assessments with the help of valuer of the Group's goodwill by comparing the carrying amounts with the recoverable amounts, which are assessed by using the value-in-use method with the adoption of discounted cash flows for each separately identifiable cash-generating unit ("CGU") for which the goodwill has been allocated. We assessed the competence, capabilities and the objectivity of the external valuer by considering professional experience, industry reputation and our previous experience with the valuer.</p> <p>We assessed the reasonableness of the basis management used to identify separate groups of CGUs containing goodwill, the impairment approaches, and the valuation models used in management's impairment assessments.</p>



Independent Auditor's Report

Key Audit Matter

How our audit addressed the Key Audit Matter

We assessed the key assumptions used in valuation model, including forecast revenue growth rate, gross profit margin, terminal growth rate, and discount rate by examining the approved financial forecast models, comparing future prediction against the applicable industry or business data, and understanding the management's operational planning and historical financial information to assess the reasonableness. We also assessed certain key valuation assumptions by reference to independent market analysis with the assistance of our internal valuation specialists.

We independently tested the mathematical accuracy of calculation applied in the valuation models and the calculation of impairment charges.

Based on the procedures performed, we found the assessment of management for impairment charge of goodwill is appropriate.

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Provision for sales promotion</p> <p>Refer to note 4(b), 6 and 30 to the consolidated financial statements.</p> <p>As at 31 December 2020, the carrying amount of provision for sales promotion relating to “healthy reward points” under the Group’s mobile platform incentive scheme “step-for-reward” plan amounted to RMB42.0 million, representing 13% of the accrued expenses balance in trade and other payables.</p> <p>Management estimated the provision for sales promotion based on the outstanding quantity of “healthy reward points” rewarded to registered users, simultaneously considering the expected redemption rate and the estimated unit value of each “healthy reward point”.</p> <p>We focused on this area due to magnitude of carrying amount for the provision and significant management judgements and estimation involved in the determination of expected redemption rate and the estimated unit value of the points with respect to the “step-for-reward” redemption plan. Both of the assumptions are determined by historical redemption pattern with an adjustment of the change in anticipated redemption behavior of the registered users and the estimated unit value of the points as a result of the upcoming promotion plans to be launched by the Group to encourage the accumulation and consumption of “healthy reward points”.</p>	<p>We understood the Group’s calculation process of provision and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors. We also evaluated and validated the Group’s control of the “step-for-reward” plan including the changes in quantity of “healthy reward points” resulted from the issuance, redemption, extension and the expiration of the “healthy reward points”.</p> <p>We tested controls over the information systems which are used to maintain and record the changes in quantity of “healthy reward points”, including testing the information system logic for recording life cycle of points, and checking the computation of remaining quantity generated directly from the Group’s information system.</p> <p>We reviewed the key inputs and assumptions in the calculation formula including (1) the outstanding quantity of “healthy reward points” by comparing the data input to the information maintained in the information system which have been tested, (2) the expected redemption rate and the estimated unit value of the points of the “step-for-reward” redemption plan by comparing to historical redemption pattern and historical unit value of each point to information maintained in the information system. We also evaluated and validated the key assumptions used by management to estimate the adjustment of the change in anticipated redemption behavior of the registered users and the estimated unit value of the points, and corroborated the evidence provided by management by reviewing the upcoming promotion plans and promotion budget as approved by senior management.</p> <p>We also tested the redemption pattern subsequent to year end using the information in the system for redemption transactions after year end date to check consistency with management’s estimation at year end.</p> <p>We independently tested the mathematical accuracy of calculation applied in the provision models.</p> <p>Based on our audit procedures performed, we did not consider the management’s estimation and judgement to be materially inconsistent with management’s supporting documentation.</p>

Independent Auditor's Report

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Valuation of Health Membership Plans claim liabilities</p> <p>Refer to note 2.18 and 3.2 to the consolidated financial statements.</p> <p>As at 31 December 2020, the Group held claim liabilities of Health Membership Plans with carrying value of RMB144.6 million, representing 5% of the Group's total liabilities.</p> <p>The valuation of claim liabilities involved complex models and a high degree of judgement by management in setting assumptions including expected loss ratio.</p> <p>We focused on this area due to the high degree of estimation uncertainty and inherent risk. The inherent risk in relation to the valuation of Health Membership Plans claim liabilities is considered significant due to the subjectivity of significant assumptions used.</p>	<p>We understood the valuation process of the Group and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors. We evaluated and tested the internal controls over data collection and analysis, management's assumptions setting processes.</p> <p>We performed independent modelling analysis for claim liabilities by performing below procedures with the assistance of our actuarial experts including method review, assumption assessment and independent modelling. We also assessed the competence, capabilities and objectivity of management's external actuaries by considering professional experience, industry reputation and our previous experience with them.</p> <p>We assessed the valuation method used in management's estimation, evaluated management's selection of key assumptions by reviewing the reasonableness based on applicable industry experiences and consideration of historical data of the Group.</p> <p>We tested the underlying data used in the valuation models, including comparing recorded revenue to system-generated report which has been tested and the amount of reported claims to accounting records.</p> <p>We also evaluated the overall reasonableness of the Group's claim liabilities through independent modelling calculation with the assistance of our actuarial experts.</p> <p>Based on our audit procedures, we did not consider management's judgements in the valuation of claim liabilities to be insupportable by the evidence we gathered.</p>

Other Information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.



Independent Auditor's Report

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Yeung Sheung Yuen.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 2 February 2021

Consolidated Income Statement

For the year ended 31 December 2020

(All amounts expressed in RMB thousand unless otherwise stated)

	Note	Year ended 31 December	
		2020	2019
Revenue	5	6,865,987	5,065,429
Cost of sales	5, 6	(5,001,573)	(3,894,000)
Gross profit		1,864,414	1,171,429
Selling and marketing expenses	6	(1,586,627)	(1,206,673)
Administrative expenses	6	(1,017,083)	(1,075,307)
Other income	10	205,426	41,895
Other (losses)/gains – net	11	(385,269)	109,267
Operating loss		(919,139)	(959,389)
Finance income	12	105,679	265,897
Finance costs	12	(5,993)	(13,208)
Finance income – net	12	99,686	252,689
Share of losses of associates and joint ventures	19, 20	(121,895)	(27,429)
Loss before income tax		(941,348)	(734,129)
Income tax expense	13	(7,155)	(12,587)
Loss for the year		(948,503)	(746,716)
Loss attributable to:			
– Owners of the Company		(948,478)	(733,860)
– Non-controlling interests		(25)	(12,856)
		(948,503)	(746,716)
Loss per share attributable to owners of the Company			
– Basic (RMB yuan)	14	(0.92)	(0.73)
– Diluted (RMB yuan)	14	(0.92)	(0.73)

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2020

(All amounts expressed in RMB thousand unless otherwise stated)

	Year ended 31 December		
	Note	2020	2019
Loss for the year		(948,503)	(746,716)
Other comprehensive income			
<i>Items that may be reclassified to profit or loss</i>			
Exchange differences on translation of foreign operations		(4,524)	8,588
Other comprehensive (loss)/income for the year, net of tax		(4,524)	8,588
Total comprehensive loss for the year		(953,027)	(738,128)
Total comprehensive loss attributable to:			
– Owners of the Company		(953,002)	(726,826)
– Non-controlling interests		(25)	(11,302)
		(953,027)	(738,128)

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December 2020

(All amounts expressed in RMB thousand unless otherwise stated)

	Note	As at 31 December	
		2020	2019
ASSETS			
Non-current assets			
Goodwill	15	969,929	966,763
Right-of-use assets	16	115,417	93,986
Property, plant and equipment	17	166,265	186,445
Other intangible assets	18	101,973	106,209
Investments in associates	19	382,823	381,712
Investments in joint ventures	20	68,660	127,833
Prepayments and other receivables	23	76,851	6,915
Financial assets at amortized cost	24	571,493	1,515,885
Financial assets at fair value through profit or loss	25	15,730	15,730
Term deposits	26	837,791	499,764
Total non-current assets		3,306,932	3,901,242
Current assets			
Inventories	21	160,465	74,768
Trade receivables	22	1,058,211	649,384
Contract assets	5	102,031	141,119
Prepayments and other receivables	23	439,297	222,845
Financial assets at amortized cost	24	2,009,785	575,055
Financial assets at fair value through profit or loss	25	3,565,775	1,849,270
Cash and cash equivalents	26	7,920,375	4,965,455
Total current assets		15,255,939	8,477,896
Total assets		18,562,871	12,379,138
EQUITY AND LIABILITIES			
Equity			
Share capital	27	36	33
Treasury shares		(2)	(2)
Reserves	28	20,651,792	13,518,868
Accumulated losses		(4,818,616)	(3,870,138)
Total equity attributable to owners of the Company		15,833,210	9,648,761
Non-controlling interests		22,989	20,726
Total equity		15,856,199	9,669,487

Consolidated Statement of Financial Position

As at 31 December 2020

(All amounts expressed in RMB thousand unless otherwise stated)

	Note	As at 31 December	
		2020	2019
Liabilities			
Non-current liabilities			
Lease liabilities	16	39,121	44,431
Trade and other payables	30	44	47
Total non-current liabilities		39,165	44,478
Current liabilities			
Trade and other payables	30	1,862,855	1,776,526
Contract liabilities	5	729,808	837,486
Lease liabilities	16	74,844	51,161
Total current liabilities		2,667,507	2,665,173
Total liabilities		2,706,672	2,709,651
Total equity and liabilities		18,562,871	12,379,138

The accompanying notes form an integral part of these consolidated financial statements.

The consolidated financial statements on pages 131 to 211 were approved by the Board of Directors on 2 February 2021 and were signed on its behalf:

FANG Weihao
Director

Lin Lijun
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2020

(All amounts expressed in RMB thousand unless otherwise stated)

	Attributable to owners of the Company							Non-controlling interests	Total equity
	Note	Share capital	Reserves	Treasury shares	Accumulated losses	Total			
As at 1 January 2020		33	13,518,868	(2)	(3,870,138)	9,648,761	20,726	9,669,487	
Loss for the year		-	-	-	(948,478)	(948,478)	(25)	(948,503)	
Other comprehensive income for the year		-	(4,524)	-	-	(4,524)	-	(4,524)	
Placing of new shares	29	3	6,869,447	-	-	6,869,450	-	6,869,450	
Share-based payments	29	-	64,993	-	-	64,993	-	64,993	
Exercise of share options	29	-	203,008	-	-	203,008	-	203,008	
Non-controlling interests arising from acquiring control over joint venture	33	-	-	-	-	-	2,288	2,288	
As at 31 December 2020		36	20,651,792	(2)	(4,818,616)	15,833,210	22,989	15,856,199	

	Attributable to owners of the Company							Non-controlling interests	Total equity
	Note	Share Capital	Reserves	Treasury shares	Accumulated losses	Total			
As at 1 January 2019		33	13,331,702	(2)	(3,132,813)	10,198,920	68,372	10,267,292	
Loss for the year		-	-	-	(733,860)	(733,860)	(12,856)	(746,716)	
Other comprehensive income for the year		-	7,034	-	-	7,034	1,554	8,588	
Share-based payments	29	-	91,805	-	-	91,805	-	91,805	
Exercise of share options	29	-	91,953	-	-	91,953	-	91,953	
Deemed disposals of non-wholly owned subsidiaries		-	(3,626)	-	-	(3,626)	(29,943)	(33,569)	
Acquisition of non-controlling interests in subsidiaries		-	-	-	(3,465)	(3,465)	(6,401)	(9,866)	
As at 31 December 2019		33	13,518,868	(2)	(3,870,138)	9,648,761	20,726	9,669,487	

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2020

(All amounts expressed in RMB thousand unless otherwise stated)

	Note	Year ended 31 December	
		2020	2019
Cash flows from operating activities			
Cash used in operations	32(a)	(1,097,988)	(491,952)
Income tax paid		(4,284)	(12,252)
Net cash used in operating activities		(1,102,272)	(504,204)
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment and intangible assets		–	1,784
Payments for property, plant and equipment and intangible assets		(73,169)	(133,023)
Proceeds from acquiring control over joint venture		5,204	–
Proceeds from sales of financial assets at fair value through profit or loss		5,521,888	1,890,472
Payments for financial assets at fair value through profit or loss		(7,173,852)	(3,176,384)
Payments for financial assets at amortized cost		(500,000)	(2,070,000)
Interest received from investment in financial assets at amortized cost		93,376	–
Payments for investments in associates		–	(131,063)
Payments for investments in joint ventures		(72,968)	(49,418)
Deemed disposals of subsidiaries, net		–	(118,649)
Payments for acquisition of non-controlling interests in subsidiaries		–	(9,866)
Interest received from term deposits with initial term of over three months		–	251,250
Proceeds of the cash dividends declared by associates		2,323	–
Proceeds from term deposits with initial term of over three months		–	8,521,540
Payments for term deposits with initial term of over three months		(300,000)	(500,000)
Net cash (used in)/generated from investing activities		(2,497,198)	4,476,643
Cash flows from financing activities			
Payments for lease liabilities		(82,274)	(67,149)
Placing of new shares		6,869,450	–
Proceeds from exercise of share options		134,903	75,974
Net cash generated from financing activities		6,922,079	8,825
Net increase in cash and cash equivalents		3,322,609	3,981,264
Cash and cash equivalents at the beginning of the year	26	4,965,455	926,485
Effects of exchange rate changes on cash and cash equivalents		(367,689)	57,706
Cash and cash equivalents at the end of the year	26	7,920,375	4,965,455

The accompanying notes form an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

(All amounts expressed in RMB thousand unless otherwise stated)

1 General Information

Ping An Healthcare and Technology Company Limited (formerly known as “Glorious Health Limited”) (the “Company”) was incorporated in the Cayman Islands on 12 November 2014 as an exempted company with limited liability under the Companies Law (Cap. 22, Law 3 of 1961 as consolidated and revised) of the Cayman Islands. The address of the Company’s registered office is PO Box 309, Uglund House, Grand Cayman, KY1-1104, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (together, the “Group”) are principally engaged in offering online medical and wellness services, such as online medical services, consumer healthcare services, health mall as well as health management and wellness interaction programs through the Group’s mobile platform in the People’s Republic of China (the “PRC”).

Glorious Peace Limited (“Glorious Peace”) is the major shareholder of the Company, holding 38.43% of the shareholding interest in the Company as at 31 December 2020.

Prior to the completion of the Group’s reorganization as described below, the Group’s existing business was carried out through a domestic company and its subsidiaries, incorporated in the PRC, namely Ping An Health Cloud Company Limited (“PAHC”). PAHC and its subsidiaries are collectively defined as the “PRC Operating Entities” thereafter.

The PRC regulations restrict foreign ownership of companies that provide value-added telecommunications services, Internet cultural business, radio and television program production and operation business to the public and operation of online medical institutions which include activities and services operated by the Group. To comply with the relevant PRC laws, the wholly-owned subsidiary of the Company, Kang Jian Information Technology (Shenzhen) Co., Ltd. (“Kang Jian”), has entered into a series of contractual arrangements (the “Contractual Agreements”) including the Exclusive Business Cooperation Agreement, Exclusive Equity Option Agreement, Exclusive Asset Option Agreement, Powers of Attorney and Equity Pledge Agreement, with PAHC and its equity holders, which enable Kang Jian and the Company to control PAHC by:

- Governing the financial and operating policies of PAHC;
- Exercising equity holders’ voting rights of PAHC;
- Receiving substantially all of the economic interest returns generated by PAHC in consideration for the business support, technical and consulting services provided by Kang Jian. Kang Jian has the obligation to provide financial assistance by way of entrusted bank loans, loans or other means;
- Obtaining an irrevocable and exclusive right to purchase, or to designate one or more persons to purchase, all or part of the equity interests or assets in PAHC from the respective equity holders at a minimum purchase price permitted under PRC laws and regulations. Kang Jian may exercise such options at any time. The right is automatically renewable upon expiry unless it is superseded by a new term confirmed by Kang Jian; and
- Obtaining a pledge over the entire equity interests of PAHC from its respective equity holders as collateral security for all of PAHC’s payments due to Kang Jian and to secure performance of PAHC’s obligation under the Contractual Arrangements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

(All amounts expressed in RMB thousand unless otherwise stated)

1 General Information (Continued)

Nevertheless, there are still uncertainties regarding the interpretation and application of current and future PRC laws and regulations. The directors of the Company, based on the advice of its legal counsel, consider that the use of Contractual Arrangements is currently enforceable in the PRC except for certain provisions and does not constitute a breach of the relevant laws and regulations. Accordingly, the subsidiaries controlled through Contractual Agreements were consolidated in the financial statements.

As a result of the Contractual Arrangements, the Group is considered to control PAHC as it has rights to exercise power over PAHC, receive variable returns from its involvement with PAHC, and have the ability to affect those returns through its power over PAHC. Consequently, the Company regarded PAHC and its subsidiaries as controlled entities and consolidated the financial position and results of operations of these entities in the consolidated financial statements of the Group.

The Company's shares have been listed on the Main Board of the Stock Exchange of Hong Kong Limited since 4 May 2018 by way of its initial public offering (the "Listing"). Upon the completion of the Listing, all the issued and unissued ordinary shares with a par value of USD0.00001 each in the share capital of the Company be subdivided into two ordinary shares with a par value of USD0.000005 each. Accordingly, all shares, share options and per share amounts in these consolidated financial statements have been adjusted, where applicable, to reflect the subdivision and adjustments of the ordinary shares.

These financial statements are presented in Renminbi ("RMB"), unless otherwise stated.

2 Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss, which are carried at fair value.

The preparation of the consolidated financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4 below.

New and amended standards and interpretations adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2020.

Amendments to IAS 1 and IAS 8	Definition of Material
Amendments to IFRS 3	Definition of a Business
Amendments to IFRS 9, IFRS 7 and IAS 39	Interest Rate Benchmark Reform

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

(All amounts expressed in RMB thousand unless otherwise stated)

2 Summary of Significant Accounting Policies (Continued)

2.1 Basis of preparation (Continued)

New and amended standards and interpretations adopted by the Group (Continued)

The amendments listed above did not have any impact on the amounts recognized in prior periods and are not expected to significantly affect the current or future periods.

New standards and interpretations not yet adopted by the Group

Standards, amendments and interpretations that have been issued but not yet effective for the financial year beginning 1 January 2020 and not been early adopted by the Group as of the reporting period are as follows:

		Effective for annual periods beginning on or after
IFRS 17	Insurance contracts	1 January 2023
Amendments to IFRS 3	Reference to the Conceptual Framework	1 January 2022
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	1 January 2022
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Amendments to IFRSs	Annual improvements to IFRS standards 2018-2020 Cycle	1 January 2022
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before intended use	1 January 2022

The Group has already commenced an assessment of the impact of the new or revised standards that have been issued but either not yet effective for the financial period beginning 1 January 2020 or not been early adopted by the Group which are relevant to the Group's operation. Except as described below, the Group believes that the application of amendments to IFRSs, amendments to IASs and the new interpretations is unlikely to have a material impact on the Group's statement of financial position and performance as well as disclosure in the future.

