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# Sipai Health Technology Co., Ltd. 思派健康科技有限公司

(A company incorporated in the Cayman Islands with limited liability)  
(Stock Code: 0314)

## ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2023

### FINANCIAL HIGHLIGHTS

	Year ended December 31,		Year-on-year change (%)
	2023 RMB'000	2022 RMB'000	
<b>Revenue</b>	<b>4,712,107</b>	4,119,478	14.4
Specialty Pharmacy Business	<b>4,188,080</b>	3,661,809	14.4
Physician Research Assistance Business	<b>361,781</b>	319,449	13.3
Health Insurance Services Business	<b>162,246</b>	138,220	17.4
<b>Gross profit</b>	<b>414,698</b>	337,352	22.9
Specialty Pharmacy Business	<b>195,958</b>	183,345	6.9
Physician Research Assistance Business	<b>114,617</b>	66,238	73.0
Health Insurance Services Business	<b>104,123</b>	87,769	18.6
Selling and Marketing Expenses <sup>1</sup>	<b>287,673</b>	322,194	-10.7
As a percentage of revenue	<b>6.1%</b>	7.8%	
Administrative Expenses <sup>1</sup>	<b>256,869</b>	252,996	1.5
As a percentage of revenue	<b>5.5%</b>	6.1%	
Research and Development Expenses <sup>1</sup>	<b>44,901</b>	57,500	-21.9
As a percentage of revenue	<b>1.0%</b>	1.4%	

## FINANCIAL HIGHLIGHTS

	Year ended December 31,		Year-on-year change (%)
	2023 RMB'000	2022 RMB'000	
Adjusted Net Loss <sup>2</sup>	(150,095)	(258,682)	-42.0
IFRS Net Loss	(246,707)	(1,371,764)	-82.0
Cash and Selected Financial Assets <sup>3</sup>	1,452,315	1,606,770	-9.6

### Notes:

1. Items (non-IFRS measure) exclude share-based payment compensation and listing expenses.
2. Adjusted net loss in 2023 and 2022 excluding (i) fair value changes of convertible redeemable preferred shares; (ii) share-based payment compensation; and (iii) listing expenses. We do not consider these items to affect our ongoing operating performance. For detailed elaboration and reconciliation, please refer to the subsection headed “Non-IFRS Measures” on page 14 in this annual results announcement.
3. Cash and selected financial assets include cash and cash equivalents, time deposits over three months, pledged deposits, and wealth management products which are presented in financial assets at fair value through profit or loss (“FVTPL”) in financial statement.

The Board is pleased to announce the audited consolidated results of the Group for the Reporting Period. The content of this annual results announcement has been prepared in accordance with applicable disclosure requirements under the Listing Rules in relation to preliminary announcements of annual results which is prepared in accordance with the IFRS issued by the IASB, and audited by Ernst & Young, the auditor of the Company. Such annual results have also been reviewed and confirmed by the Board and the Audit Committee. Unless otherwise stated, the financial data of the Company are presented in RMB.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS OVERVIEW

#### Overview

We connect and deliver clear values to patients, doctors, medical institutions, pharmaceutical companies and payers across China’s healthcare system through our robust technology platform and data-enabled operational capabilities. We currently run three business lines, including specialty pharmacy business (the “**Specialty Pharmacy Business**”), physician research assistance (the “**Physician Research Assistance**”), and health insurance services (the “**Health Insurance Services**”).

## **Our Services**

### ***Specialty Pharmacy Business***

Our Specialty Pharmacy Business line consists of specialty pharmacy and value-added professional pharmacist service, focusing on specialty medicines for the treatment of oncology and other critical diseases. Patients can access innovative medications from us and receive pharmacist services, such as medication guidance, AE consultation, and medication delivery. We also built up the first and only nationwide specialty medicine management platform, providing follow-up assessment service under a unified system, differentiating us from our peers.

As of December 31, 2023, we operated 95 specialty pharmacies across mainland China. Our pharmacies specialize in prescription medicines for cancer and other critical diseases. We provide a wide selection of specialty medicines, including innovative drugs newly introduced to the market. Our professional pharmacist services ensure patients to have better medication adherence and treatment efficacy. Collaborating with the payer side, our specialty pharmacies also provide direct billing with social medical insurance (國家醫保) and major insurance carriers, offering additional payment solutions to patients.