IFRS 17

IFRS 17 was issued in May 2017 and will replace the current IFRS 4 "Insurance Contracts". It applies to the measurement of insurance contracts issued, all reinsurance contracts and investment contracts with discretionary participating features. It requires a current measurement model where estimates are re-measured at each reporting period. Contracts are measured using the building blocks of:

- discounted probability-weighted cash flows
- an explicit risk adjustment, and
- a contractual service margin ("CSM") representing the unearned profit of the contract which is recognized as revenue over the coverage period.

The Group entered into a few service contracts that meet the definition of "insurance contract" under IFRS 4. For the year ended 31 December 2020, the Group recorded revenue of RMB818,429 thousand from such service contracts and as at 31 December 2020, the liability arising from such service contracts amounted to RMB369,090 thousand.

The standard is currently mandatorily effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted.

The Group is in the process of assessing the impact of the adoption of IFRS 17. The Group expects that the impact is significant and the accounting policy regarding the above service contracts will have fundamental changes after the adoption of IFRS 17.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

(All amounts expressed in RMB thousand unless otherwise stated)

2 Summary of Significant Accounting Policies (Continued)

2.2 Subsidiaries

2.2.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Business combination

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognized amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by IFRSs.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognized in profit or loss.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with IFRS 9 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

(All amounts expressed in RMB thousand unless otherwise stated)

2 Summary of Significant Accounting Policies (Continued)

2.2 Subsidiaries (Continued)

2.2.1 Consolidation (Continued)

Business combination (Continued)

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognized and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in the income statement.

Intra-group transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.2.3 Change in ownership interests

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognized in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/ permitted by applicable IFRSs.

2.3 Structured entities

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only, and the relevant activities are directed by means of contractual arrangements.

Structured entities are primarily asset management plans. Asset management plans are managed by asset managers and the plan invests in the funds in the form of debt financing to the other companies. The Group holds equity interest in these asset management plans.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

(All amounts expressed in RMB thousand unless otherwise stated)

2 Summary of Significant Accounting Policies (Continued)

2.4 Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognized at cost.

Investments in associates in the form of ordinary shares are accounted for using the equity method of accounting in accordance with IAS 28. Under the equity method of accounting, the investments are initially recognized at cost and adjusted thereafter to recognize the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates are recognized as a reduction in the carrying amount of the investment. The Group's investments in these associates include goodwill identified on acquisition, net of any accumulated impairment loss. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

If the ownership interest in an associate in the form of ordinary shares is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income are reclassified to profit or loss where appropriate.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the other entity.

The Group determines at each reporting date whether there is any objective evidence that the investments in associates are impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount adjacent to "share of losses of associates and joint ventures" in the consolidated statement of comprehensive income.

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in these entities. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gain or losses on dilution of equity interest in associates are recognized in the consolidated statement of comprehensive income.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

(All amounts expressed in RMB thousand unless otherwise stated)

2 Summary of Significant Accounting Policies *(Continued)*

2.5 Joint venture

The Group has assessed the nature of its jointly controlled entities and determined them to be joint ventures. The Group has rights to the net assets of these jointly controlled entities.

Interests in joint venture are accounted for using the equity method. Under the equity method of accounting, the investments are initially recognized at cost and adjusted thereafter to recognize the Group's share of the post-acquisition profits or losses and share of movements in other comprehensive income. Dividends received or receivable from joint venture are recognized as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealized gains on transactions between the Group and its associates and joint venture are eliminated to the extent of the Group's interest in these entities. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 2.10.

2.6 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("CODM"). CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that make strategic decisions.

2.7 Foreign currency translation

Functional and presentation currency

Items included in the consolidated financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of the Company is RMB since the Company's primary subsidiaries were incorporated and are operating in the PRC and these subsidiaries considered RMB as their functional currency. The consolidated financial statements is presented in RMB, which is the Company's functional and the Group's presentation currency (unless otherwise stated).

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in other comprehensive income in the statements of comprehensive income, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses are presented in the statement of comprehensive income within "Other (losses)/gains – net".

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

(All amounts expressed in RMB thousand unless otherwise stated)

2 Summary of Significant Accounting Policies (Continued)

2.8 Property and equipment and depreciation

Property and equipment are stated at cost less accumulated depreciation and any impairment losses. An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognized in the statement of comprehensive income in the year in which the asset is derecognized is the difference between the net sales proceeds and the carrying amount of the relevant asset.

The cost of an item of property 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 and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of comprehensive income in the year in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalized as an additional cost of that asset or as a replacement.

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 assumptions used for this purpose are as follows:

Category	Expected useful life	Estimated residual value rate
Office and telecommunication equipment	3-5 years	5%
Leasehold improvements	Over the shorter of economic useful lives and terms of the leases	–

The useful lives and depreciation methods are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from the items of property and equipment.

Fully depreciated assets are retained in the financial statements until they are no longer in use and no further charge for depreciation is made in respect of these assets.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

(All amounts expressed in RMB thousand unless otherwise stated)

2 Summary of Significant Accounting Policies (Continued)

2.9 Intangible assets

(a) Goodwill

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognized for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognized in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognized. An impairment loss recognized for goodwill is not reversed in subsequent periods.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed in these circumstances is measured based on the relative value of the disposed operation and the portion of the cash-generating unit retained.

(b) Other intangible assets

The Group's other intangible assets mainly include software and licenses.

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. The useful lives of intangible assets are assessed by the period of bringing economic benefits for the Group.

Intangible assets with finite lives are subsequently amortized on the straight-line basis over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

(All amounts expressed in RMB thousand unless otherwise stated)

2 Summary of Significant Accounting Policies (Continued)

2.9 Intangible assets (Continued)

(b) Other intangible assets (Continued)

If the period of bringing economic benefits cannot be determined, intangible assets will be classified as indefinite intangible assets. Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortized. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

(i) Software

Acquired computer and mobile software is capitalized on the basis of the costs incurred to acquire and bring to use the specific software.

Costs associated with maintaining computer and mobile software programmes are recognized as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognized as intangible assets when the following criteria are met:

- It is technically feasible to complete the software product so that it will be available for use;
- Management intends to complete the software product and use or sell it;
- There is an ability to use or sell the software product;
- It can be demonstrated how the software product will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- The expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalized as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Capitalized development costs are recorded as intangible assets and amortized from the point at which the asset is ready for use.

Other development expenditures that do not meet these criteria are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

(All amounts expressed in RMB thousand unless otherwise stated)

2 Summary of Significant Accounting Policies (Continued)

2.9 Intangible assets (Continued)

(b) Other intangible assets (Continued)

(ii) Licenses

Licenses include online drug sales license and other licenses. They are initially recognized and measured at cost or estimated fair value of intangible assets acquired through business combinations.

(iii) The useful lives of intangible assets are set as below:

	Expected useful life
Software	3-5 years
Online drug sales license	Indefinite useful lives
Other licenses	5 years

2.10 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that a non-financial asset other than deferred tax assets may be impaired. If any such indication exists, or when annual impairment testing for a non-financial asset is required, the Group makes an estimate of the asset's recoverable amount. A non-financial asset's recoverable amount is the higher of the asset's or cash-generating unit's fair value less costs to sell and its value in use 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. Where the carrying amount of a non-financial asset exceeds its recoverable amount, the asset is considered impaired and is written down to 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. In determining fair value less costs to disposal, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

For non-financial assets other than goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such an indication exists, the Group makes an estimate of the recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such a reversal is recognized in the statement of comprehensive income.

Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment is determined by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units), to which the goodwill relates. The recoverable amount is the higher of its fair value less costs of disposal and its value in use, determined on an individual asset (or cash-generating unit) basis, unless the individual asset (or cash-generating unit) does not generate cash flows that are largely independent from those of other assets or groups of assets (or groups of cash-generating units). Impairment losses recognized in relation to goodwill are not reversed for subsequent increases in its recoverable amount.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

(All amounts expressed in RMB thousand unless otherwise stated)

2 Summary of Significant Accounting Policies (Continued)

2.10 Impairment of non-financial assets (Continued)

Intangible assets with indefinite useful lives are tested for impairment annually at each year end either individually or at the cash-generating unit level, as appropriate.

2.11 Investments and other financial assets

(a) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortized cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(c) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in other income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in other income together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

(All amounts expressed in RMB thousand unless otherwise stated)

2 Summary of Significant Accounting Policies (Continued)

2.11 Investments and other financial assets (Continued)

(c) Measurement (Continued)

Debt instruments (Continued)

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in other gains/(losses) – net. Interest income from these financial assets is included in other gains/(losses) using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) – net and impairment expense are presented as separate line item in the statement of profit or loss.
- FVPL: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognized in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognized in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognized in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(d) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortized cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables, see Note 22 for further details.

2.12 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

(All amounts expressed in RMB thousand unless otherwise stated)

2 Summary of Significant Accounting Policies (Continued)

2.13 Inventories

Inventories are mainly merchandise and are stated at the lower of cost and net realizable value. Cost is determined using the weighted average costing method. Costs of purchased inventories are determined after deducting rebates and discounts. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.14 Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

2.15 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents include cash in hand and at banks, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.16 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.17 Treasury shares

Le An Xin (PTC) Limited ("Le An Xin") was set up as a special vehicle for the purpose of holding the ordinary shares for the Company's employees under the equity-settled share-based compensation plan ("the Share Option Plan") which will be awarded to employees in the future. As the Company has the power to govern the relevant activities of Le An Xin and can derive benefits from the contributions of the eligible directors, employees and other persons (collectively, the "Grantees"), the directors of the Company consider that it is appropriate to consolidate Le An Xin.

2.18 Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method.

(a) Contract liabilities of Health Membership Plans

Contract liabilities of "Health Guard 360" plans, "Private Doctor Membership" plans and other similar health plans ("Health Membership Plans") comprise unearned revenue liabilities and claim liabilities.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

(All amounts expressed in RMB thousand unless otherwise stated)

2 Summary of Significant Accounting Policies (Continued)

2.18 Trade and other payables (Continued)

(a) Contract liabilities of Health Membership Plans (Continued)

Contract liabilities of Health Membership Plans are measured based on reasonable estimates of the payments that the Group will make to fulfill the relevant obligations under the contracts. These estimates represent the difference between expected future cash outflows and inflows under such contracts.

- Expected future cash outflows represent reasonable cash outflows which are necessary for the Group to fulfill the obligations under the contracts, and mainly include: (a) guaranteed benefits or claims under the contracts; (b) reasonable expenses necessary for maintaining and serving the contracts, obligation handling, including membership maintenance expenses, claim expenses, etc.
- Expected future cash inflows represent cash inflows from assuming contractual obligations.

A reasonable estimate of expected future net cash flows is determined based on information currently available as at the end of the reporting period.

Unearned revenue liabilities

Unearned revenue liabilities are recognised at inception of Health Membership Plans which are amortized over the contract coverage period. The unearned revenue liabilities represent revenue received for risks that have not yet expired. At inception of the contract, it represents revenue received or receivable minus relevant acquisition costs. Acquisition costs related to the sale of new Health Membership Plans such as handling charges and commissions, tax and surcharges and other incremental costs are recorded as expenses in profit or loss against an equal and opposite amount of earned revenue being recognised. Subsequent to initial recognition, unearned revenue liabilities are released on a 1/365 basis over the contract coverage period. When any deficiency arises from performing the liability adequacy tests as described below, unearned revenue liabilities have to be adjusted to reflect the deficiency.

Claim liabilities

Claim liabilities include incurred and reported claim liabilities, incurred but not reported (“IBNR”) claim liabilities and claim expense liabilities.

Incurred and reported claim liabilities represent for the claims incurred and reported to the Group. The Group uses case-by-case method to measure incurred and reported claim liabilities based on a reasonable estimate of the ultimate claim amount and the margin factor.

IBNR claim liabilities represent the claims incurred but not reported to the Group. The Group uses expected loss ratio method to measure IBNR claim liabilities based on a reasonable estimate of the ultimate claim amount and the margin factor.

Claim expense liabilities represent related obligation handling costs. The Group measures claim expense liabilities based on a reasonable estimate of necessary claim expenses in the future. The Group uses ratio allocation method to measure claim expense liabilities.

Liability adequacy tests

At the end of each reporting period, liability adequacy tests are performed to ensure the adequacy of unearned revenue liabilities. If, after applying a risk margin, the amount of expected present value of cash outflows minus the expected present value of cash inflows exceeds the carrying amount of the unearned revenue liabilities, the entire deficiency is recognised in profit or loss of the period in which the deficiency arises. Unearned revenue liabilities may have to be adjusted if there is any deficiency arising from the performance of these tests.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

(All amounts expressed in RMB thousand unless otherwise stated)

2 Summary of Significant Accounting Policies *(Continued)*

2.19 Employee benefits

(a) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognized in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as other payables in the consolidated statement of financial position.

(b) Pension obligations

The employees of the Group are mainly covered by various defined contribution pension plans. The Group makes and accrues contributions on a monthly basis to the pension plans, which are mainly sponsored by the related government authorities that are responsible for the pension liability to retired employees. Under such plans, the Group has no other significant legal or constructive obligations for retirement benefits beyond the said contributions, which are expensed as incurred. Certain employees are also provided with group life insurance but the amounts involved are insignificant.

(c) Housing benefits

The employees of the Group are entitled to participate in various government-sponsored housing funds. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees. The Group's liability in respect of these funds is limited to the contributions payable in each period.

(d) Medical benefits

The Group makes monthly contributions for medical benefits to the local authorities in accordance with relevant local regulations for the employees. The Group's liability in respect of employee medical benefits is limited to the contributions payable in each period.

2.20 Share-based payments

An equity-settled share-based compensation plan was granted to the employees, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognized as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance;
- excluding the impact of any service and non-market performance vesting conditions;
- including the impact of any non-vesting conditions.

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-market performance and service conditions. It recognizes the impact of the revision to original estimates, if any, in the statement of comprehensive income, with a corresponding adjustment to equity.

If the terms of an equity-settled award are modified, at a minimum, an expense is recognized as if the terms had not been modified. An additional expense is recognized for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

(All amounts expressed in RMB thousand unless otherwise stated)

2 Summary of Significant Accounting Policies (Continued)

2.21 Revenue recognition

Revenues are recognized when, or as, the control of the goods or services is transferred to the customer. Depending on the terms of the contract and the laws applicable, control of the goods and services may be transferred over time or at a point in time. Control of the goods and services is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates and enhances an asset that the customer controls as the Group performs; or
- 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 and services transfers over time, revenue is recognized over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognized at a point in time when the customer obtains control of the goods and services.

The progress towards complete satisfaction of performance obligation, depending on the nature of the good and service to be transferred, is measured based on one of the following methods that best depicts the Group's performance in satisfying the performance obligation:

- direct measurements of the value of individual services transferred by the Group to the customer; or
- the Group's efforts or inputs to the satisfaction of the performance obligation.

If contracts involve the sale of multiple goods, goods followed by related services, or multiple services, the transaction price will be allocated to each performance obligation based on their relative stand-alone selling prices. If the stand-alone selling prices are not directly observable, they are estimated based on expected cost plus a margin or adjusted market assessment approach, depending on the availability of observable information.

When either party to a contract has performed, the Group presents the contract in the statement of financial position as a contract asset or a contract liability, depending on the relationship between the entity's performance and the customer's payment.

A contract asset is the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer.

Incremental costs incurred to obtain a contract, if recoverable, are capitalized and presented as contract assets and subsequently amortized when the related revenue is recognized.

If a customer pays consideration or the Group has a right to an amount of consideration that is unconditional, before the Group transfers a good or service to the customer, the Group presents the contract as a contract liability when the payment is made or the a receivable is recorded (whichever is earlier). A contract liability is the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A receivable is recorded when the Group has an unconditional right to consideration. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due.

The following is a description of the accounting policy for the principal revenue streams of the Group.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

(All amounts expressed in RMB thousand unless otherwise stated)

2 Summary of Significant Accounting Policies (Continued)

2.21 Revenue recognition (Continued)

(a) Online medical services

Online medical services consist primarily of online consultation, hospital referral and appointment, inpatient arrangement and second opinion services provided by the AI-assisted in-house medical team of the Group. During the year, this revenue stream is primarily derived from (1) online medical services to corporate customers; (2) online medical services provided to individual customers; (3) Health Membership Plans.

Revenue from online medical services is recognized on a gross basis as the Group is regarded as the primary obligor as long as such services are provided by its own employees since the Group has the ability to determine the pricing of the services, nature of services and is responsible for providing the services by its employees. Commission revenue is recognized on a net basis when such services are provided by contracted external doctors.

Online medical services to corporate customers

The Group offers customized service to corporate customers, including their customers and employees. The service provided to corporates' end customers is primarily derived from transactions with Ping An Life Insurance Company of China, Ltd. ("Ping An Life") and Ping An Health Insurance Company of China, Ltd. ("Ping An Health"). The Group charges corporate customers on an annual basis at a fixed fee regardless of the usage of the services and overall headcount or based on a fixed fee per individual headcount per annum.

The packages of services provided include online consultation services with involvement of medical experts and traditional Chinese medicine doctors as well as telephone consultations, occasionally healthcare products for packages provided individually. The transaction price is allocated between the online medical services and healthcare products offered based on their relative stand-alone selling prices.

The corporate customers' end customers or employees are entitled to the services under online medical services free of charge whenever the agreement with the Group is effective while after activation when the packages of service provided individually, which is typically for a period of one year.

The revenue of the healthcare products is recognized when the products are delivered while the revenue of online medical services is recognized over the one-year contract period since the Group is obligated to provide a kind of standby service on a when-and-if-available basis to customers.

Since the corporate customers are usually required to make payments upon subscription of services, the Group records payment due from the corporate customers as receivable when the corporate customers are obligated to pay for the service based on the contracts or head count of the users within the service scope for the coming year and the corresponding unsatisfied performance obligation is recorded as contract liabilities. In other cases, as the contract payments are non-cancellable and non-refundable, the Group records a receivable from corporates after the services are rendered as the payment is in arrears and its right to consideration is unconditional.

Incremental costs incurred to obtain these contracts, if recoverable, are capitalized and presented as contract assets and are subsequently amortized when the related revenue is recognized.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

(All amounts expressed in RMB thousand unless otherwise stated)

2 Summary of Significant Accounting Policies (Continued)

2.21 Revenue recognition (Continued)

(a) *Online medical services* (Continued)

Online medical services provided to individual customers

The Group also offers a wide range of online medical services to individual users at various retail prices through its mobile app, including electronic prescription services and corresponding sales of medical products.

Since individual customers are usually required to make payments in advance for the online medical services and medical products, the unsatisfied performance obligation is recorded as contract liabilities accordingly. The revenue of the online medical services is recognized when such services are rendered, which is usually immediately upon the payments are made. The revenue of the medical products which are provided by the Group are recognized when such products are delivered, while net of sales are recognized in profit or loss when such products are delivered through the Group's cooperative retail pharmacies.

Health Membership Plans

The Group has launched Health Membership Plans, which mainly include "Health Guard 360" plans, "Private Doctor Membership" and other similar health plans.

Based on the deeply cooperation with commercial insurance companies, "Health Guard 360" plans and similar health plan integrates services relating to online consultations, offline medical treatments and express pharmaceutical delivery to the insurance policyholders who had chosen to join this membership plan. The services include online medical services such as hospital appointment and inpatient arrangement at hospitals, domestic and overseas second opinion services, and follow-up visit arrangements, and most services will be fulfilled when the insurable event occurs.

As for "Private Doctor Membership", the Group provides paying users with one-to-one exclusive private doctors, including comprehensive healthcare services, such as real-time consultations, second medical opinion, arrangement for offline outpatient treatment and chronic disease management.

The inception date for the Health Membership Plans which are in conjunction with insurance policyholders is prescribed in the contracts and the duration for the membership plan is usually one year which co-relates the validity period of insurance contracts. For other contracts, the inception date usually starts after activation and the duration lasts for one year.

Health Membership Plans demonstrate certain features of an insurance contract defined in IFRS 4, where one party accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder, which falls in the scope of application of IFRS 4.

Accordingly, revenue of Health Membership Plans is recognized based on the total transaction amount stated in the contracts when the contract is issued and the related insurance risk is undertaken by the Group, the economic benefits associated with the insurance contract will probably flow to the Group and when the revenue can be measured reliably. The related liabilities of Health Membership Plans are recorded in "Trade and other payables", the measurement of such liabilities is explained in Note 2.18.

If the products fail to fulfill certain features of an insurance contract, the revenue of services in the products is recognized upon the individual service is rendered to customers.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

(All amounts expressed in RMB thousand unless otherwise stated)

2 Summary of Significant Accounting Policies (Continued)

2.21 Revenue recognition (Continued)

(b) Consumer healthcare

The Group provides a variety of standardized service packages that integrate services provided by various healthcare institutions to meet the health-related needs of the users, such as health check-ups, genetic testing and beauty care. Consumer healthcare of the Group principally generates revenue from selling the standardized service packages to individual customers or corporate customers. Different types of service packages provide the customers with a specific number of times of services for each service offered in the package.

Service packages are considered to consist of multiple elements of services and products as individual services within the packages are regarded as separate performance obligations. The transaction price is allocated to each of the services and healthcare products in the service package based on their relative stand-alone selling prices.

Revenue of health products is recognized when the products are delivered while revenue of services is recognized upon the individual service is rendered to customers.

The Group sells the consumer healthcare packages either to individuals on a retail basis or to corporate customers for the benefit of their employees on a wholesale basis. The consumer healthcare service packages are offered to corporate customers through the sales team of the Group, and to individual customers through health mall or individual agents. Such individual agents have entered into agency agreements with Ping An Insurance (Group) Company of China, Ltd. ("Ping An") and its subsidiaries ("Ping An Group") and agreed to market Ping An Group's products only (the "Life Insurance Agents"). The Group has entered into product and service referral arrangement with the Life Insurance Agents. The Life Insurance Agents are not employed by Ping An Group and have referred the products and services to customers without Ping An Group's participation. Payments for consumer healthcare packages are settled by retail customers before delivery of service packages while payments for corporate customers can be settled in arrears after delivery depending on whether there is credit granted to the corporate customers.

The Group pays compensation to the Life Insurance Agents at a pre-agreed percentage of the sales of products or services referred by the agents. The compensation paid for selling the service packages are capitalized and presented as contract assets, which are subsequently amortized to profit and loss when the relevant revenue is recognized.

The service packages are non-refundable. The customers have to activate the service packages via the Group's online platform before the expiry date as pre-printed in the packages. Once the service packages are activated, the customers can consume the services within one year after activation. Breakage for the service packages is the extent to which outstanding performance obligations are not required because the customer does not take up all the services or goods within the valid period. During the reporting period, with limited historical data for estimating breakage, the Group cannot reasonably estimate the amount of such breakage. Accordingly, the Group recognizes breakage amount as revenue upon the expiry date which is the later of expiry date pre-printed in the service package or one year after activation.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

(All amounts expressed in RMB thousand unless otherwise stated)

2 Summary of Significant Accounting Policies (Continued)

2.21 Revenue recognition (Continued)

(b) Consumer healthcare (Continued)

The online consultation services and hospital appointment services are performed by service team of the Group. The Group is also continually expanding the network with healthcare institutions which provide offline services. Consumer healthcare customers can select the healthcare institutions from the Group's pre-determined list of service providers through the Group online platform. The Group has the sole discretion to select the healthcare institutions and the purchase prices are negotiated separately with healthcare institutions. Since the Group has the ability to determine the pricing of the products or services and has the sole discretion to determine the healthcare institutions, to take responsibility for monitoring the quality of services provided and to negotiate the service terms, the Group is regarded as the primary obligor and therefore, it recognizes revenue from consumer healthcare on a gross basis.

The Group records contract liabilities for purchases from customers who made payments for service packages before rendering of services since there is unsatisfied performance obligation owing to customers. For those customers who purchase service packages with credit terms, the Group records a receivable when its right to consideration is unconditional, which is normally upon service packages are delivered to customers. The contract liabilities are recognized as revenue over the period during which the individual services are rendered or goods are transferred to customers.

(c) Health mall

The Group's health mall provides diversified and evolving product offerings, including (i) healthcare products such as medicines, health supplements and medical devices, (ii) wellness products such as fitness equipment, accessories and personal care products, as well as (iii) other products. Health mall revenue stream of the Group principally generates revenue from selling the products by the Group ("direct sales"), or from the commission income earned from third-party merchants ("marketplace"). The Group generates revenue from mobile app, WAP website as well as plug-ins of Ping An mobile apps.

The Company operates health mall under two business models, mainly direct sales model and marketplace model.

Direct sales

Under direct sales model, the Group procures merchandise from suppliers and sells products directly to consumers through the platform. The suppliers consist primarily of distributors in the PRC. The Group is entitled to determine pricing and adjust offerings of products.

In this business model, the Group either manages its own inventories or has suppliers to manage inventories and arranges delivery within 48 hours once the order is placed. In the former situation, the Group manages inventories by adjusting inventories level based on fluctuations in supply and price, seasonality, popularity of a particular product and also taken into consideration the shelf life of pharmaceutical products. The Group either makes sales promotion plans or reports inventories write-downs depending on the status of inventories. The Group also provides after-sales services, attends customers' complaints and responds to return requests. The Group generally requires the suppliers to cooperate with the Group in attending to customers' complaints and responding to return requests.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

(All amounts expressed in RMB thousand unless otherwise stated)

2 Summary of Significant Accounting Policies (Continued)

2.21 Revenue recognition (Continued)

(c) *Health mall* (Continued)

Direct sales (Continued)

Under direct sales model, since the Group has sole discretion in determining the pricing, and has the obligation to fulfill the order, provide after-sales services, attend to customers' complaints and respond to return requests, the Group considers it as a principal and recognizes revenue under direct sales model based on the gross amount of products sales. The Group recognizes revenue net of discounts and return allowances upon the time when the products are delivered to customers. Return allowances, which reduce net revenue, are estimated based on historical experiences. The Group offers its customers an unconditional right of return for a period of seven days for sales from its platform upon receipt of products. The Group recognizes sales revenue from platform when products are delivered to customers while historical returns are insignificant.

Payments for the ordered products are generally made upon orders placed by individual customers in platform and goods are dispatched within 48 hours after orders are placed. External logistics companies are responsible for delivery to customers. In certain cases, direct sales in sales mall are also sold to corporate customers with credit terms ranging from 5 days to 30 days.

The Group also sells prepaid health mall cards to corporate customers under credit terms. The Group has unconditional rights to receive the consideration after the prepaid health mall cards are delivered to customers, and therefore, the Group recognizes receivables and contract liabilities accordingly. The contract liabilities are recognized as revenue when the products are delivered to customers.

Marketplace

The Group also provides an online marketplace that enables third-party vendors to sell their products to customers in the Group's online platform. The marketplace vendors consist primarily pharmacy chains and overseas shopping service providers. The commission fees are generally charged as a percentage of the merchandise sales depending on the product category and terms negotiated with the vendors.

Marketplace vendors manage inventories on their own and the vendors are responsible for product delivery as well. Delivery of products is required within 24 hours after order placing for pharmacy chains or 96 hours after order placing for overseas shopping. The vendors are also responsible for after sales services, attending to customers' complaints and responding to return requests. Revenue related to commissions is recognized on a net basis and when the orders are placed and payments are made by customers while historical returns on sales from platform are insignificant. Payments with third-party vendors are usually settled on a monthly basis for the commissions earned during the period.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

(All amounts expressed in RMB thousand unless otherwise stated)

2 Summary of Significant Accounting Policies (Continued)

2.21 Revenue recognition (Continued)

(d) Health management and wellness interaction

The Group devises various wellness programs, tools and activities and introduces personalized content to its users to help maintain healthy lifestyle. Revenue from health management and wellness interaction is principally generated from providing advertising services and comprehensive wellness management services to corporate customers.

Advertising services

The Group mainly offers three types of advertisements, namely, display, search and sponsored stories through its mobile app. Display advertising involves placing images or rich media content alongside its platform. Search advertising places text-based advertisements alongside user query results. Sponsored story advertising delivers promotional marketing messages through editorial content in its platform. Advertising fee is charged primarily on per thousand impression, per click or per display duration basis. Revenue from advertisements of number of impressions or clicks is recognized based on the actual number and unit price agreed in the contract while revenue from advertisements of display duration is recognized over the period during which the advertisements are displayed.

The advertisers are usually required to pay for the advertisement in advance. The contracts are non-cancellable and non-refundable. The Group records receivables and contract liabilities correspondingly when the advertising contracts are signed with customers since the Group has unconditional rights to payments of advertising services which are due according to the contract terms. The contract liabilities are recognized as revenue when the advertisements are displayed or services are provided.

Wellness management services

The Group provides customized comprehensive health management services to the employees of corporate customers, mainly including healthcare course recommendation, psychological counselling services, sub-health management, disease intervention management and other services. The Group enters into agreements with the corporate customers that commit to regularly provide service and push related information to their employees during usually one year.

The Group charges corporates at a fixed fee taking into consideration of the expected usage of the services and head count of employees. Since the corporate customers are usually required to make payments upon subscription of services, the Group records contract liabilities as there is unsatisfied performance obligation owing to customers. The revenue of this service is recognized when the performance obligation is satisfied over the contract period.

2.22 Leases

Leases in which a significant portion of the risks and rewards of ownership were not transferred to the Group as lessee were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

Leases are recognized as a right-of-use asset and a corresponding liability at the date when the leased asset is available for use by the Group.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

(All amounts expressed in RMB thousand unless otherwise stated)

2 Summary of Significant Accounting Policies (Continued)

2.22 Leases (Continued)

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable,
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date,
- amounts expected to be payable by the Group under residual value guarantees,
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipments, vehicles and buildings and all leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets mainly comprise IT equipment.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

(All amounts expressed in RMB thousand unless otherwise stated)

2 Summary of Significant Accounting Policies (Continued)

2.23 Interest income

Interest income on financial assets at amortized cost is calculated by the effective interest method. Interest income is presented as finance income and other income where it is earned from financial assets that are held for cash management purposes.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

2.24 Dividend income

Dividend income is recognized when the right to receive payment is established.

2.25 Government grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognized in the income statement over the period necessary to match them with the costs that they are intended to compensate.

2.26 Tax

Income tax comprises current and deferred tax. Income tax is recognized in the statement of comprehensive income, or in other comprehensive income or in equity if it relates to items that are recognized in the same or a different period directly in other comprehensive income or in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

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

Deferred tax liabilities are recognized 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 interests in jointly controlled entities, 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

(All amounts expressed in RMB thousand unless otherwise stated)

2 Summary of Significant Accounting Policies (Continued)

2.26 Tax (Continued)

Deferred tax assets are recognized for all deductible temporary differences, the carry-forward of unused tax credits and any unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilized, 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 interests in jointly controlled entities, deferred tax assets are only recognized 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 utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period 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 utilized. Conversely, previously unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

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

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

(All amounts expressed in RMB thousand unless otherwise stated)

3 Management of Financial Risk and Insurance Risk

The Group's activities expose it to a variety of financial risks: financial risk including market risk (comprising currency risk, price risk and interest rate risk), credit risk, liquidity risk and insurance risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. Risk management is carried out by the senior management of the Group.

3.1 Financial risk

(a) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risks, which arise from foreign exchange rates (currency risk), market prices (price risk) and market interest rates (interest rate risk).

Foreign Currency risk

Foreign currency risk is the risk of loss resulting from changes in foreign currency exchange rates. Fluctuations in exchange rates between the RMB and other currencies in which the Group conducts business may affect its financial position and results of operations. The foreign currency risk assumed by the Group mainly comes from movements in the USD/RMB and HKD/RMB exchange rates. The Group mainly operates in the PRC with most of the transactions settled in RMB.

The group's exposure to foreign currency risk at the end of the reporting period was as follow:

	31 December 2020			
	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	RMB equivalent total
Cash and cash equivalents	1,921,869	5,816,650	181,856	7,920,375
Financial assets at fair value through profit or loss	1,866,165	1,715,340	–	3,581,505
	3,788,034	7,531,990	181,856	11,501,880

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

(All amounts expressed in RMB thousand unless otherwise stated)

3 Management of Financial Risk and Insurance Risk (Continued)

3.1 Financial risk (Continued)

(a) Market risk (Continued)

Foreign currency risk (Continued)

	RMB	31 December 2019		RMB equivalent total
		USD (RMB equivalent)	HKD (RMB equivalent)	
Cash and cash equivalents	3,275,687	1,600,912	88,856	4,965,455
Financial assets at fair value through profit or loss	892,240	972,760	–	1,865,000
	4,167,927	2,573,672	88,856	6,830,455

The aggregate net foreign exchange loss was recognized in consolidated statement of comprehensive income and included in other gains/(losses) – net.

Sensitivities

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the pre-tax impact on profit and equity. The correlation of variables will have a significant effect on determining the ultimate impact on market risk, but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis.

The Group is primarily exposed to changes in USD/RMB exchange rates. The sensitivity of profit or loss to changes in the exchange rates arises mainly from USD denominated financial assets.

Currency	Changes in exchange rate	Impact on profit and equity	
		31 December 2020	31 December 2019
USD	+ 5%	376,599	133,567
USD	– 5%	(376,599)	(133,567)

Price risk

The Group's price risk exposure relates to financial assets and liabilities whose values will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign currency risk), which mainly include investment classified as financial assets at fair value through profit or loss.

The above investments are exposed to price risk because of changes in market prices, where changes are caused by factors specific to the individual financial instruments or their issuers, or factors affecting all similar financial instruments traded in the market.

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(All amounts expressed in RMB thousand unless otherwise stated)

3 Management of Financial Risk and Insurance Risk (Continued)

3.1 Financial risk (Continued)

(a) Market risk (Continued)

Price risk (Continued)

To manage its price risk arising from the investments, the Group diversifies its investment portfolio. The investments are made either for strategic purposes, or for the purpose of achieving investment yield and balancing the Group's liquidity level simultaneously. Each investment is managed by senior management on a case by case basis.

Sensitivity analysis is performed by management to assess the exposure of the Group's financial results to equity price risk of financial assets at fair value through profit or loss at the end of each reporting period. If equity prices of the respective instruments held by the Group had been 5% (2019: 5%) higher/lower as at 31 December 2020, profit of loss for the year would have been approximately RMB145,868 thousand (31 December 2019: RMB86,277 thousand) higher/lower, excluding the wealth management product issued by a bank with principal guaranteed which is redeemable upon request by holders and barely exposed to significant price risk.

Interest rate risk

Interest rate risk is the risk that the value/future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Floating rate instruments expose the Group to cash flow interest rate risk, whereas fixed rate instruments expose the Group to fair value interest risk.

All of the Group's financial assets at fair value through profit or loss are equity investments which do not expose the Group to interest rate risk. The Group has no significant interest-bearing assets except for cash and cash equivalents, term deposits and financial assets at amortized cost, details of which have been disclosed in Note 24 and Note 26.

(b) Credit risk

The Group's credit risk is mainly associated with cash and cash equivalents, term deposits, financial assets at amortized cost, trade receivables and other receivables. The carrying amounts of each class of the above financial assets represent the Group's maximum exposure to credit risk in relation to financial assets.

The Group's cash and cash equivalents, term deposits are mainly deposited in reputable banks and financial institutions which are generally considered to be relatively stable. The Group considers that there is no significant credit risk and is not subject to any material losses due to the default of the other parties.

As to financial assets at amortized cost, which mainly includes debt investment schemes, the Group manages the credit risk for these investments mainly through controlling the investment scales, selecting counterparties within the financial institutions with appropriate credit quality prudently, balancing the credit risk and rate of return of investment and considering the internal and external credit rating information comprehensively. The group applies expected credit losses prescribed by IFRS 9, to make provision for financial assets at amortized cost.

The Group's trade receivables mainly come from customers. The Group mitigates credit risk by setting a shorter credit period, arranging the instalment payment or prepayment method.

For other receivables, the Group makes periodic collective assessment as well as individual assessment on the recoverability of other receivables based on historical settlement records and historical experience.

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(All amounts expressed in RMB thousand unless otherwise stated)

3 Management of Financial Risk and Insurance Risk (Continued)

3.1 Financial risk (Continued)

(c) Liquidity risk

The Group aims to maintain sufficient cash and cash equivalents and marketable securities to mitigate its liquidity risk. Due to the dynamic nature of the underlying businesses, the Group maintains flexibility in funding by maintaining adequate cash and cash equivalents.

The table below analyzes the Group's financial liabilities into relevant maturity grouping based on the remaining period at the end of each reporting period to the contractual maturity date. The amounts disclosed in the table are undiscounted contractual cash flows.

	As at 31 December 2020					
	On demand	Within 1 year	1 to 5 years	Over 5 years	Undated	Total
Liabilities						
Lease liabilities	–	76,626	44,566	–	–	121,192
Trade and other payables	–	1,280,325	–	–	44	1,280,369
	–	1,356,951	44,566	–	44	1,401,561

	As at 31 December 2019					
	On demand	Within 1 year	1 to 5 years	Over 5 years	Undated	Total
Liabilities						
Lease liabilities	–	53,820	55,165	–	–	108,985
Trade and other payables	–	1,321,620	–	–	47	1,321,667
	–	1,375,440	55,165	–	47	1,430,652

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For the year ended 31 December 2020

(All amounts expressed in RMB thousand unless otherwise stated)

3 Management of Financial Risk and Insurance Risk (Continued)

3.2 Insurance risk

Insurance risk refers to the risk that actual indemnity might exceed expected indemnity due to the frequency and severity of insurance accidents. The principal risk the Group faces under such contracts is that the actual claims and benefit payments exceed the carrying amount of contract liabilities of Health Membership Plans. This could occur due to any of the following factors:

- Occurrence risk – the possibility that the number of insured events will differ from those expected;
- Severity risk – the possibility that the cost of the events will differ from those expected;
- Development risk – the possibility that changes may occur in the amount of the Group's obligation at the end of the contract period.