### ***Physician Research Assistance***

In our Physician Research Assistance business line, we engage in SMO business to support pharmaceutical companies in their drug R&D process across all phases of clinical trials. Currently, the SMO business contributes the majority of the Physician Research Assistance revenue. Our in-depth experience and professional expertise in assisting clinical trials for oncology drugs differentiate us from our peers. Notably, we have achieved 100% coverage of 27 provincial specialized oncology hospitals and five national cancer treatment centers. As of December 31, 2023, we had completed 644 SMO projects and 756 SMO projects were ongoing. We proudly serve 307 biotech and pharma clients, among which includes all of the top ten public pharmaceutical companies in China that engage in R&D of innovative drugs. During the Reporting Period, we achieved a 100% client retention rate with respect to our top ten SMO clients, as measured by revenue during the same period of time. Over 95% of our SMO clients engage in R&D of oncology drugs and typically contract our services for three to five years.

## Health Insurance Services

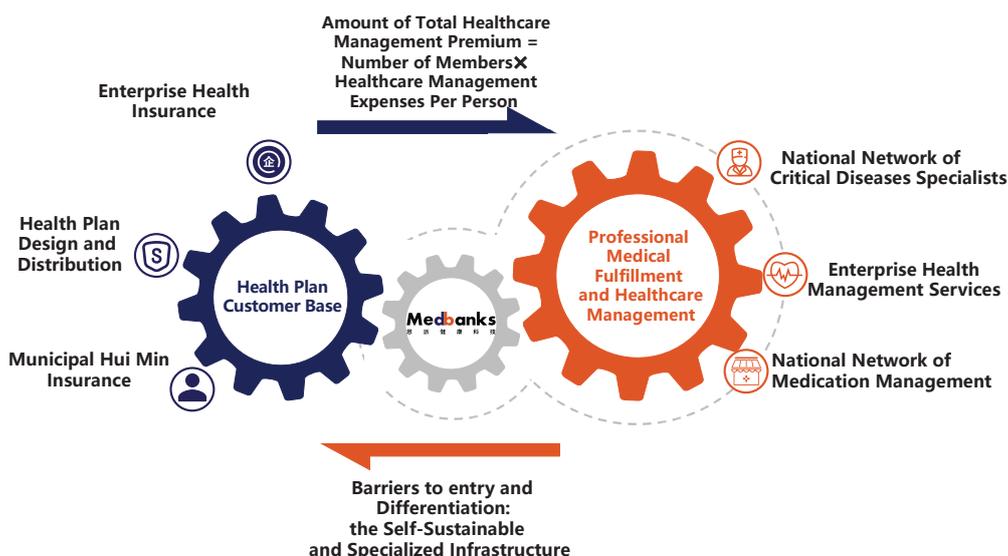
In our Health Insurance Services business line, we offer solutions of health plans mainly in two categories. One is Hui Min Insurance, which serves as a supplement to the national basic medical insurance, offering additional coverage for critical diseases, medical services, and specialty medicines at a price affordable to the general population. The other one is Enterprise Health Insurance, which provides a more comprehensive and advanced protection to employers and their employees, offering flexible quality health and disease management services.

What differentiate us from industry peers who are also offering health insurances are our health management capabilities integrated in our health insurance offerings, particularly in Enterprise Health Insurance business. Our robust health service provider network, together with our Specialty Pharmacy Business, provide our members with high quality health management services such as preventive care, GP service, specialist referral, online hospital and overseas healthcare network. Leveraging our data insights and actuarial capabilities, we have co-developed differentiated health insurance plans with major insurance carriers at competitive prices.

### Business Highlights

#### *Preliminary formulation of “dual-drivers” model*

Through the organic development of our businesses, we have initially established a “dual-drivers” system of “health insurance plus healthcare management”. The system on one hand, improves the design of health insurance products to attract larger customer base, and on the other hand, provides professional consulting and services to help enterprises, employees and insurance payers better manage their healthcare expenditures and more proactively participate in preventive care and value-based care.