The variability of risks is improved by diversification of risk of loss to a large portfolio of Health Membership Plans as a more diversified portfolio is less likely to be affected across the board by change in any subset of the portfolio. The variability of risks is also improved by careful selection and implementation of business developing strategies and guidelines.

Key assumptions

Claim liabilities are mainly based on assumptions of expected loss ratio which is determined after considering industry benchmark, experience data, and margin factors. These assumptions are made in respect of average claim costs, obligation handling costs and obligation fulfilling ratio. The Group develops its average claim cost, obligation handling costs and obligation fulfilling ratio based on industry analysis and the Group's historical claim payments experience. Additional judgment is used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

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For the year ended 31 December 2020

(All amounts expressed in RMB thousand unless otherwise stated)

3 Management of Financial Risk and Insurance Risk (Continued)

3.2 Insurance risk (Continued)

Sensitivities

The claim liabilities for Health Membership Plans are sensitive to the above key assumptions. The sensitivity of certain variables including legislative change, uncertainty in the estimation process, etc., is not possible to quantify. Furthermore, because of delays that arise between the occurrence of a claim, its subsequent notification and eventual settlement, the outstanding claim liabilities are not known with certainty at the end of the reporting period.

To illustrate the sensitivities of ultimate claim costs, while other assumptions remain unchanged, a 5% increase in average claim costs would increase claim liabilities of Health Membership Plans as at 31 December 2020 by RMB6,580 thousand (31 December 2019: RMB3,120 thousand).

Contract liabilities of Health Membership Plans

	31 December 2020	31 December 2019
Unearned revenue liabilities	224,460	152,933
Claim liabilities	144,630	57,333
	369,090	210,266

Movements of contract liabilities of Health Membership Plans

Movements of unearned revenue liabilities

	Contract liabilities
As at 31 December 2019	152,933
Increase	851,752
Decrease	(780,225)
As at 31 December 2020	224,460

Movements of claim liabilities

	Contract liabilities
As at 31 December 2019	57,333
Increase	99,150
Decrease	(11,853)
As at 31 December 2020	144,630

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For the year ended 31 December 2020

(All amounts expressed in RMB thousand unless otherwise stated)

3 Management of Financial Risk and Insurance Risk (Continued)

3.3 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to enhance shareholders' value in the long-term.

The Group monitors capital (including share capital and reserves) by regularly reviewing the capital structure. As a part of this review, the Company considers the cost of capital and the risks associated with the issued share capital. The Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or repurchase the Company's shares. In the opinion of the directors of the Company, the Group's capital risk is low.

3.4 Fair value estimation

Fair value estimates are made at a specific point in time based on relevant market information and information about financial instruments. When an active market exists, such as an authorized securities exchange, the market value is the best reflection of the fair values of financial instruments. For financial instruments that there is no active market, fair value is determined using valuation techniques.

The Group's financial assets mainly include financial assets at fair value through profit or loss.

Determination of fair value and fair value hierarchy

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchies. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three broad levels. The level in the fair value hierarchy within which the fair value measurement is categorized in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

The levels of the fair value hierarchy are as follows:

- (a) Fair value is based on quoted prices (unadjusted) in active markets for identical assets or liabilities ("Level 1");
- (b) Fair value is based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) ("Level 2"); and
- (c) Fair value is based on inputs for the asset or liability that are not based on observable market data (unobservable inputs) ("Level 3").

The level of fair value calculation is determined by the lowest level input that is significant in the overall calculation. As such, the significance of the input should be considered from an overall perspective in the calculation of fair value.

For Level 2 financial instruments, valuations are generally obtained from third party pricing services for identical or comparable assets, or through the use of valuation methodologies using observable market inputs, or recent quoted market prices. Valuation service providers typically gather, analyze and interpret information related to market transactions and other key valuation model inputs from multiple sources, and through the use of widely accepted internal valuation models, provide a theoretical quote on various securities.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

(All amounts expressed in RMB thousand unless otherwise stated)

3 Management of Financial Risk and Insurance Risk (Continued)

3.4 Fair value estimation (Continued)

Determination of fair value and fair value hierarchy (Continued)

For Level 3 financial instruments, prices are determined using valuation methodologies such as discounted cash flow models and other similar techniques. Determinations to classify fair value measurement within Level 3 of the valuation hierarchy are generally based on the significance of the unobservable factors to the overall fair value measurement, and valuation methodologies such as discounted cash flow models and other similar techniques.

For assets and liabilities that are recognized at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The following tables provide the fair value measurement hierarchy of the Group's financial assets and liabilities:

	As at 31 December 2020			Total
	Level 1	Level 2	Level 3	
Assets measured at fair value				
Financial assets at fair value through profit or loss				
– Equity investments	–	2,923,391	658,114	3,581,505

	As at 31 December 2019			Total
	Level 1	Level 2	Level 3	
Assets measured at fair value				
Financial assets at fair value through profit or loss				
– Equity investments	–	1,849,270	15,730	1,865,000

During the year, there were no transfers among different levels of fair values measurement.

Valuation techniques

The fair value of the unquoted equity investments has been determined using valuation techniques such as comparable company valuation multiples, recent transaction prices of the same or similar instruments, with appropriate adjustments made where applicable, for example, for lack of liquidity using option pricing models. The valuation requires management to make certain assumptions about unobservable inputs to the model, which mainly include historical volatility and estimated time period prior to the listing of the unquoted equity instruments, etc. The fair value of the unquoted equity investments is not significant to the Group.

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For the year ended 31 December 2020

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4 Critical Accounting Estimates and Judgments

The Group makes estimates and judgments that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities in these financial statements. Estimates and judgments are continually assessed based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

In the process of applying the Group's accounting policies, management has made the following judgments and accounting estimation, which have the most significant effect on the amounts recognized in the financial statements.

(a) Recoverability of non-financial assets

The Group tests annually whether goodwill has suffered any impairment. Goodwill and other non-financial assets, mainly including property, plant and equipment, other intangible assets and investments in associates and joint ventures are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts have been determined based on fair value less costs of disposal or value-in-use calculations. These calculations require the use of judgements and estimates.

Judgement is required to identify any impairment indicators existing for any of the Group's goodwill, other non-financial assets, to determine appropriate impairment approaches, i.e., fair value less costs of disposal or value in use, for impairment review purposes, and to select key assumptions applied in the adopted valuation models, including discounted cash flows and market approach. Changing the assumptions selected by management in assessing impairment could materially affect the result of the impairment test and in turn affect the Group's financial position and results of operations. If there is a significant adverse change in the key assumptions applied, it may be necessary to take additional impairment charge to the consolidated statement of comprehensive income.

(b) Provision for sales promotion

As disclosed as promotion expenses in Note 6(b), the Group provides "healthy reward points" for free to the users of the Group's mobile platform, including those who are not existing service buyers of the Group. Registered users may earn "healthy reward points" through the "step-for-reward" plan mainly based on the walk steps counted by the Group's mobile platform. As at 31 December 2020, the outstanding "healthy reward points" will all expire before 30 September 2021. The users can use the "healthy reward points" to redeem goods in the health mall of the Group's mobile platform without any minimum purchase amount requirements in the "step-for-reward" redemption plan. Costs of "healthy reward points" awarded based on the users' walk steps are included in promotion expenses which are recorded upon the issuance of points to users, and such outstanding "healthy reward points" are recognized as provision for sales promotion recorded under "accrual expenses". Significant estimates on the expected redemption rate by the users and unit value of each "healthy reward point" in the "step-for-reward" redemption plan is required to be made by the Group through analysis of historical redemption pattern with an adjustment of the change in anticipated redemption behavior of the registered users and the estimated unit value of the points when evaluating the provision for sales promotion.

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4 Critical Accounting Estimates and Judgments (Continued)

(c) Valuation of Health Membership Plans contract liabilities

At the end of the reporting period, when measuring the contract liabilities of Health Membership Plans, the Group needs to make a reasonable estimate of amounts of the payments which the Group is required to make in fulfilling the obligations under the contracts, based on information currently available at the end of the reporting period.

At the end of the reporting period, the Group shall make an estimate of the assumptions used in the measurement of Health Membership Plans contract liabilities. Such assumptions shall be determined based on information currently available at the end of the reporting period. To determine these assumptions, the Group selects proper risk margins according to both uncertainties and degree of impact of expected future cash outflows. Refer to Note 2.21(a) for the accounting policies and estimates.

The major assumptions needed in measuring claim liabilities include expected loss ratio and can be used to predict the future cost of claims. The assumptions are based on the Group's historical claim payments experience and industry experiences, taking into consideration changes in the Group's policies such as the underwriting policy, expenses and obligation handling, and changing trends in external environments such as economic conditions, regulations and legislation. The Group determined the risk margin assumptions for claim liabilities based on the industry experience ranged from 2.5% to 3%.

(d) Uncertain tax positions

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilized. In assessing whether such unused tax losses can be utilized in the future, the Group needs to make judgments and estimates on the ability of each of its subsidiary to generate taxable income in the future years. Based on current information available and the tax planning strategies, the Group considered there is uncertainty regarding whether the unused tax losses could be utilized before expiration. Thus, the Group currently has not recognized any deferred tax assets resulting from operating loss and deductible temporary differences.

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5 Revenue and Segment Information

(a) Disaggregation of revenue from contracts with customers

The Group's business activities, for which discrete financial statements are available, are regularly reviewed and evaluated by CODM. CODM, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the executive directors of the Company that make strategic decisions. As a result of this evaluation, the Group determined that it has operating segments as follows:

- Online medical services (formerly named "Family doctor services")
- Consumer healthcare
- Health mall
- Health management and wellness interaction

CODM assesses the performance of the operating segments mainly based on segment revenue and gross profit of each operating segment which is used by management as a basis for the purpose of resource allocation and assessment of segment performance. The selling and marketing expenses and administrative expenses are not included in the measurement of the segments' performance. Other income, other gains/(losses) – net, finance income – net, share of losses of associates and joint ventures, and income tax expense are also not allocated to individual operating segments.

Revenues from external customers reported to CODM are measured as segment revenue, which is derived from the customers in each segment. Cost of sales primarily comprises cost of medical service fee, inventories consumed, salary and compensation expenses, and others.

The segment information provided to CODM is measured in a manner consistent with that applied in these financial statements. There was no information on separate segment assets or segment liabilities provided to CODM, as CODM does not use such information to allocate resources to or evaluate the performance of the operating segments.

The revenue segment information reported to CODM for reporting period is as follows:

	For the year ended 31 December 2020				
	Online medical services	Consumer healthcare	Health mall	Health management and wellness interaction	Total
Revenue from customers	1,565,455	1,382,901	3,713,859	203,772	6,865,987
Medical related services	1,171,755	1,380,111	28,045	35,958	2,615,869
Sales of goods	392,746	2,790	3,675,700	–	4,071,236
Commission income	954	–	10,114	–	11,068
Advertising and other services	–	–	–	167,814	167,814
Cost of sales	(686,435)	(808,769)	(3,458,473)	(47,896)	(5,001,573)
Gross Profit	879,020	574,132	255,386	155,876	1,864,414

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For the year ended 31 December 2020

(All amounts expressed in RMB thousand unless otherwise stated)

5 Revenue and Segment Information (Continued)

(a) Disaggregation of revenue from contracts with customers (Continued)

	For the year ended 31 December 2019				Total
	Online medical services	Consumer healthcare	Health mall	Health management and wellness interaction	
Revenue from customers	858,021	1,112,356	2,902,186	192,866	5,065,429
Medical related services	670,301	1,107,989	31,069	–	1,809,359
Sales of goods	186,795	4,367	2,848,698	–	3,039,860
Commission income	925	–	22,419	–	23,344
Advertising and other services	–	–	–	192,866	192,866
Cost of sales	(479,092)	(711,978)	(2,667,360)	(35,570)	(3,894,000)
Gross Profit	378,929	400,378	234,826	157,296	1,171,429

The Company is domiciled in the Cayman Islands while the Group mainly operates its businesses in the PRC and earns substantially all of the revenues from external customers in the PRC.

As at 31 December 2020, most of the non-current assets of the Group were located in the PRC.

(b) Contract assets and liabilities

The Group has recognized the following revenue-related contract assets and liabilities:

	Year ended 31 December	
	2020	2019
Contract assets		
Online medical services	6,486	75,390
Consumer healthcare	95,545	65,729
	102,031	141,119
Contract liabilities		
Online medical services	155,846	212,752
Consumer healthcare	461,335	530,872
Health mall	25,863	74,948
Health management and wellness interaction	86,764	18,914
	729,808	837,486

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For the year ended 31 December 2020

(All amounts expressed in RMB thousand unless otherwise stated)

5 Revenue and Segment Information (Continued)

(b) Contract assets and liabilities (Continued)

(i) Significant changes in contract assets and liabilities

Contract assets representing the compensation paid for obtaining the contracts for the online medical services and consumer healthcare business. The decrease in the contract assets are mainly attributable to the increase of activation rate of the Health Membership Plans.

The changes of contract liabilities of each segment are as follows:

(a) Online medical services

The decrease is mainly attributable to the increase of activation rates of the Health Membership Plans.

(b) Consumer healthcare

The decrease is mainly attributable to the activation rates of standardized service packages are higher than last year while the sales are similar to last year.

(c) Health Mall

The decrease is mainly attributable to the decrease of the sales of "Healthy Life Pass" prepaid cards.

(d) Health management and wellness interaction

The increase is mainly attributable to the increase of the sales of wellness management services.

(ii) Revenue recognized in relation to contract liabilities

The following table shows how much of the revenue recognized during the year relates to carried-forward contract liabilities:

	Year ended 31 December	
	2020	2019
Revenue recognized that was included in the contract liability balance at the beginning of the period		
Online medical services	212,752	67,613
Consumer healthcare	524,783	400,058
Health mall	74,948	92,695
Health management and wellness interaction	18,914	31,605
	831,397	591,971

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5 Revenue and Segment Information (Continued)

(b) Contract assets and liabilities (Continued)

(iii) Unsatisfied performance obligations

The following table shows unsatisfied performance obligations as at 31 December 2020 and 2019:

	At 31 December	
	2020	2019
Online medical services	155,846	212,752
Consumer healthcare	461,335	530,872
Health mall	25,863	74,948
Health management and wellness interaction	108,874	95,264
	751,918	913,836

Management expects that more than 97% of the transaction price allocated to the unsatisfied contracts as at 31 December 2020 will be recognized as revenue during the next reporting period.

(iv) Assets recognized from incremental costs to obtain a contract

In addition to the contract balances disclosed above, the Group has also recognized an asset in relation to incremental costs to obtain a contract. This is presented within contract assets in the statement of financial position.

	Year ended 31 December	
	2020	2019
Asset recognized from costs incurred to obtain a contract at 31 December 2020 and 2019		
Online medical Services	6,486	75,390
Consumer healthcare	95,545	65,729
	102,031	141,119
Amortization recognized as selling and marketing expenses for provision of services during the period		
Online medical Services	440,203	21,849
Consumer healthcare	208,387	143,876
	648,590	165,725

In adopting IFRS 15, the Group recognized an asset in relation to compensation charged for products and service referred from external agencies which is incremental cost incurred to obtain a contract. The asset is amortized over the term of the specific contract it relates to, consistent with the pattern of recognition of the associated revenue. There were no impairment losses recognized on any contract assets.

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6 Expenses by Nature

	Year ended 31 December	
	2020	2019
Cost of merchandise	3,737,050	2,778,607
Employee benefit expenses (Note 7)	1,181,354	1,087,029
Direct sale and business development fee (Note a)(Note b)	959,586	818,094
Cost for service fee paid to vendors	866,124	769,227
Consulting expenses	209,941	153,340
Change of contract liabilities of Health Membership Plans	158,824	152,283
Depreciation of right-of-use assets	73,587	63,227
Depreciation of property, plant and equipment	68,852	57,350
Postage and communication expenses	66,489	36,782
Travelling and convention expenses	31,550	37,938
Amortization of other intangible assets	27,338	25,131
Tax and surcharges	14,236	18,024
Leasing expenses	11,399	22,410
Remuneration of the auditors	3,422	6,618
Others	195,531	149,920
	7,605,283	6,175,980

Notes:

- (a) The direct sale and business development fee includes commission expenses, advertising expenses and promotion expenses.
- (b) The reversal of promotion expenses of RMB102,521 thousand recognized in 2020, compared to an expense charge of RMB36,711 thousand in 2019. On 4 December 2015, the Group launched a "step-for-reward" redemption plan, the details of the plan are disclosed in Note 4(b). In December 2019, the Group announced and launched a new "step-for-reward" mutual aid plan and started its trial operation whose continuance was subject to the condition of a minimum number of participants. Costs of "healthy reward points" were included in promotion expenses which were recorded upon the issuance of points to users, and such outstanding "healthy reward points" were recognized as provision for sales promotion. In 2020, the walk steps of the registered users dropped remarkably due to the wide spread of Coronavirus Disease 2019 ("COVID-19"), therefore the number of subscribers of "step-for-reward" mutual aid plan were less than participation threshold of the mutual aid plan. Under such circumstances, the Group decided to abort the "step-for-reward" mutual aid plan and the outstanding "healthy reward points" were converted into the "step-for-reward" redemption plan. The unit value of the "healthy reward points" for the mutual aid plan was higher than the estimated unit value of each "healthy reward points" in "step-for-reward" redemption plan. Meanwhile, the expected redemption rate of the "step-for-reward" redemption plan also dropped significantly as a combined consequence of COVID-19 and plan termination.

7 Employee Benefit Expenses (Including directors' remuneration)

	Year ended 31 December	
	2020	2019
Wages, salaries and bonuses	876,324	763,068
Welfare and other benefits	240,037	232,156
Share-based payments (Note 29)	64,993	91,805
	1,181,354	1,087,029

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8 Directors' Remuneration

(i) Directors' and the chief executive's emoluments

	Year ended 31 December	
	2020	2019
Salaries and other short term employee benefits after tax	8,842	15,300
Individual income tax	3,645	5,641
	12,487	20,941

The remuneration of each director for the year ended 31 December 2020 is set out as follows:

	Year ended 31 December 2020				Total	Individual income tax
	Wages, salaries and bonuses	Pension costs – defined contribution plans	Other social security costs, housing benefits and other employee benefits			
Executive directors						
– Fang Weihao ¹ (Chairman)	3,245	4	130	3,379	568	
– Wang Tao ²	3,602	2	297	3,901	2,816	
Non-executive directors						
– Cai Fang Fang	–	–	–	–	–	
– Yao Jason Bo	–	–	–	–	–	
– Tan Sin Yin	–	–	–	–	–	
– Lin Lijun ³	–	–	–	–	–	
– Pan Zhongwu ³	–	–	–	–	–	
– Wang Wenjun ⁴	–	–	–	–	–	
– Dou Wenwei ⁴	–	–	–	–	–	
Independent non-executive directors						
– Tang Yunwei	375	–	–	375	87	
– Guo Tianyong	375	–	–	375	87	
– Liu Xin	375	–	–	375	87	
– Chow Wing Kin Anthony	437	–	–	437	–	
	8,409	6	427	8,842	3,645	

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8 Directors' Remuneration (Continued)

(i) Directors' and the chief executive's emoluments (Continued)

The remuneration of each director for the year ended 31 December 2019 is set out as follows:

	Year ended 31 December 2019				
	Wages, salaries and bonuses	Pension costs – defined contribution plans	Other social security costs, housing benefits and other employee benefits	Total	Individual income tax
Executive directors					
– Wang Tao ² (Chairman)	13,198	33	581	13,812	5,401
Non-executive directors					
– Cai Fang Fang	–	–	–	–	–
– Yao Jason Bo	–	–	–	–	–
– Tan Sin Yin	–	–	–	–	–
– Wang Wenjun ⁴	–	–	–	–	–
– Dou Wenwei ⁴	–	–	–	–	–
– Lee Yuan Siong ⁵	–	–	–	–	–
– Law Siu Wah Eddie ⁶	–	–	–	–	–
Independent non-executive directors					
– Tang Yunwei	352	–	–	352	80
– Guo Tianyong	352	–	–	352	80
– Liu Xin	352	–	–	352	80
– Chow Wing Kin Anthony	432	–	–	432	–
	14,686	33	581	15,300	5,641

Notes:

1. Appointed as executive director since May 2020.
2. Resigned from executive director since May 2020.
3. Appointed as non-executive directors since February 2020.
4. Resigned from non-executive directors since February 2020.
5. Resigned from non-executive directors since November 2019.
6. Resigned from non-executive directors since December 2019.
7. No director received any emolument from the Group as an inducement to join or leave the Group or compensation for loss of office. No director waived or has agreed to waive any emoluments during the years ended 31 December 2020 and 2019.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

(All amounts expressed in RMB thousand unless otherwise stated)

8 Directors' Remuneration (Continued)

(ii) Directors' retirement benefits

There was no retirement benefits paid to the directors during 2020 and 2019.

(iii) Directors' termination benefits

There was no termination benefits paid to directors during 2020 and 2019.

(iv) Consideration provided to third parties for making available directors' services

There was no payment to third parties for making available directors' services during 2020 and 2019.

(v) Information about loans, quasi-loans and other dealings in favor of directors, controlled bodies corporate and connected entities with such directors

There was no loans, quasi-loans and other dealings in favor of directors, controlled bodies corporate and connected entities with such directors entered into by the Company or subsidiary undertaking of the Company during 2020 and 2019.

(vi) Directors' material interests in transactions, arrangements or contracts

There was no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

9 Five Highest Paid Individuals

The five individuals whose emoluments were the highest in the Group include two directors during the year ended 31 December 31 2020 (2019: one), and their emoluments are reflected in the analysis shown in Note 8. The emoluments payable to the remaining three (2019: four) individuals during the year ended 31 December 2020, are as follows:

	Year ended 31 December	
	2020	2019
Wages, salaries and bonuses	10,032	14,074
Pension costs – defined contribution plans	68	86
Other social security costs, housing benefits and other employee benefits	865	1,172
Share-based payments	6,098	12,100
	17,063	27,432

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For the year ended 31 December 2020

(All amounts expressed in RMB thousand unless otherwise stated)

9 Five Highest Paid Individuals (Continued)

The number of highest paid non-director individuals whose remuneration fell within the following bands is set out below:

	Year ended 31 December	
	2020	2019
Nil to RMB1,000,000	–	–
RMB1,000,001 to RMB2,000,000	–	–
RMB2,000,001 to RMB3,000,000	1	–
RMB3,000,001 to RMB4,000,000	–	–
RMB4,000,001 to RMB5,000,000	–	1
RMB5,000,001 to RMB6,000,000	1	–
RMB6,000,001 to RMB10,000,000	1	3
	3	4

During the years ended 31 December 2020 and 2019, no director or the five highest paid individuals received any emolument from the Group as an inducement to join or leave the Group or as compensation for loss of office.

10 Other Income

	Year ended 31 December	
	2020	2019
Interest on financial assets at amortized cost	99,474	–
Government grants	63,063	38,931
Short-term investments placed with banks	42,889	2,964
	205,426	41,895

11 Other (Losses)/Gains – Net

	Year ended 31 December	
	2020	2019
Net foreign exchange (losses)/gains	(367,699)	40,135
Gains on disposal of financial assets at fair value through profits or loss	17,056	31,935
Net gains on disposals and deemed disposals of joint ventures	3,166	–
Net gains on disposals and deemed disposals of subsidiaries	–	34,304
Fair value (losses)/gains on financial assets at fair value through profit or loss	(1,438)	23,451
Impairment losses of financial assets	(30,955)	(22,803)
Others	(5,399)	2,245
	(385,269)	109,267

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

(All amounts expressed in RMB thousand unless otherwise stated)

12 Finance Income - Net

	Year ended 31 December	
	2020	2019
Finance income		
Interest income	105,679	265,897
Finance costs		
Interest expenses on lease liabilities	(5,993)	(13,208)
	99,686	252,689

13 Income Tax Expense

The income tax expense of the Group for the year ended 31 December 2020 is analyzed as follows:

	Year ended 31 December	
	2020	2019
Current income tax	7,155	12,587

The tax on the Group's loss before income tax differs from the theoretical amount that would arise using the statutory tax rate applicable to loss of the consolidated entities as follows:

	Year ended 31 December	
	2020	2019
Loss before income tax	(941,348)	(734,129)
Tax calculated at PRC statutory income tax rate of 25%	(235,337)	(183,532)
Tax effects of		
– Differential income tax rates applicable to overseas subsidiaries (Note a) (Note b)	132,468	(13,411)
– Expenses not deductible for tax purposes	153,670	74,442
– Tax losses and temporary differences for which no deferred income tax asset was recognized	39,951	127,203
– PRC withholding income tax	3,003	9,479
– Adjustments for current tax of prior periods	(718)	–
– Previously unrecognized tax losses now recouped to reduce current tax expense	(15,653)	(1,594)
– Previously unrecognized temporary differences now recouped to reduce current tax expense	(70,229)	–
Income tax expense	7,155	12,587

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For the year ended 31 December 2020

(All amounts expressed in RMB thousand unless otherwise stated)

13 Income Tax Expense (Continued)

The unused tax losses as at 31 December 2020 are analyzed as follows:

	At 31 December	
	2020	2019
Unused tax losses for which no deferred tax asset has been recognized	2,900,296	3,322,632
Potential tax benefit @ 25%	694,702	760,686
Potential tax benefit @ 16.5%	20,045	44,782

Notes:

(a) *Cayman Islands and Tax*

The Company is incorporated under the laws of the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and is not subject to Cayman Islands income tax.

(b) *Hong Kong Income Tax*

Hong Kong income tax rate is 16.5%. No Hong Kong profits tax was provided for as there was no estimated assessable profit that was subject to Hong Kong profits tax during the reporting period.

(c) *PRC Corporate Income Tax ("CIT")*

The income tax provision of the Group in respect of its operations in PRC was calculated at the tax rate of 25% on the assessable profits for the reporting period, based on the existing legislation, interpretations and practices in respect thereof.

(d) *PRC Withholding Tax ("WHT")*

According to the New Corporate Income Tax Law ("New CIT Law"), distribution of profits earned by PRC companies since 1 January 2008 to foreign investors is subject to withholding tax of 5% or 10%, depending on the country of incorporation of the foreign investor, upon the distribution of profits to overseas-incorporated immediate holding companies. WHT of the Group was levied on interests income received on the loans provided by the Company to PAHC.

The Group does not have any plan to require its PRC subsidiaries to distribute their retained earnings and intends to retain them to operate and expand its business in the PRC. Accordingly, no deferred income tax liability on WHT was accrued as at 31 December 2020 (31 December 2019: nil).

14 Loss Per Share

The weighted average number of ordinary shares for the purpose of basic and diluted loss per share for the year ended 31 December 2017 has been retroactively adjusted for the share subdivision.

- (a) Basic loss per share for the year ended 31 December 2020 are calculated by dividing the loss attributable to the owners of the Company by the weighted average number of ordinary shares in issue during the year.

The calculation of loss per share is based on the following:

	Year ended 31 December	
	2020	2019
Loss attributable to the owners of the Company	(948,478)	(733,860)
Weighted average number of ordinary shares in issue ('000)	1,029,290	1,000,996
Basic loss per share (RMB yuan)	(0.92)	(0.73)

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For the year ended 31 December 2020

(All amounts expressed in RMB thousand unless otherwise stated)

14 Loss Per Share (Continued)

- (b) Diluted earnings or loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

As the Group incurred losses for the year ended 31 December 2020, the potential ordinary shares were not included in the calculation of dilutive loss per share, as their inclusion would be anti-dilutive. Accordingly, diluted loss per share for the year ended 31 December 2020 are same as basic loss per share.

15 Goodwill

	As at 1 January 2020	Increase	Decrease	As at 31 December 2020
Ping An Wanjia Healthcare (Investment Management Co., Ltd.) ("Wanjia Healthcare") (Note a)	961,644	–	–	961,644
Jiangxi Pingan Good Doctor Pharmacy Company Limited ("Jiangxi Nabaite") (Note b)	5,119	–	–	5,119
Pingan Yingjian Medical Management (Shanghai) Limited ("Pingan Yingjian") (Note c)	–	3,166	–	3,166
Total	966,763	3,166	–	969,929
Less: Impairment losses	–	–	–	–
Net book value	966,763	3,166	–	969,929

Notes:

- (a) Goodwill amounted to RMB961,644 thousand arising from the acquisition of 100% equity interests in Wanjia Healthcare in October 2018. On 30 April 2019, management of the Group decided to reorganize the business operational structure of Wanjia Healthcare and the decision resulted in change of management's reporting structure where the whole CGU was integrated with online medical services segment and consumer healthcare segment of the Group in order to better realize the synergy of combination and economies of scale. The reorganization changed the composition of CGU to which goodwill had been allocated.

Because the goodwill allocated to Wanjia Healthcare cannot be arbitrarily identified or associated with an asset group at a level lower than Wanjia Healthcare, on the same date of the reorganization, approximately RMB582,398 thousand and RMB379,246 thousand of goodwill respectively were reallocated to the online medical services segment and the consumer healthcare segment. The reallocation was performed using a relative value approach on the basis of the relative values of the two portions of Wanjia Healthcare before they were integrated with the segments of the Group.

As of 31 December 2020, management prepared a value-in-use assessment by using cash flow projections based on business plan for the purposes of impairment review covering an eight-years period. Under paragraph 33(b) of IAS 36, a period longer than five years can be used if it is justifiable. Given the Group expects to maintain an extended high growth rate over a period longer than 5 years, management of the Group considers that the Group's business is expected to reach a steady and stable terminal growth state likely after an eight-years period. As the pioneer in the online healthcare industry, management believes they are better positioned to forecast cash flows for an extended period over 5 years. The expected annual growth rates over the eight-years forecast period are based on the Group's past performance and management's expectation of future market and business developments.

As of 31 December 2020, for online medical services segment, key assumptions for goodwill used for value-in-use calculations include annual growth rates ranging from 10% to 26%, and gross margin ranging from 64% to 65%, while for the consumer healthcare segment, annual growth rates ranging from 7% to 25%, and gross margin ranging from 41% to 44%. As of 31 December 2020, the discount rate used for online medical services segment of 21.06% and the discount rate used for consumer healthcare segment of 20.05% are pre-tax rates and reflect market assessments of the time value and the specific risks relating to the industry. The budgeted gross margin was determined by management based on past performance and its expectation for market development.

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(All amounts expressed in RMB thousand unless otherwise stated)

15 Goodwill (Continued)

Notes: (Continued)

Based on the result of the goodwill impairment testing, for online medical services segment, the estimated recoverable amount exceeded its carrying amount by approximately RMB1,755,226 thousand and for the consumer healthcare segment the excess was approximately RMB1,013,173 thousand as of 31 December 2020. The following table shows the amount by which the assumption of annual revenue growth rate would need to change individually for the estimated recoverable amount to be equal to the carrying amount for each segment.

CGU	Change required for carrying amount to equal recoverable amount(in percent) 2020
Online medical services	Assuming the annual growth rate for each year during the eight-year period decreased by 3.07% and shall be no less than the terminal growth rate of 3.00%
Consumer healthcare	Assuming the annual growth rate for each year during the eight-year period decreased by 2.61% and shall be no less than the terminal growth rate of 3.00%

(b) Goodwill amounted to RMB5,119 thousand arising from the acquisition of 100% equity interests in Jiangxi Nabaite in April 2016.

(c) The goodwill's addition arose from the acquisition of control over Pingan Yingjian in April 2020 (Note 33).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

(All amounts expressed in RMB thousand unless otherwise stated)

16 Leases

(a) Amounts recognized in the statement of financial position

The statement of financial position shows the following amounts relating to leases:

	At 31 December 2020	At 1 January 2020
Right-of-use assets		
Properties	115,417	93,986
	115,417	93,986
Lease liabilities		
Current	74,844	51,161
Non-current	39,121	44,431
	113,965	95,592

Addition to the cost of right-of-use assets during the 2020 financial year were RMB95,018 thousand.

(b) Amounts recognized in the income statement

The income statement shows the following amounts relating to leases:

	Year ended 31 December 2020	2019
Depreciation of right-of-use assets		
Properties	(73,587)	(63,227)
Finance costs	(5,993)	(13,208)

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(All amounts expressed in RMB thousand unless otherwise stated)

17 Property, Plant and Equipment

	Office and telecommunication equipment	Leasehold improvements	Total
As at 1 January 2020			
Cost	255,583	74,340	329,923
Accumulated depreciation	(111,449)	(32,029)	(143,478)
Net book amount	144,134	42,311	186,445
Year ended 31 December 2020			
Opening net book amount	144,134	42,311	186,445
Additions	33,159	11,186	44,345
Acquisition of a subsidiary	2,763	1,566	4,329
Disposal	(2)	–	(2)
Depreciation charge	(51,356)	(17,496)	(68,852)
Closing net book amount	128,698	37,567	166,265
As at 31 December 2020			
Cost	297,371	87,343	384,714
Accumulated depreciation	(168,673)	(49,776)	(218,449)
Net book amount	128,698	37,567	166,265
As at 1 January 2019			
Cost	212,618	46,184	258,802
Accumulated depreciation	(67,798)	(18,531)	(86,329)
Net book amount	144,820	27,653	172,473
Year ended 31 December 2019			
Opening net book amount	144,820	27,653	172,473
Additions	47,562	28,156	75,718
Disposals and deemed disposals of subsidiaries	(3,263)	–	(3,263)
Disposal	(1,133)	–	(1,133)
Depreciation charge	(43,852)	(13,498)	(57,350)
Closing net book amount	144,134	42,311	186,445
As at 31 December 2019			
Cost	255,583	74,340	329,923
Accumulated depreciation	(111,449)	(32,029)	(143,478)
Net book amount	144,134	42,311	186,445

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

(All amounts expressed in RMB thousand unless otherwise stated)

18 Other Intangible Assets

	Software	Licenses	Total
As at 1 January 2020			
Cost	94,626	57,472	152,098
Accumulated amortization	(17,069)	(9,251)	(26,320)
Accumulated impairment	–	(19,569)	(19,569)
Net book amount	77,557	28,652	106,209
Year ended 31 December 2020			
Opening net book amount	77,557	28,652	106,209
Additions	23,059	–	23,059
Acquisition of a subsidiary	43	–	43
Amortization	(19,757)	(7,581)	(27,338)
Closing net book amount	80,902	21,071	101,973
As at 31 December 2020			
Cost	117,734	57,472	175,206
Accumulated amortization	(36,832)	(16,832)	(53,664)
Accumulated impairment	–	(19,569)	(19,569)
Net book amount	80,902	21,071	101,973
As at 1 January 2019			
Cost	58,034	54,672	112,706
Accumulated amortization	(4,530)	(2,560)	(7,090)
Accumulated impairment	–	(19,569)	(19,569)
Net book amount	53,504	32,543	86,047
Year ended 31 December 2019			
Opening net book amount	53,504	32,543	86,047
Additions	42,501	2,800	45,301
Disposals and deemed disposals of subsidiaries	(8)	–	(8)
Amortization	(18,440)	(6,691)	(25,131)
Closing net book amount	77,557	28,652	106,209
As at 31 December 2019			
Cost	94,626	57,472	152,098
Accumulated amortization	(17,069)	(9,251)	(26,320)
Accumulated impairment	–	(19,569)	(19,569)
Net book amount	77,557	28,652	106,209

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

(All amounts expressed in RMB thousand unless otherwise stated)

19 Investments in Associates

	At 1 January 2020	Profit/Cash dividends declared by associates	Share of profit in associates	At 31 December 2020
Ningbo Chengyi Partnership Enterprise L.P. ("Chengyi")	249,720	–	1,526	251,246
Shanghai Hydee Software Corp., Ltd. ("Hydee")	131,992	(2,323)	1,908	131,577
	381,712	(2,323)	3,434	382,823

The investments in associates as at 31 December 2020 are as follows:

	Place	Principal activities	Percentage of equity interest	Percentage of voting rights
Ghengyi	Ningbo	Equity investment management	50%	33%
Hydee	Shanghai	Software and information technology services	20%	20%

Summarized financial information of the Group's major associates.

	Chengyi		Hydee	
	Year ended 31 December 2020	2019	Year ended 31 December 2020	2019
The associate's total assets	353,342	350,279	240,085	212,037
The associate's total liabilities	(37)	(33)	(92,714)	(141,228)
The associate's profit/(loss)	3,058	(562)	9,540	8,192

As at 31 December 2020, the Group did not recognize any impairment loss on its investments in associates.

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For the year ended 31 December 2020

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20 Investments in Joint Ventures

	At 1 January 2020	Additional investment	Converted from a joint venture to a subsidiary	Share of loss in associates	Share of other comprehensive income	At 31 December 2020
Good Doctor Technology Limited	97,666	-	-	(83,532)	(1,060)	13,074
Health Technologies Corp. (Note a)	27,260	72,968	-	(41,178)	(3,464)	55,586
Pingan Yingjian (Note b)	2,907	-	(2,288)	(619)	-	-
	127,833	72,968	(2,288)	(125,329)	(4,524)	68,660

Notes:

(a) On 30 July 2020, Yu Kang Limited and SoftBank Corp. respectively injected additional capital of JPY1,100,000,000 (equivalent to approximately RMB72,968 thousand) to Health Technologies Corp..

(b) Pingan Yingjian was consolidated by the Group from April 2020, the details of the business combination are disclosed in note 33.

The investments in joint ventures as at 31 December 2020 are as follows:

	Place	Principal activities	Percentage of equity interest	Percentage of voting rights
Good Doctor Technology Limited	Cayman	Medical services	63%	51%
Health Technologies Corp.	Japan	Medical services	50%	50%

Summarized financial information of the Group's major joint ventures.