## *Recovery and Steady Organic Growth*

2023 is a year of slow recovery for almost all stakeholders in healthcare system. We have continued with our strategy of organic growth, which is the key to our nationwide quality control in offering standardized professional services. Growing topline and quickly narrowing loss in 2023 continue to validate our strategy, growth disciplines, revenue quality, and our execution capabilities accumulated in the past several years of solid operations. The following table sets forth a breakdown of revenue and gross margin by business segments during the Reporting Period:

	<b>Year ended December 31,</b>		
	<b>2023</b>	2022	Year-on-year Change
<b>Revenue</b>	<b><i>RMB'000</i></b>	<i>RMB'000</i>	%
Specialty Pharmacy Business	<b>4,188,080</b>	3,661,809	14.4
Physician Research Assistance Business	<b>361,781</b>	319,449	13.3
Health Insurance Services Business	<b>162,246</b>	138,220	17.4
Total	<b><u>4,712,107</u></b>	<u>4,119,478</u>	<u>14.4</u>
<b>Gross Margin</b>		<b>2023</b>	2022
		%	%
Specialty Pharmacy Business		<b>4.7</b>	5.0
Physician Research Assistance Business		<b>31.7</b>	20.7
Health Insurance Services Business		<b>64.2</b>	63.5
Total		<b><u>8.8</u></b>	<u>8.2</u>

We keep pressing on operational efficiency. Low tide period represents a rare opportunity to stress test the management's competence in organizational adaptability and awareness-to-action responsiveness. We achieved the business growth mentioned above continuously by emphasizing internal efficiency. Size of the work force was optimized from 3,210 as of December 31, 2022 to 3,096 as of December 31, 2023. Nevertheless, thanks to the functional upgrade achieved through efficiency streamlining, we managed to deliver double digit growth in both revenue and gross profit. Such optimization has laid a solid foundation for future sustainable growth prospects.

## ***R&D and Technology***

Technology and R&D capabilities are core to our business. We have developed our technology and digital infrastructure to enhance our operations and services. Utilizing our expertise and statistics accumulated from our day-to-day operations, our technology and digital infrastructure will support our Specialty Pharmacy Business, Physician Research Assistance and Health Insurance Services operations and connect the dots among the business segments to provide a holistic insights into the dynamics in healthcare industry across products, providers and payers.

We invest substantial time, attention, and resources to improve our technology and digital infrastructure, strengthen our data processing and analytic capabilities, develop new solutions that are complementary to existing ones and find ways to better serve our members, patients, doctors, pharmaceutical companies, and insurance carriers. Our R&D personnel primarily consist of data engineers, data scientists, software engineers, technology infrastructure architects, health management specialists and actuaries.

### **2023 Share Award Scheme**

The Company adopted the 2023 Share Award Scheme (“**2023 Scheme**”) on August 30, 2023.

The purpose of the 2023 Scheme is to recognize the contributions by certain eligible participants and to provide them with incentives in order to retain them for the continual operation and development of the Group and to attract suitable personnel for further development of the Group.

Eligible participants under the 2023 Scheme include (i) directors and employees (including full-time employees and part-time employees) of the Company or any of its Subsidiaries (including persons who are granted awards under the 2023 Scheme as an inducement to enter into employment contracts with these companies); (ii) directors and employees of the holding companies, fellow Subsidiaries or associated companies of the Company; and (iii) persons who provide services to the Company and/or its Subsidiaries on a continuing or recurring basis in its ordinary and usual course of business which are in the interests of the long-term growth of the Company and/or its Subsidiaries, for the avoidance of doubt, such service provider may not include placing agents or financial advisers providing advisory services for fundraising, mergers or acquisitions, as well as professional service providers such as auditors or valuers who provide assurance, or are required to perform their services with impartiality and objectivity.

Subject to any early termination by the Board, the 2023 Scheme shall continue in effect for a term of ten years from the Adoption Date, after which no further awards will be granted.

The Administrator shall not make any further award of awarded shares which will result in the aggregate number of the shares awarded exceeding 3% of the issued share capital of the Company as at the Adoption Date. On March 19, 2024, the maximum aggregate number of the shares awarded under the 2023 Scheme was increased from 3% of the issued share capital of the Company as at the Adoption Date to 5% of the issued share capital of the Company as at the Adoption Date. The maximum number of shares which may be awarded to a selected participant under the 2023 Scheme shall not exceed 1% of the issued share capital of the Company in any 12-month period.