	Good Doctor Technology Limited		Health Technologies Corp.	
	Year ended 31 December 2020	2019	Year ended 31 December 2020	2019
The joint venture's total assets	66,416	160,163	129,284	75,241
The joint venture's total liabilities	(89,202)	(47,161)	(17,034)	(21,000)
The joint venture's loss	(132,590)	-	(82,356)	(51,132)
The joint venture's other comprehensive income	(1,683)	-	(6,928)	6,816

As at 31 December 2020, the Group did not recognize any impairment loss on its investments in joint ventures.

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(All amounts expressed in RMB thousand unless otherwise stated)

21 Inventories

	At 31 December 2020	2019
Inventories in warehouse	152,958	74,768
Inventories held with distributors on consignment	7,507	–
Less: impairment provision	–	–
	160,465	74,768

22 Trade Receivables

	At 31 December 2020	2019
Online medical services	255,872	278,010
Consumer healthcare	94,332	147,433
Health mall	646,559	174,143
Health management and wellness interaction	99,675	67,142
	1,096,438	666,728
Less: Loss allowance	(38,227)	(17,344)
	1,058,211	649,384

(a) Aging analysis of trade receivables based on invoice date is as follows:

	At 31 December 2020	2019
Up to 3 month	744,081	285,273
3 to 6 months	111,651	108,577
6 months to 1 year	72,487	155,980
1 to 2 years	146,914	108,664
More than 2 years	21,305	8,234
	1,096,438	666,728
Less: Loss allowance	(38,227)	(17,344)
	1,058,211	649,384

Approximately 85% of trade receivables aged more than one year are due from related parties.

(b) Fair values of trade receivables

Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value.

(c) Impairment and risk exposure

The Group applies the IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

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23 Prepayments and Other Receivables

	At 31 December	
	2020	2019
Included in current assets		
Advance payments	210,089	43,321
Exercise cost of share options	83,600	15,495
Recoverable value-added tax	48,578	42,180
Deposits	35,940	29,411
Interests receivable	20,177	53,673
Prepaid expenses	7,977	6,817
Amounts due from related parties (Note a)	5,900	8,850
Others	27,036	23,098
	439,297	222,845
Included in non-current assets		
Other receivable	76,851	6,915

Notes:

- (a) During the year, the amounts due from related parties were of a non-trade nature.
- (b) As at 31 December 2020, the carrying amounts of deposits and other assets (excludes advance payments and recoverable value-added tax), were approximate to their fair values. Deposits and other assets were neither past due nor impaired. Their recoverability was assessed with reference to the credit status of the counterparties and credit history.

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24 Financial Assets at Amortized Cost

	At 31 December	
	2020	2019
Included in current assets		
Debt schemes	2,020,215	577,121
Less: provision for impairment losses	(10,430)	(2,066)
	2,009,785	575,055
Included in non-current assets		
Debt schemes	577,749	1,520,779
Less: provision for impairment losses	(6,256)	(4,894)
	571,493	1,515,885

25 Financial Assets at Fair Value Through Profit or Loss

	At 31 December	
	2020	2019
Included in current assets		
Equity investments		
Wealth management products	642,384	775,303
Investment funds	2,923,391	1,073,967
	3,565,775	1,849,270
Included in non-current assets		
Equity investments in unlisted companies	15,730	15,730

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26 Cash and Cash Equivalents and Term Deposits

(a) Cash and cash equivalents

	At 31 December	
	2020	2019
Cash	97	1
Cash at bank	7,881,530	2,373,282
Short-term bank deposits with initial term within three months	–	2,570,000
Other cash equivalents	38,748	22,172
	7,920,375	4,965,455

Cash and cash equivalents are denominated in the following currencies:

	At 31 December	
	2020	2019
USD	5,816,650	1,600,912
HKD	181,856	88,856
RMB	1,921,869	3,275,687
	7,920,375	4,965,455

(b) Term deposits

	At 31 December	
	2020	2019
Term deposits with initial term of over one year	838,373	500,000
Less: Loss allowance of term deposits	(582)	(236)
	837,791	499,764

Term deposits are denominated in the following currencies:

	At 31 December	
	2020	2019
USD	–	–
RMB	838,373	500,000
	838,373	500,000

The weighted average effective interest rate of the term deposits of the Group for the year ended 31 December 2020 is 4.23% (year ended 31 December 2019: 4.26%).

Notes to the Consolidated Financial Statements

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27 Share Capital

	Number of shares	USD
Authorized		
Ordinary shares of USD0.000005 each at 1 January 2020 and 31 December 2020	10,000,000,000	50,000

	Number of shares	USD	Equivalent to RMB
Issued			
Ordinary shares of USD0.000005 each at 1 January 2020	1,067,294,200	5,336	33,282
Newly issued ordinary shares (Note a)	80,000,000	400	2,712
Ordinary shares of USD0.000005 each at 31 December 2020 (Note b)	1,147,294,200	5,736	35,994

Notes:

- (a) On 9 October 2020, 80,000,000 new ordinary shares were placed to not fewer than six places at a price of HK\$98.2 per placing share, which were issued at par value of USD0.000005 per share.
- (b) As at 31 December 2020, 1,147,294,200 ordinary shares were all issued and fully paid.

28 Reserves

	At 31 December 2020	2019
Other reserves		
– share-based payments – value of employee services (Note 29)	220,271	243,779
Reorganization (Note a)	350,000	350,000
Share premium		
– share premium from capital injection (Note b)	19,662,022	12,792,575
– share-based payments – value of employee services (Note 29)	124,648	36,147
– proceeds from exercise of share options (Note 29)	295,965	92,957
Exchange differences on translation of foreign operations	(1,116)	3,408
Other	2	2
	20,651,792	13,518,868

Notes:

- (a) PAHC was incorporated on 20 August 2014 with issued share capital of RMB350,000,000 divided into 350,000,000 ordinary shares of RMB1 each. After the Reorganization, PAHC is controlled by Kang Jian through the Contractual Arrangements. The share capital of RMB350,000,000 is treated as a deemed distribution from the owners.
- (b) On 9 October 2020, the Group placed 80,000,000 new ordinary shares to not fewer than six places at a price of HK\$98.2 per placing share, and raised gross proceeds of HK\$7,856,000,000. The excess over the par value of 80,000,000 ordinary shares was credited to the share premium account with aggregate amounts of approximately RMB6,869,447,135.

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29 Share-Based Payments

On 26 December 2014, an equity-settled share-based compensation plan was granted to the employees with the objective to recognize and reward the contribution of the eligible directors, employees and other persons (collectively, the "Grantees") for the growth and development of the Group. The share options granted under the Share Option Plan are valid and effective for 10 years from the grant date. Upon the establishment of the Share Option Plan, 35,000,000 shares have been reserved by two shareholders of the Company, namely Glorious Peace and Bang Qi Jian. Under the Share Option Plan, a special purpose vehicle named Hong Qi Jian Limited ("Hong Qi Jian"), was set up by Glorious Peace and Bang Qi Jian to hold shares contributed by Glorious Peace and Bang Qi Jian.

Le An Xin was incorporated on 17 October 2017 as a vehicle to replace Hong Qi Jian to hold the 35,000,000 ordinary shares for the Company's employees under the Share Option Plan, with no changes to the rest of the conditions and the Grantees of the Share Option Plan. As the Company has the power to govern the relevant activities of Le An Xin and can derive benefits from the services to be rendered by the Grantees, the directors of the Company consider that it is appropriate to consolidate Le An Xin. The total number of shares pursuant to the Share Option Plan is 70,000,000 after considering the effect of the share subdivision (Note 1).

Subject to the Grantees continuing to be a service provider, 100% of these options will be vested over 4 years upon fulfilling the service conditions and non-market performance conditions prescribed in the share option agreement.

The options should be exercised no earlier than 180 days before the Company successfully completes an initial public offering and the Company's shares get listed in the stock exchange ("IPO and Listing") and no later than 30 days after the IPO and Listing. The vesting date is determined by the Board of Directors of the Company. On 20 January 2018, amendments to the Share Option Plan were approved by the directors of the Company and the vesting date was changed to no earlier than 180 days before IPO and Listing or no earlier than 12 months after IPO and Listing. On 31 May 2019, amendments to the Share Option Plan were approved by the directors of the Company to modify the vesting conditions of the nil-priced share options granted after 27 February 2019. The options vest in full or in part depending on the satisfaction of specified performance conditions, including growth rate of the share price of the Company and KPIs achievement of the Group as a whole and of the Grantees. The amendments impact the grant date fair value of nil-priced share option since the market condition need to be considered.

Movements in the number of share options granted to employees are as follows:

	Number of share options	
	At 31 December 2020	2019
At the beginning of the year	37,857,318	44,293,574
Granted	3,426,000	6,935,000
Exercised (Note a)	(11,817,721)	(9,234,258)
Forfeited	(3,661,356)	(4,136,998)
At the end of the year	25,804,241	37,857,318

Note:

(a) During the year ended 31 December 2020, 11,817,721 ordinary shares were exercised (year ended 31 December 2019: 9,234,258 ordinary shares) at the total consideration of RMB203,007 thousand. The exercise price range from RMB0 each to RMB32 each.

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For the year ended 31 December 2020

(All amounts expressed in RMB thousand unless otherwise stated)

29 SHARE-BASED PAYMENTS (Continued)

Share options outstanding at the end of the year have the following expiry dates and exercise prices:

Grant Year	Expiry Year	Exercise price	Number of share options At 31 December	
			2020	2019
2014	2024	0.50	806,105	1,801,803
2015	2025	0.75	3,553,262	6,409,912
2016	2026	5.00	677,250	1,513,650
2017	2027	23.50-32.00	13,203,809	22,786,953
2019	2029	0-30.95	3,391,740	5,345,000
2020	2030	0	4,172,075	–
			25,804,241	37,857,318

Before the Listing, the Company had used the discounted cash flow method to determine the underlying equity fair value of the Company and adopted equity allocation model to determine the fair value of the underlying ordinary share. Key assumptions, such as discount rate and projections of future performance, are required to be determined by the Company with best estimate. Based on fair value of the underlying ordinary share, the Company had used Binomial option-pricing model to determine the fair value of the share options as at the grant date.

After the Listing, the fair value of the awarded share options was calculated by reference to the market price of the Company's shares at the respective grant date.

The weighted average fair value of awarded share options granted during the year ended 31 December 2020 was HK\$74.46 per share (equivalent to approximately RMB64.42 yuan per share) (year ended 31 December 2019: HK\$23.12 per share (equivalent to approximately RMB19.71 yuan per share)).

For those nil-priced options with market-based performance conditions, the fair value is calculated using a Monte-Carlo simulation model. The Monte-Carlo simulation model reflected the historical volatility of the Company's share price and those of all other companies to which the Company's performance would be compared, over a period equal to the vesting period of the awards.

Key assumptions are set as below:

	At 31 December 2020
Share price	HK\$102.9
Risk-free interest rate	0.28%
Volatility	44.7%
Dividend yield	0%

During the year ended 31 December 2020, the Group recorded share-based payments of approximately RMB64,993 thousand (year ended 31 December 2019: RMB91,805 thousand) related to the Share Option Plan.

The remaining contractual life of share options outstanding as at 31 December 2020 is 6.9 years (As at 31 December 2019: 7.1 years).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

(All amounts expressed in RMB thousand unless otherwise stated)

30 Trade and Other Payables

	At 31 December	
	2020	2019
Included in current liabilities		
Wages payable	448,518	380,931
Trade payables (Note a)	390,605	268,952
Contract liabilities of Health Membership Plans	369,090	210,266
Accrued expense	326,792	610,779
Tax payables	134,012	74,775
Amounts due to suppliers	118,744	127,112
Amounts due to related parties	61,728	30,784
Others	13,366	72,927
	1,862,855	1,776,526
Included in non-current liabilities		
Amounts due to related parties	44	47

(a) Aging analysis of trade payables is as follows:

	At 31 December	
	2020	2019
Up to 3 month	358,437	208,428
3 to 6 months	6,021	48,086
6 months to 1 year	9,605	6,121
1 to 2 years	16,542	6,317
	390,605	268,952

31 Dividends

No dividends have been paid or declared by the Company during the year ended 31 December 2020 (year ended 31 December 2019: nil).

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For the year ended 31 December 2020

(All amounts expressed in RMB thousand unless otherwise stated)

32 Cash Flow Information

(a) Cash used in operations

	Year ended 31 December	
	2020	2019
Loss for the year	(948,503)	(746,716)
Depreciation and amortization	169,777	145,708
Impairment losses of financial assets	30,955	22,803
Fair value gains on financial assets at fair value through profit or loss	(15,618)	(55,386)
Share of losses of associates and joint ventures	121,895	27,429
Share option expenses	64,993	91,805
Finance income – net	(173,821)	(255,653)
Net gains on disposals and deemed disposals of subsidiaries	–	(34,304)
Net gains on disposals and deemed disposals of joint ventures	(3,166)	–
Net foreign exchange gains/(losses)	367,689	(40,135)
Change of inventories	(85,697)	(36,198)
Increase in trade receivables and other assets	(601,891)	(304,711)
Decrease/increase in trade payables and other liabilities	(28,885)	681,154
	(1,102,272)	(504,204)

33 Business Combination

On 24 April 2015, Pingan Yingjian was established by the Group and Human Health Holdings Limited (“Human Health”) through their subsidiary, PAHC and Yingjian Enterprise Management Consulting (Shanghai) Company Limited. Upon its establishment, Pingan Yingjian was owned by the Group and Human Health in proportion to their respective equity interests of 50%. According to the original article of association, the resolutions of the board of directors and shareholders could only be passed under mutual agreement of the two parties, and accordingly, Pingan Yingjian was regarded as a joint venture of the Group. With the growth of business scale and resources of the Group in the healthcare industry, the Group and Human Health entered into a negotiation in early 2020 that the Group would obtain control of Pingan Yingjian without any cash consideration in order that the Group would be able and willing to actively participate in the future business development of Pingan Yingjian. On 7 April 2020, a resolution of the board of shareholders to revise the articles of association was passed whereby PAHC is empowered to make final decisions and to hold decisive voting rights in the board of directors. Since then, Pingan Yingjian becomes a subsidiary of the Group.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

Purchase consideration:	
Cash paid	–
Fair value of PAHC’s equity interest in Pingan Yingjian held before the business combination	5,454
Total purchase consideration	5,454

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

(All amounts expressed in RMB thousand unless otherwise stated)

33 Business Combination (Continued)

The assets and liabilities recognized as a result of the acquisition are as follows:

	Fair value
Cash and cash equivalents	5,204
Trade receivables	272
Prepayments and other receivables	1,790
Inventories	925
Property, plant and equipment	4,329
Other intangible assets	43
Trade and other payables	(7,987)
Net identifiable assets acquired	4,576
Less: non-controlling interests	(2,288)
Add: goodwill	3,166
Net assets acquired	5,454

(a) Acquisition-related costs

Acquisition-related costs of RMB70,000 yuan were included in administrative expenses in profit or loss.

(b) Non-controlling interest

The Group has chosen to recognize the non-controlling interest at its fair value for this acquisition. The fair value of the non-controlling interest in Pingan Yingjian, an unlisted company, was estimated by applying a discounted cash flow. The fair value estimates are based on:

- (i) an assumed discount rate of 15%
- (ii) annual growth rates ranging from 4% to 25% and gross margin ranging from 37% to 42%
- (iii) long-term sustainable growth rate of 3%

(c) Revenue and profit contribution

The acquired business contributed revenues of RMB22,718 thousand and net loss of RMB276 thousand to the Group for the period from 7 April 2020 to 31 December 2020.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

(All amounts expressed in RMB thousand unless otherwise stated)

34 Related Party Transactions

Save as those disclosed in the other notes, the following significant transactions were carried out between the Group and its related parties during the year. In the opinion of the directors of the Company, the related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective related parties. The Group's pricing policies of the transactions with related parties are determined on the basis of mutual negotiations between the relevant parties.

(a) Names and relationships with related parties

Name of related parties	Relationship with the Company
Ping An	Ultimate parent company of Glorious Peace
Ping An Life	Controlled by Ping An
Ping An Property & Casualty Insurance Company of China, Ltd. ("Ping An Property & Casualty")	Controlled by Ping An
Ping An Bank Co., Ltd. ("Ping An Bank")	Controlled by Ping An
Ping An Health	Controlled by Ping An
Ping An Trust Co., Ltd. ("Ping An Trust")	Controlled by Ping An
Ping An Annuity Insurance Company of China, Ltd. ("Ping An Annuity")	Controlled by Ping An
Shenzhen Ping An Financial Services Co., Ltd. ("Financial Services")	Controlled by Ping An
Ping An Fund Management Co., Ltd. ("Ping An Fund")	Controlled by Ping An
Ping An Securities Co., Ltd. ("Ping An Securities")	Controlled by Ping An
Ping An Technology (Shenzhen) Co., Ltd. ("Ping An Technology")	Controlled by Ping An
Ping An International Financial Leasing Company Limited ("Ping An Financial Leasing")	Controlled by Ping An
Shenzhen Wanlitong Network Information Technology Co., Ltd. ("Shenzhen Wanlitong")	Controlled by Ping An
Shenzhen Ping An Communication Technology Co., Ltd. ("Ping An Communication Technology")	Controlled by Ping An
Shanghai An Yi Tong Electronic Commerce Co., Ltd. ("An Yi Tong")	Controlled by Ping An
Ping An Wealth Management Co., Ltd. ("Ping An Wealth Management")	Controlled by Ping An
Shenzhen Ping An Huitong Investment Management Co., Ltd. ("Ping An Huitong")	Controlled by Ping An
Ping An Pay Technology Service Co., Ltd. ("Ping An Pay Tech")	Controlled by Ping An
YouWan Technology Co., Ltd. ("YouWan Technology")	Controlled by Ping An
Shenzhen Pingan Yuanxin Investment Development Holding Co., Ltd. ("Ping An Yuanxin")	Controlled by Ping An
Shenzhen Pingan Decheng Investment Co., Ltd. ("Ping An Decheng")	Controlled by Ping An
Shanghai Zean Investment Management Co., Ltd. ("Zean Investment")	Controlled by Ping An
Ping An Asset Management Co., Ltd. ("Ping An Asset Management")	Controlled by Ping An
Hefei Ping An Hao Yi Hospital Co., Ltd. ("Hefei Hao Yi")	Controlled by Ping An
Chongqing Ping An Hao Yi Jingwei Comprehensive Clinic Co., Ltd. ("Chongqing Hao Yi")	Controlled by Ping An
Ping An Hao Yi (Wuhan) Comprehensive Clinic Co., Ltd. ("Wuhan Hao Yi")	Controlled by Ping An
Nanchang Ping An Hao Yi Health Examination Center Co., Ltd. ("Nanchang Hao Yi")	Controlled by Ping An
Shenzhen Ping An Real Estate Investment Co., Ltd. ("Ping An Real Estate")	Controlled by Ping An
Good Doctor Technology Limited	Joint venture of the Group
Health Technologies Corp.	Joint venture of the Group

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

(All amounts expressed in RMB thousand unless otherwise stated)

34 Related Party Transactions (Continued)

(b) Significant transactions with related parties

	Year ended 31 December	
	2020	2019
Trademark licensing		
Ping An	–	–
Provision of products and services		
(included in contract liabilities and revenue)		
Ping An Life	1,585,963	1,438,578
Ping An Property & Casualty	402,722	412,782
Ping An Bank	288,610	89,861
Ping An Health	63,500	159,057
Ping An Trust	36,097	25,527
Ping An Annuity	34,271	37,389
Financial Services	27,556	14,317
Good Doctor Technology Limited	17,939	–
Ping An Fund	16,126	6,599
Health Technologies Corp.	15,297	–
Ping An Securities	13,097	7,676
Ping An Technology	8,068	5,870
Ping An Financial Leasing	6,326	4,479
Ping An	1,748	1,707
Services purchasing		
Ping An Bank	306,146	92,997
Shenzhen Wanlitong	60,950	39,693
Ping An Communication Technology	43,438	37,291
Ping An Technology	38,323	25,592
Financial Services	23,464	15,272
Ping An Property & Casualty	22,539	3,563
An Yi Tong	14,947	10,808
Ping An Wealth Management	10,237	–
Ping An	10,170	8,802
Hefei Hao Yi	9,967	3,135
Chongqing Hao Yi	9,174	2,396
Ping An Huitong	6,802	1,874
Ping An Annuity	6,584	12,633
Wuhan Hao Yi	6,193	7,660
Nanchang Hao Yi	5,617	8,486
Property leasing		
Zean Investment	26,659	25,131
Deposit interests		
Ping An Bank	44,530	92,444

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

(All amounts expressed in RMB thousand unless otherwise stated)

34 Related Party Transactions (Continued)

(b) Significant transactions with related parties (Continued)

	Year ended 31 December	
	2020	2019
Investment income		
Ping An Yuanxin	66,903	–
Ping An Bank	33,230	2,784
Ping An Asset Management	8,581	1,570

Trademark licensing

The Group enters into a trademark licensing framework agreement with Ping An (the “Trademark Licensing Framework Agreement”), pursuant to which Ping An grants to the Group non-exclusive and non-transferable licenses for the use of certain trademarks owned by Ping An that are either registered or for which registration applications have been filed in the PRC or Hong Kong on a royalty-free basis. The initial term of the Trademark Licensing Framework Agreement commenced on 15 November 2017 and ends on 14 November 2022.