During the period from October 31, 2023 to January 18, 2024, the trustee has purchased 12,715,200 Shares in aggregate on the market at the total consideration of approximately HK\$94,884,012, ranged from approximately HK\$6.37 per Share to approximately HK\$8.97 per Share pursuant to the 2023 Scheme.

For details, please refer to the announcements of the Company dated August 30, 2023, November 2, 2023, November 29, 2023, January 22, 2024 and March 19, 2024. Unless otherwise stated, capitalized terms used above shall have the same meanings as defined in the announcement dated August 30, 2023.

### **Supplemental Agreement to the Concert Party Agreement and Change in Public Float**

Pursuant to the Concert Party Agreement dated August 5, 2021 entered into by Mr. Ma Xuguang, Mr. Li Ji, Wise Approach Investments Limited (“**Wise Approach**”), Creative Pioneer Investments Limited (“**Creative Pioneer**”) and Sail Far Holdings Limited (“**Sail Far**”) (together, the “**Concert Parties**”), the Concert Parties confirmed that they have been acting in concert in the management and operation of the Group since the establishment of the Company and until the termination of Concert Party Agreement.

Each of Wise Approach, Creative Pioneer and Sail Far is an employee incentive platform pursuant to the 2017 Plan and the RSU Scheme. In order to facilitate the implementation of the 2017 Plan and the RSU Scheme, Wise Approach, Creative Pioneer and Sail Far will no longer be bound by the Concert Party Agreement or acting in concert with Mr. Ma and Mr. Li, while Mr. Ma and Mr. Li will continue to be bound by the Concert Party Agreement acting in concert with each other in the management and operation of the Group upon execution of the Supplemental Agreement.

Mr. ZHOU Teng (周騰), who is a core connected person (as defined under the Listing Rules) of the Company due to his directorship in several subsidiaries of the Company, will be involved in the decision making process in relation to the exercise of voting rights of the shares held by each of Wise Approach, Creative Pioneer and Sail Far in the capacity as one of the directors of each of these platforms. As a result, the Shares held by each of Wise Approach, Creative Pioneer and Sail Far are not considered as being held in public hands pursuant to Rule 8.24 of the Listing Rules. As at the date of this annual results announcement and based on the information publicly available to the Company and to the best knowledge of the Directors, the Company has maintained the minimum public float of 25% as required under the Listing Rules.

For details, please refer to the announcement of the Company dated December 7, 2023 and the supplemental announcement on January 11, 2024. Unless otherwise stated, capitalized terms used above shall have the same meanings as defined in the announcement dated December 7, 2023.

### **Continuing Connected Transactions**

The Group’s online insurance brokerage service is conducted by Sipai (Beijing) Network Technology Co., Ltd. (思派(北京)網絡科技有限公司) (“**Sipai Beijing Network**”) and Sipai (Beijing) Insurance Brokerage Co., Ltd. (思派(北京)保險經紀有限公司) (“**Beijing Sipai Brokerage**”) each of which holds an ICP license.

On December 7, 2023, the Board announced that, in view of the current requirements on the ownership of the operation of commercial internet information services under relevant PRC laws and regulations, for the purpose of satisfying the “narrowly tailored” requirement under the Chapter 4.1 under the Guide for New Listing Applicants to achieve the business and operation purposes of the Company under the current PRC regulatory framework so as to minimize the potential conflict with relevant PRC laws and regulations, the Company adopted the New Contractual Arrangements to replace the Existing Contractual Arrangements through steps of (1) shareholding adjustment of Sipai Beijing Network and the Transitional Contractual Arrangements; (2) capital injection by Sipai Healthcare Investment; and (3) reproduction of the Existing Contractual Arrangements.

In light of the above, (i) the Existing Contractual Arrangements were terminated with effect from December 7, 2023; (ii) the Transitional Contractual Arrangements were entered into on substantially the same terms as those currently in place under the Existing Contractual Arrangements with effect from December 7, 2023; (iii) approximately RMB1.08 million were injected from Beijing Sipai Health Technology Co., Ltd. (北京思派健康技术有限公司) (“**Beijing Sipai Health**”), a wholly-owned subsidiary of Sipai Healthcare Investment, to Sipai Beijing Network and acquired 50% of the increased registered capital of Sipai Beijing Network; and (iv) the New Contractual Arrangements were entered into on substantially the same terms as those currently in place under the Existing Contractual Arrangements concurrently with effect from the termination of the Transitional Contractual Arrangements.

As a result, Sipai Beijing Network was owned as to approximately 27.69%, 22.31% and 50% by Mr. Ma, Mr. Li and Beijing Sipai Health, respectively. As a result of the New Contractual Arrangements, the Company is interested in 50% of equity interests in the Consolidated Affiliated Entities through Sipai Healthcare Investment’s equity interest in Sipai Beijing Network and obtain control of the rest 50% of the equity interest in the Consolidated Affiliated Entities through Sipai Healthcare Investment’s contractual rights and, at its sole discretion, is able to receive all the economic interest returns generated by the Consolidated Affiliated Entities.

Since the New Contractual Arrangements are reproductions of the Existing Contractual Arrangements as provided under the conditions of the VIE Waiver, the Company has sought the confirmation from the Stock Exchange, and the Stock Exchange has confirmed, that the transactions contemplated under the New Contractual Arrangements shall continue to fall within the scope of the VIE Waiver and are exempt from (i) the announcement, circular and independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules in respect of the transactions contemplated under the New Contractual Arrangements pursuant to Rule 14A.105 of the Listing Rules, (ii) the requirement of setting an annual cap for the transactions under the New Contractual Arrangements under Rule 14A.53 of the Listing Rules, and (iii) the requirement of limiting the term of the New Contractual Arrangements to three years or less under Rule 14A.52 of the Listing Rules, for so long as its shares are listed on the Stock Exchange, subject to compliance with the same conditions of the VIE Waiver.

For details, please refer to the announcements of the Company dated December 7, 2023 and December 28, 2023. Unless otherwise stated, capitalized terms used above shall have the same meanings as defined in the announcement dated December 7, 2023.

## **Change of Joint Company Secretary, Authorized Representative, Process Agent in Hong Kong and Principal Place of Business in Hong Kong**

With effect from March 13, 2023:

- (i). due to commercial arrangement between the Company and SWCS Corporate Services Group (Hong Kong) Limited (“**SWCS**”), Ms. TSANG Wing Man, as an employee of SWCS, has resigned as the joint company secretary of the Company (the “**Joint Company Secretary**”), and ceased to act as the authorized representative of the Company as required under Rule 3.05 of the Listing Rules (the “**Authorized Representative**”) and the authorized representative of the Company for accepting on the Company’s behalf service of process or notice to be served on the Company in Hong Kong under Part 16 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the “**Process Agent in Hong Kong**”);
- (ii). Ms. LI Ching Yi (“**Ms. Li**”) has been appointed as the Joint Company Secretary, the Authorized Representative and the Process Agent in Hong Kong, while Ms. REN Na (“**Ms. Ren**”) continues to act as the other Joint Company Secretary of the Company; and
- (iii). the Company’s principal place of business in Hong Kong was changed to 14/F, Golden Centre, 188 Des Voeux Road Central, Hong Kong. With effect from December 21, 2023, the Company’s principal place of business in Hong Kong was further changed to 19/F, Golden Centre, 188 Des Voeux Road Central, Hong Kong.

The Stock Exchange has granted a new waiver to the Company from strict compliance with the relevant requirements of Rules 3.28 and 8.17 of the Listing Rules for the remaining period of the waiver previously granted from March 13, 2023 (i.e. date of the appointment of Ms. Li as a Joint Company Secretary to December 22, 2025) in relation to the eligibility of Ms. Ren to act as a Joint Company Secretary.

For details, please refer to the announcements of the Company dated March 13, 2023 and December 21, 2023. Unless otherwise stated, capitalized terms used above shall have the same meanings as defined in the announcement dated March 13, 2023.