Provision of products and services

The Group provides various types of products and services to Ping An Group, including, but not limited to: (1) online medical services comprising online consultation, hospital referral and appointment, inpatient arrangement and second opinion services; (2) “Healthy Life Pass” prepaid cards and health check-up service package; (3) products in the health mall; and (4) advertising services and comprehensive wellness management services. Fees are paid to the Group by Ping An Group in respect of the provision of such products and services.

The products and services fees the Group charges to Ping An Group are determined on the basis of mutual negotiations between the relevant parties. For the various types of services provided by the Group to Ping An Group, the service fee is determined on a cost-plus margin basis.

Services purchasing

Ping An Group provides a wide spectrum of services to the Group, including but not limited to consulting services, business promotion services, settlement services, insurance services, online traffic diversion services and customer referral services. The Group, in return, pays service fees to Ping An Group. The precise scope of service, service fee calculation, method of payment and other details of the service arrangement are agreed between the relevant parties separately.

The services fees paid by the Group to Ping An Group are determined on the following basis: (1) through bidding procedure according to the internal rules and procedures of the Group; and (2) if no tendering and bidding process is required under the Group’s internal rules, through mutual negotiations between the parties based on historical fees of such services and comparable market rates. The terms are no less favorable to the Group than terms of services available to independent third parties (if applicable) to the Group.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

(All amounts expressed in RMB thousand unless otherwise stated)

34 Related Party Transactions (Continued)

(b) Significant transactions with related parties (Continued)

Property leasing

The Group leases properties from Ping An Group for office use.

The monthly rents payable by the Group during the leasing term are determined based on mutual negotiations between the relevant parties.

Financial service

Ping An Group provides deposit service, financing service and wealth management service to the Group.

The deposit interest rates and the borrowing interest rates are determined which are no less favorable than (1) those available to the Group from independent third parties; and (2) those offered by Ping An Group to independent third parties for deposits under similar or comparable terms. The investment income received by the Group are in line with the average investment income generated by similar types of wealth management services of Ping An Bank provided to independent third parties under similar terms and conditions.

(c) Year end balances with related parties

	At 31 December	
	2020	2019
Cash and cash equivalents and term deposits		
Ping An Bank	7,258,899	3,763,166
Ping An Pay Tech	25,077	15,492
Financial assets at fair value through profit or loss		
Ping An Asset Management	1,146,416	651,570
Ping An Trust	55,601	–
Ping An Bank	40,156	123,733
Trade receivables		
Ping An Property & Casualty	307,484	91,851
Ping An Life	294,837	215,000
Ping An Bank	46,721	25,513
Ping An Health	43,893	161,482
Good Doctor Technology Limited	19,015	4,999
Health Technologies Corp.	16,215	–
Ping An Annuity	5,755	8,662
Ping An Financial Leasing	3,516	1,397
Trade and other payables		
Ping An Communication Technology	18,653	3,227
Ping An Technology	18,205	4,140
Ping An Property & Casualty	8,171	7,535
Ping An Health	4,621	7,267
Ping An Huitong	3,746	–
Financial Services	3,380	4,040

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For the year ended 31 December 2020

(All amounts expressed in RMB thousand unless otherwise stated)

34 Related Party Transactions (Continued)

(c) Year end balances with related parties (Continued)

	At 31 December	
	2020	2019
Prepayments and other receivables		
Ping An Annuity	3,879	4,158
Ping An Property & Casualty	2,534	2,439
YouWan Technology	2,182	38
Ping An Life	1,613	535
Ping An Health	1,462	1,267
Interests receivables		
Ping An Bank	19,495	45,334
Debt schemes		
Ping An Real Estate	1,512,366	–
Ping An Decheng	497,418	–
Ping An Yuanxin	–	1,515,885
Deposits		
Zean Investment	7,417	4,565
Ping An Life	183	183

Apart from the interest receivables generated from term deposits and financial assets at fair value through profit or loss calculated based on deposit interest rates due from Ping An Bank, the other balances including other prepayments and other receivables, trade receivables and deposits due from related parties are unsecured, interest-free and repayable on demand.

All balances due to related parties are unsecured, interest-free and repayable on demand.

(d) Key management personnel compensations

Key management includes directors (executive and non-executive) and senior officers. The compensations paid or payable to key management for employee services are shown below:

	Year ended 31 December	
	2020	2019
Wages, salaries and bonuses	24,841	31,875
Welfare and other benefits	2,069	2,384
Share-based payments	8,524	21,513
	35,434	55,772

35 Contingencies

The Group did not have any material contingent liabilities as at 31 December 2020.

36 Subsequent Events

There were no material subsequent events during the period from 31 December 2020 to the approval date of these consolidated financial statements by the Board of Directors on 2 February 2021.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

(All amounts expressed in RMB thousand unless otherwise stated)

37 Comparative Figures

Certain comparative figures have been reclassified or restated to conform to the consolidated financial information's presentation.

38 Financial Statement and Reserve Movement of the Company

(a) Financial position of the Company

	As at 31 December	
	2020	2019
ASSETS		
Non-current assets		
Prepayments and other receivables	2,979,452	3,236,956
Investment in joint ventures	128,657	–
Total non-current assets	3,108,109	3,236,956
Current assets		
Prepayments and other receivables	9,451,096	7,754,050
Financial assets at fair value through profit or loss	1,715,340	972,760
Cash and cash equivalents	5,957,332	1,655,677
Total current assets	17,123,768	10,382,487
Total assets	20,231,877	13,619,443
EQUITY AND LIABILITIES		
Equity		
Share capital	36	33
Reserves	19,957,987	12,885,532
Retained earnings	195,050	704,560
Total equity	20,153,073	13,590,125
Liabilities		
Non-current liabilities		
Trade and other payables	44	47
Total non-current liabilities	44	47
Current liabilities		
Trade and other payables	78,760	29,271
Total current liabilities	78,760	29,271
Total liabilities	78,804	29,318
Total equity and liabilities	20,231,877	13,619,443

The financial statement of the Company was approved by the Board of Directors on 2 February 2021 and was signed on its behalf.

FANG Weihao
(Director)

LIN Lijun
(Director)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

(All amounts expressed in RMB thousand unless otherwise stated)

38 Financial Statement and Reserve Movement of the Company (Continued)

(b) Income statement of the Company

	Year ended 31 December	
	2020	2019
Selling and marketing expenses	–	(743)
Administrative expenses	(25,905)	(46,134)
Other income	5,258	–
Other gains – net	(571,744)	139,460
Operating (loss)/profit	(592,391)	92,583
Finance income	85,884	32,244
(Loss)/profit before income tax	(506,507)	124,827
Income tax expense	(3,003)	(9,479)
(Loss)/profit for the year	(509,510)	115,348

(c) Reserve movement of the Company

	Reserves	Retained earnings
As at 1 January 2020	12,885,532	704,560
Loss for the year	–	(509,510)
Placing of new shares	6,869,447	–
Exercise of share options	203,008	–
As at 31 December 2020	19,957,987	195,050
As at 1 January 2019	12,793,579	589,212
Profit for the year	–	115,348
Exercise of share options	91,953	–
As at 31 December 2019	12,885,532	704,560

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39 Subsidiaries and Controlled Structured Entities

(a) Subsidiaries

As at 31 December 2020, the Company had direct or indirect interests in the following subsidiaries :

Company name	Place and date of incorporation/ establishment	Issued and paid-in capital	Attributable economic interest to the Group		Principal activities/Place of operations	Notes
			31 December 2020	31 December 2019		
Directly owned:						
Glorious Delight	Hong Kong/ 14 November 2014	HKD0	100%	100%	Investment Holding/ Hong Kong	
Le An Xin (Note 29)	British Virgin Islands ("BVI")/ 17 October 2017	USD0	–	–	Investment Holding/ BVI	
Good Doctor Online Healthcare Limited	Cayman Islands/ 23 July 2018	USD1	100%	100%	Investment Holding/ Cayman Islands	
Yu Kang Limited	Hong Kong/ 12 December 2018	HKD1	100%	100%	Investment Holding/ Hong Kong	
Indirectly owned:						
Kang Jian	the PRC/ 13 February 2015	USD440,050,000	100%	100%	Investment Holding/ the PRC	
Zhongyikang	the PRC/ 14 December 2006	RMB5,000,000	100%	100%	Medicine Marketing/ the PRC	
Shanghai Pingan Health Culture Communication Company Limited	the PRC/ 21 November 2016	RMB3,000,000	100%	100%	Technology Service/ the PRC	
Controlled by the Company pursuant to the Contractual Agreements:						
PAHC	the PRC/ 20 August 2014	RMB350,000,000	100%	100%	Development and Operation of Apps/ the PRC	
Jiangxi Nabaite	the PRC/ 24 January 2014	RMB2,000,000	100%	100%	Medicine Marketing/ the PRC	
Hefei Kuaiyijie Medical Electronic Commerce Company Limited	the PRC/ 29 March 2005	RMB15,000,000	100%	100%	Technology Development/ the PRC	
Qingdao Pingan Good Doctor Internet Hospital Company Limited	the PRC/ 24 April 2017	RMB10,000,000	100%	100%	Hospital/the PRC	
Hefei Ping An Kangjian Internet Hospital Company Limited	the PRC/ 21 September 2017	RMB150,000	100%	100%	Hospital/the PRC	
Jiangsu Nabaite Pharmacy Company Limited	the PRC/ 11 October 2017	RMB10,000,000	100%	100%	Medicine Marketing/ the PRC	

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39 Subsidiaries and Controlled Structured Entities (Continued)

(a) Subsidiaries (Continued)

Company name	Place and date of incorporation/ establishment	Issued and paid-in capital	Attributable economic interest to the Group		Principal activities/Place of operations	Notes
			31 December 2020	31 December 2019		
Controlled by the Company pursuant to the Contractual Agreements (Continued):						
Shanghai Hao Yi Smart Technology Company Limited	the PRC/ 21 November 2017	RMB71,400,000	70%	70%	Technology Development/ the PRC	
Yinchuan Pingan Internet Hospital Company Limited	the PRC/ 12 March 2018	RMB3,000,000	100%	100%	Hospital/the PRC	
Wanjia Healthcare	the PRC/ 4 July 2016	RMB400,000,000	100%	100%	Technology Development/ the PRC	
Shanghai Pingan Wanjia Healthcare Management Company Limited	the PRC/ 8 December 2016	RMB100,000,000	100%	100%	Technology Development/ the PRC	
Shenzhen Pingan Wanjia Healthcare Investment Company Limited	the PRC/ 11 August 2016	RMB30,000,000	100%	100%	Investment Holding/ the PRC	
Xiamen Pingan Wanjia Healthcare Investment Company Limited	the PRC/ 6 December 2016	RMB20,000,000	100%	100%	Investment Holding/ the PRC	
Xiamen Siming Wanjia Enjoyment Outpatient Service Department Company Limited	the PRC/ 26 July 2017	RMB11,000,000	100%	100%	Clinic/the PRC	
Shenzhen Anan Outpatient Service Department	the PRC/ 20 June 2017	RMB400,000	100%	100%	Clinic/the PRC	
Guang Dong Y.C. Insurance Agency Company Limited	the PRC/ 10 February 2011	RMB50,000,000	100%	100%	Insurance Agency/ the PRC	
Guangzhou Jifan Biotechnology Company Limited	the PRC/ 23 July 2015	RMB100,000	100%	100%	Medicine Marketing/ the PRC	
Pingan (Nantong) Internet Hospital Company Limited	the PRC/ 15 November 2018	RMB10,000	100%	100%	Hospital/the PRC	
Hainan Ping An Healthcare and Technology Company Limited	the PRC/ 15 October 2019	RMB110,000	100%	100%	Medicine Marketing/ the PRC	
Hebei Nabaite Pharmacy Company Limited	the PRC/ 28 December 2019	RMB4,200,000	100%	100%	Medicine Marketing/ the PRC	

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

(All amounts expressed in RMB thousand unless otherwise stated)

39 Subsidiaries and Controlled Structured Entities (Continued)

(a) Subsidiaries (Continued)

Company name	Place and date of incorporation/ establishment	Issued and paid-in capital	Attributable economic interest to the Group		Principal activities/Place of operations	Notes
			31 December 2020	31 December 2019		
Controlled by the Company pursuant to the Contractual Agreements (Continued):						
Pingan Yingjian Medical Management (Shanghai) Limited ("Pingan Yingjian")	the PRC/ 24 April 2015	RMB35,000,000	50%	50%	Medical Service/ the PRC	(i)
Shanghai Yingjian Clinics Co., Ltd ("Shanghai Yingjian")	the PRC/ 12 December 2016	RMB10,000,000	50%	50%	Clinic/the PRC	(i)
Fuzhou Kangjian Medical Technology Company Limited	the PRC/ 8 April 2020	RMB50,000,000	100%	0%	Technology Development/ the PRC	(ii)
Guangxi Pingan Good Doctor Internet Hospital Company Limited	the PRC/ 13 April 2020	RMB2,040,000	51%	0%	Hospital/the PRC	(iii)
Pingan Good Doctor Nanjing Medical Technology Company Limited	the PRC/ 20 May 2020	RMB900,000	100%	0%	Technology Development/ the PRC	(ii)
Shenyang Kangjian Intelligent Internet Hospital Company Limited	the PRC/ 22 May 2020	RMB1,200,000	100%	0%	Hospital/the PRC	(ii)
Chengdu Ping An Kangjian Internet Hospital Management Company Limited	the PRC/ 14 January 2020	RMB11,600,000	100%	0%	Hospital/the PRC	(ii)
Taiyuan Pingan Internet Hospital Company Limited	the PRC/ 30 April 2020	RMBO	100%	0%	Hospital/the PRC	(ii)
Shanghai Pingan Good Doctor No.8 Internet Hospital Company Limited	the PRC/ 11 June 2020	RMB300,000	100%	0%	Hospital/the PRC	(ii)
Weihai Kangjian Internet Hospital Co., Ltd.	the PRC/ 6 July 2020	RMB500,000	100%	0%	Hospital/the PRC	(ii)
Tianjin Pingan Kangjian Internet Hospital Co., Ltd.	the PRC/ 27 September 2020	RMBO	100%	0%	Hospital/the PRC	(ii)
Harbin Haoyikang Internet Hospital Co., Ltd.	the PRC/ 4 September 2020	RMBO	100%	0%	Hospital/the PRC	(ii)
Zhengzhou Pingan Internet Hospital Co., Ltd.	the PRC/ 10 September 2020	RMBO	100%	0%	Hospital/the PRC	(ii)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

(All amounts expressed in RMB thousand unless otherwise stated)

39 Subsidiaries and Controlled Structured Entities (Continued)

(a) Subsidiaries (Continued)

Company name	Place and date of incorporation/ establishment	Issued and paid-in capital	Attributable economic interest to the Group		Principal activities/Place of operations	Notes
			31 December 2020	31 December 2019		
Controlled by the Company pursuant to the Contractual Agreements (Continued):						
Hangzhou Kangyijian Medical Technology Co., Ltd.	the PRC/ 13 August 2020	RMBO	100%	0%	Technology Development/ the PRC	(ii)
Guangzhou Kangjian Internet Hospital Co., Ltd.	the PRC/ 2 December 2020	RMBO	100%	0%	Hospital/the PRC	(ii)
Chongqing Haoyi Health Internet Hospital Co., Ltd.	the PRC/ 10 December 2020	RMBO	100%	0%	Hospital/the PRC	(ii)
Ping An Health (Jiangsu) Internet Co., Ltd.	the PRC/ 17 November 2020	RMB30,000,000	100%	0%	Hospital/the PRC	(ii)
Kunming Haoyi Health Internet Hospital Co., Ltd.	the PRC/ 24 December 2020	RMBO	100%	0%	Hospital/the PRC	(ii)

* All of the subsidiaries of the Company established in the PRC were limited liability company.

Notes:

- (i) During the period, Pingan Yingjian was consolidated by the Group, the details of the business combination are disclosed in note 33. Shanghai Yingjian is a wholly-owned subsidiary of Pingan Yingjian.
- (ii) Those companies are wholly-owned subsidiaries of PAHC and established in current year.
- (iii) The Group established Guangxi Pingan Good Doctor Internet Hospital Co., Ltd pursuant to a business Co-operation agreement with Digital Guangxi Group Co. Ltd ("Digital Guangxi") signed on 13 April 2020, according to which the Group and Digital Guangxi owned 51% and 49% of the equity interests respectively.

(b) Structured entities

As at 31 December 2020, the Group consolidated the following principal structured entities:

Name	Attributable equity interest	Paid-in capital (RMB)	Principal activities
Ping An Huitong Jinyu No.17 Assets Management	100%	1,500,000	Investment in debts
Ping An Huitong Jinyu No.19 Assets Management	100%	570,000	Investment in debts
Ping An Huitong Jinyu No.22 Assets Management	100%	500,000	Investment in debts

* The asset manager of above three asset management plans is Shenzhen Ping An Huitong Investment Management Company Limited, which is controlled by Ping An.

Five Year Financial Summary

Condensed Consolidated Income Statement

	Year ended 31 December				
	2016	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	601,494	1,868,021	3,337,849	5,065,429	6,865,987
Gross profit	253,579	612,070	911,938	1,171,429	1,864,414
Net loss for the year	(758,215)	(1,001,643)	(913,055)	(746,716)	(948,503)
Net loss attributable to the owners of the Company	(758,215)	(1,001,643)	(911,662)	(733,860)	(948,478)

Condensed Consolidated Statement of Financial Position

	As of 31 December				
	2016	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	4,187,670	5,972,080	12,373,521	12,379,138	18,562,871
Total liabilities	1,813,375	1,938,118	2,106,229	2,709,651	2,706,672
Total equity	2,374,295	4,033,962	10,267,292	9,669,487	15,856,199
Equity attributable to the owners of the Company	2,374,295	4,033,962	10,198,920	9,648,761	15,833,210

Definitions

In this Annual Report, unless the context otherwise requires, the following expressions shall have the following meanings:

“AI”	artificial intelligence, the use of machine to aid or replace human in doing certain tasks by simulating the sight, hearing, senses and thinking of human
“Audit and Risk Management Committee”	Audit and Risk Management Committee under the Board
“Bang Qi Jian”	Bang Qi Jian Limited (幫騏鍵有限公司), a company incorporated under the laws of BVI on 10 November 2014
“Board”	the board of directors of the Company
“Cayman Companies Law”	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
“close associate”	has the meaning ascribed to it under the Listing Rules
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company”, “the Company” or “Ping An Good Doctor”	Ping An Healthcare and Technology Company Limited (平安健康醫療科技有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 12 November 2014
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“connected transaction(s)”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholders”	has the meaning ascribed to it under the Listing Rules
“Corporate Governance Code”	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
“Director(s)”	the director(s) of the Company
“EIS Option(s)”	the option(s) granted and to be granted to the Directors and employees of the Group under the Employee Incentive Scheme
“EIS Share(s)”	the Share(s) under the EIS Options which are directly held by Le An Xin



Definitions

“Employee Incentive Scheme” or “EIS”	the scheme adopted by the Company on 26 December 2014, as amended or otherwise modified from time to time, to grant options to the incentive targets
“Fuzhou Kangjian”	Fuzhou Kangjian Medical Technology Co., Ltd. (福州康健醫療科技有限公司), a company incorporated under the laws of the PRC on 8 April 2020, a wholly-owned subsidiary of Ping An Health Cloud and one of our Operating Entities
“Glorious Delight”	Glorious Delight Limited (鑫悅有限公司), a company incorporated under the laws of Hong Kong on 14 November 2014 and a wholly-owned subsidiary of the Company
“Glorious Peace”	Glorious Peace Limited (安鑫有限公司), a company incorporated under the laws of BVI on 10 November 2014, an indirect wholly-owned subsidiary of Ping An and our Controlling Shareholder
“GMV”	gross merchandise volume, the total value of all orders on the platform, including product and service orders under the direct sales and marketplace model (regardless whether the products were returned), as well as the procurement from the health mall by corporate clients
“Group”, “the Group”, “we”, “us” or “our”	the Company, its subsidiaries and the Operating Entities or, where the context so requires, in respect of the period prior to the Company becoming the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of the Company at the relevant time
“Guangdong Yecheng”	Guangdong Yecheng Insurance Agent Company Limited (廣東業誠保險代理有限公司), a company incorporated under the laws of the PRC on 10 February 2011, a wholly-owned subsidiary of Ping An Health Cloud and one of our Operating Entities
“Guangzhou Jifan”	Guangzhou Jifan Biotechnology Co., Ltd. (廣州市濟帆生物科技有限公司), a company incorporated under the laws of the PRC on 23 July 2015, a wholly-owned subsidiary of Jiangxi Nabaite and one of our Operating Entities
“Hainan Pingan Health”	Hainan Pingan Health Technology Co., Ltd. (海南平安健康醫療科技有限公司), a company incorporated under the laws of the PRC on 15 October 2019, a wholly-owned subsidiary of Ping An Health Cloud and one of our Operating Entities
“Hangzhou Kangyijian”	Hangzhou Kangyijian Medical Technology Co., Ltd. (杭州康醫健醫療科技有限公司), a company incorporated under the laws of the PRC on 22 July 2020, a wholly-owned subsidiary of Ping An Health Cloud and one of our Operating Entities

“Hebei Nabaite”	Hebei Nabaite Pharmacy Co., Ltd. (河北納百特大藥房有限公司), a company incorporated under the laws of the PRC on 28 December 2019, a wholly-owned subsidiary of Jiangxi Nabaite and one of our Operating Entities
“Hefei Kuaiyijie”	Hefei Kuaiyijie Medical Electronic Commerce Company Limited (合肥快易捷醫藥電子商務有限公司), a company incorporated under the laws of the PRC on 29 March 2005, a wholly-owned subsidiary of Ping An Health Cloud and one of our Operating Entities
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong Share Registrar”	Computershare Hong Kong Investor Services Limited
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the People’s Republic of China
“IFRS”	International Financial Reporting Standard
“Independent Third Party(ies)”	has the meaning ascribed to it under the Listing Rules
“Jiangsu Nabaite”	Jiangsu Nabaite Pharmacy Company Limited (江蘇納百特大藥房有限公司), a company incorporated under the laws of the PRC on 11 October 2017, a wholly-owned subsidiary of Jiangxi Nabaite and one of our Operating Entities
“Jiangxi Nabaite”	Jiangxi Ping An Good Doctor Chainstore Company Limited (江西平安好醫生大藥房有限公司), formerly known as Jiangxi Nabaite Pharmacy Company Limited, a company incorporated under the laws of the PRC on 24 January 2014, a wholly-owned subsidiary of Ping An Health Cloud and one of our Operating Entities
“Kang Jian”	Kang Jian Information Technology (Shenzhen) Co., Ltd. (康鍵信息技術(深圳)有限公司), a company incorporated under the laws of the PRC on 13 February 2015 and a wholly-owned subsidiary of the Company
“Le An Xin”	Le An Xin (PTC) Limited, a company incorporated under the laws of BVI on 17 October 2017
“Listing”	the listing of the Shares on the Main Board of the Stock Exchange
“Listing Date”	4 May 2018, the date on which the Shares were listed and on which dealings in the Shares were first permitted to take place on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time



Definitions

“Lufax Holding”	Lufax Holding Ltd. (陸金所控股有限公司), a company incorporated under the laws of the Cayman Islands on 2 December 2014 whose shares are listed on the New York Stock Exchange (NYSE: LU)
“Main Board”	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the GEM of the Stock Exchange
“MAU”	monthly active users who access services or products through mobile apps, WAP or other plug-in channels at least once during a calendar month
“Memorandum and Articles of Association”	the amended and restated memorandum and articles of association of the Company, conditionally adopted on 19 April 2018, with effect from the Listing Date, and as amended from time to time
“MPU”	monthly paying users, the number of users that purchase products and/or services on our platform through mobile app, WAP or plug-in channels at least once during a calendar month
“Nomination and Remuneration Committee”	Nomination and Remuneration Committee under the Board
“OneConnect”	OneConnect Financial Technology Co., Ltd. (壹賬通金融科技有限公司), a company incorporated under the laws of the Cayman Islands on 30 October 2017 whose shares are listed on the New York Stock Exchange (NYSE: OCFT)
“Operating Entities”	collectively, Ping An Health Cloud, Hefei Kuaiyijie, Jiangxi Nabaite, Jiangsu Nabaite, Pingan (Nantong) Internet Hospital, Pingan (Qingdao) Internet Hospital, Pingan (Hefei) Internet Hospital, Pingan (Yinchuan) Internet Hospital, Shanghai Hao Yi, Wanjia Healthcare, Guangdong Yecheng, Hebei Nabaite, Guangzhou Jifan, Hainan Pingan Health, Fuzhou Kangjian, Pingan (Chengdu) Internet Hospital, Shanghai Pingan Eighth Hospital, Shenyang Kangjian, Pingan Nanjing Medical Technology, Pingan (Taiyuan) Internet Hospital, Pingan (Guangxi) Internet Hospital, Hangzhou Kangyijian, Weihai Kangjian, Pingan Yingjian, Pingan (Harbin) Internet Hospital, Pingan (Zhengzhou) Internet Hospital, Pingan (Tianjin) Internet Hospital, Pingan (Kunming) Internet Hospital, Pingan (Guangzhou) Internet Hospital, Pingan (Jiangsu) Internet Hospital and Pingan (Chongqing) Internet Hospital, the financial results of which have been consolidated and accounted for as subsidiaries of the Company by virtue of the Contractual Arrangements
“Ping An”/“Ping An Insurance (Group)”	Ping An Insurance (Group) Company of China, Ltd. (中國平安保險(集團)股份有限公司), a company incorporated under the laws of the PRC whose shares are dually listed on the Shanghai Stock Exchange and the Stock Exchange (SSE: 601318; SEHK: 2318). It is our Controlling Shareholder

“Ping An Asset Management”	Ping An Asset Management Co., Ltd. (平安資產管理有限責任公司), a company incorporated under the laws of the PRC on 27 May 2005, a subsidiary of Ping An
“Ping An Bank”	Ping An Bank Co., Ltd. (平安銀行股份有限公司), a company incorporated under the laws of the PRC on 22 December 1987 whose shares are listed on the Shenzhen Stock Exchange (SZSE: 000001), and a subsidiary of Ping An
“Ping An Financial Technology”	Shenzhen Ping An Financial Technology Consulting Co., Ltd. (深圳平安金融科技諮詢有限公司), a company incorporated under the laws of the PRC on 16 April 2008 and a subsidiary of Ping An
“Ping An Group”	Ping An and its subsidiaries
“Ping An Health Cloud” or “PAHC”	Ping An Health Cloud Company Limited (平安健康互聯網股份有限公司), a company incorporated under the laws of the PRC on 20 August 2014 and one of our Operating Entities
“Ping An Health Insurance”	Ping An Health Insurance Company of China, Ltd. (平安健康保險股份有限公司), a company incorporated under the laws of the PRC on 13 June 2005 and a subsidiary of Ping An
“Ping An Life Insurance”	Ping An Life Insurance Company of China, Ltd. (中國平安人壽保險股份有限公司), a company incorporated under the laws of the PRC on 17 December 2002 and a subsidiary of Ping An
“Ping An Property & Casualty Insurance”	Ping An Property & Casualty Insurance Company of China, Ltd. (中國平安財產保險股份有限公司), a company incorporated under the laws of the PRC on 24 December 2002 and a subsidiary of Ping An
“Ping An Puhui”	Ping An Puhui Investment Consultation Co., Ltd. (平安普惠投資諮詢有限公司), a company incorporated under the laws of the PRC on 5 September 2005 and a close associate of Ping An, Ms. WANG Wenjun and Mr. DOU Wenwei respectively
“Ping An Nanjing Medical Technology”	Ping An Good Doctor Nanjing Medical Technology Co., Ltd. (平安好醫生南京醫療科技有限公司), a company incorporated under the laws of the PRC on 20 May 2020, a wholly-owned subsidiary of Ping An Health Cloud and one of our Operating Entities
“Ping An Yingjian”	Ping An Yingjian Medical Management (Shanghai) Co., Ltd. (平安盈健醫療管理(上海)有限公司), a company incorporated under the laws of the PRC on 24 April 2015, a subsidiary of Ping An Health Cloud and one of our Operating Entities



Definitions

“Pingan (Chengdu) Internet Hospital”	Chengdu Pingan Kangjian Internet Hospital Management Co., Ltd. (成都平安康健互聯網醫院管理有限公司), a company incorporated under the laws of the PRC on 14 January 2020, a wholly-owned subsidiary of Ping An Health Cloud and one of our Operating Entities
“Pingan (Chongqing) Internet Hospital”	Chongqing Haoyi Kangjian Internet Hospital Co., Ltd. (重慶好醫康健互聯網醫院有限公司), a company incorporated under the laws of the PRC on 2 December 2020, a wholly-owned subsidiary of Ping An Health Cloud and one of our Operating Entities
“Pingan (Guangzhou) Internet Hospital”	Guangzhou Kangjian Internet Hospital Co., Ltd. (廣州康健互聯網醫院有限公司), a company incorporated under the laws of the PRC on 2 December 2020, a wholly-owned subsidiary of Ping An Health Cloud and one of our Operating Entities
“Pingan (Guangxi) Internet Hospital”	Guangxi Ping An Good Doctor Internet Hospital Co., Ltd. (廣西平安好醫生互聯網醫院有限公司), a company incorporated under the laws of the PRC on 13 April 2020, a subsidiary of Ping An Health Cloud and one of our Operating Entities
“Pingan (Harbin) Internet Hospital”	Harbin Haoyikang Internet Hospital Co., Ltd. (哈爾濱好醫康健互聯網醫院有限公司), a company incorporated under the laws of the PRC on 4 September 2020, a wholly-owned subsidiary of Ping An Health Cloud and one of our Operating Entities
“Pingan (Hefei) Internet Hospital”	Hefei Pingan Kangjian Internet Hospital Co., Ltd. (合肥平安康健互聯網醫院有限公司), a company incorporated under the laws of the PRC on 21 September 2017, a wholly-owned subsidiary of Ping An Health Cloud and one of our Operating Entities
“Pingan (Jiangsu) Internet Hospital”	Pingan Health (Jiangsu) Internet Hospital Co., Ltd. (平安健康(江蘇)互聯網醫院有限公司), a company incorporated under the laws of the PRC on 17 November 2020, a wholly-owned subsidiary of Ping An Health Cloud and one of our Operating Entities
“Pingan (Kunming) Internet Hospital”	Kunming Haoyikang Internet Hospital Co., Ltd. (昆明好醫康健互聯網醫院有限公司), a company incorporated under the laws of the PRC on 24 December 2020, a wholly-owned subsidiary of Ping An Health Cloud and one of our Operating Entities

“Pingan (Nantong) Internet Hospital”	Pingan (Nantong) Internet Hospital Company Limited (平安(南通)互聯網醫院有限公司), a company incorporated under the laws of the PRC on 15 November 2018, a wholly-owned subsidiary of Ping An Health Cloud and one of our Operating Entities
“Pingan (Qingdao) Internet Hospital”	Qingdao Ping An Good Doctor Internet Hospital Co., Ltd. (青島平安好醫生互聯網醫院有限公司), formerly known as Pingan (Qingdao) Internet Hospital Company Limited, a company incorporated under the laws of the PRC on 24 April 2017, a wholly-owned subsidiary of Ping An Health Cloud and one of our Operating Entities
“Pingan (Taiyuan) Internet Hospital”	Taiyuan Pingan Internet Hospital Co., Ltd. (太原平安互聯網醫院有限公司), a company incorporated under the laws of the PRC on 30 April 2020, a wholly-owned subsidiary of Ping An Health Cloud and one of our Operating Entities
“Pingan (Tianjin) Internet Hospital”	Tianjin Pingan Kangjian Internet Hospital Co., Ltd. (天津平安康健互聯網醫院有限公司), a company incorporated under the laws of the PRC on 27 September 2020, a wholly-owned subsidiary of Ping An Health Cloud and one of our Operating Entities
“Pingan (Yinchuan) Internet Hospital”	Yinchuan Pingan Internet Hospital Company Limited (銀川平安互聯網醫院有限公司), formerly known as Pingan (Yinchuan) Internet Hospital Company Limited, a company incorporated under the laws of the PRC on 12 March 2018, a wholly-owned subsidiary of Ping An Health Cloud and one of our Operating Entities
“Pingan (Zhengzhou) Internet Hospital”	Zhengzhou Pingan Internet Hospital Company Limited (鄭州平安互聯網醫院有限公司), a company incorporated under the laws of the PRC on 10 September 2020, a wholly-owned subsidiary of Ping An Health Cloud and one of our Operating Entities
“Prospectus”	the prospectus of the Company dated 23 April 2018
“Reporting Period”	the year ended 31 December 2020
“RMB” or “Renminbi”	Renminbi, the lawful currency of China
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Shanghai Hao Yi”	Shanghai Hao Yi Smart Technology Company Limited (上海濔醫智能科技有限公司), a company incorporated under the laws of the PRC on 21 November 2017, a subsidiary of Ping An Health Cloud and one of our Operating Entities

Definitions

“Shanghai Pingan Eighth Hospital”	Shanghai No. 8 Ping An Good Doctor Internet Hospital Co., Ltd. (上海平安好醫生八院互聯網醫院有限公司), a company incorporated under the laws of the PRC on 11 June 2020, a wholly-owned subsidiary of Ping An Health Cloud and one of our Operating Entities
“Shanghai Pingan Health Culture”	Shanghai Pingan Health Culture Communication Company Limited (上海平安健康文化傳播有限公司), a company incorporated under the laws of the PRC on 21 November 2016, one of our subsidiaries
“Share(s)”	ordinary share(s) in the share capital of the Company with a par value of US\$0.00001 each before share subdivision and with a par value of US\$0.000005 after share subdivision
“Shareholder(s)”	holder(s) of the Shares
“Shenyang Kangjian”	Shenyang Kangjian Intelligent Internet Hospital Co., Ltd. (瀋陽康健智慧互聯網醫院有限公司), a company incorporated under the laws of the PRC on 22 May 2020, a wholly-owned subsidiary of Ping An Health Cloud and one of our Operating Entities
“SKU”	stock keeping unit, offered through our online direct sales and on our online marketplace. The number of SKUs does not represent the number of distinct products offered through our health mall. We may assign different SKUs to the same product if it is sourced from different suppliers or if it is sold via both our direct sales and online marketplace or by more than one supplier or marketplace vendor
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“USD”	United States dollars, the lawful currency of the United States
“Wanjia Healthcare”	Ping An Wanjia Healthcare Investment Management Co., Ltd. (平安萬家醫療投資管理有限責任公司), a company incorporated under the laws of the PRC on 4 July 2016 and a wholly-owned subsidiary of Ping An Health Cloud and one of our Operating Entities.
“Weihai Kangjian”	Weihai Kangjian Internet Hospital Co., Ltd. (威海康健互聯網醫院有限公司), a company incorporated under the laws of the PRC on 6 July 2020, a wholly-owned subsidiary of Ping An Health Cloud and one of our Operating Entities
“Zhongyikang”	Jiangsu Zhongyikang Pharmaceutical Company Limited (江蘇眾益康醫藥有限公司), a company incorporated under the laws of the PRC on 14 December 2006 and a wholly-owned subsidiary of Kang Jian
“%”	per cent