## **Resignation of Non-Executive Director and Appointment of Independent Non-Executive Director**

### ***Resignation of Non-Executive Director***

Mr. ZHANG Ziquan (“**Mr. Zhang**”) tendered his resignation as a non-executive Director and a member of the strategy committee of the Company with the effect from May 10, 2023, as he would like to devote more time to his personal business engagements. Mr. Zhang has confirmed that he had no disagreement with the Board and there is no other matter relating to his resignation from his positions in the Company that need to be brought to the attention of the Shareholders and the Stock Exchange.

### ***Appointment of Independent Non-Executive Director***

Mr. FAN Xin has been appointed as an independent non-executive Director, a member of the nomination committee of the Company and a member of the Audit Committee with the effect from May 10, 2023.

For details, please refer to the announcement of the Company dated May 10, 2023. Unless otherwise stated, capitalized terms used above shall have the same meanings as defined in the announcement dated May 10, 2023.

## FINANCIAL REVIEW

### Overview

The following discussion is based on, and should be read in conjunction with, the financial information and the notes included elsewhere in this annual results announcement.

### Revenue

During the Reporting Period, the Group's revenue was primarily generated from Specialty Pharmacy Business, Physician Research Assistance and Health Insurance Services. The following table sets forth a breakdown of revenue by segments and year over year growth:

Revenue	2023	2022	Year-on-year	Year-on-year
	<i>RMB'000</i>	<i>RMB'000</i>	Change <i>RMB'000</i>	Change %
Specialty Pharmacy Business	<b>4,188,080</b>	3,661,809	526,271	14.4
Physician Research Assistance Business	<b>361,781</b>	319,449	42,332	13.3
Health Insurance Services Business	<b>162,246</b>	138,220	24,026	17.4
Total	<b><u>4,712,107</u></b>	<b><u>4,119,478</u></b>	<b><u>592,629</u></b>	<b><u>14.4</u></b>

#### *Specialty Pharmacy Business*

Revenue generated from Specialty Pharmacy Business increased by approximately 14.4% from approximately RMB3,661.8 million in 2022 to approximately RMB4,188.1 million in 2023, which was mainly attributable to the organic growth of the business following the steady market demand for the specialty medicines.

#### *Physician Research Assistance*

Revenue generated from Physician Research Assistance business increased by approximately 13.3% from approximately RMB319.4 million in 2022 to approximately RMB361.8 million in 2023.

#### *Health Insurance Services*

Revenue generated from Health Insurance Services business increased by approximately 17.4% from approximately RMB138.2 million in 2022 to approximately RMB162.2 million in 2023, which was mainly due to the rapid growth of enterprise health insurance.

## Cost of Sales

Cost of sales	2023	2022	Year-on-year	Year-on-year
	<i>RMB'000</i>	<i>RMB'000</i>	Change	Change
			<i>RMB'000</i>	%
Specialty Pharmacy Business	<b>3,992,122</b>	3,478,464	513,658	14.8
Physician Research Assistance Business	<b>247,164</b>	253,211	-6,047	-2.4
Health Insurance Services Business	<b>58,123</b>	50,451	7,672	15.2
Total	<b>4,297,409</b>	3,782,126	515,283	13.6

Cost of sales increased by approximately 13.6% from approximately RMB3,782.1 million in 2022 to approximately RMB4,297.4 million in 2023, which was primarily due to (i) an increase of approximately RMB513.7 million in procurement cost for medicines relating to Specialty Pharmacy Business; (ii) an increase of cost as the natural growth to Health Insurance Business; and (iii) the increase has been partially offset by the decreased cost of sales of Physician Research Assistance business.

## Gross Profit and Gross Margin

Gross Profit and Gross Margin	2023		2022	
	Gross Profit	Gross Margin	Gross Profit	Gross Margin
	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Specialty Pharmacy Business	<b>195,958</b>	<b>4.7</b>	183,345	5.0
Physician Research Assistance Business	<b>114,617</b>	<b>31.7</b>	66,238	20.7
Health Insurance Services Business	<b>104,123</b>	<b>64.2</b>	87,769	63.5
Total	<b>414,698</b>	<b>8.8</b>	337,352	8.2

Gross profit in 2022 and 2023 were approximately RMB337.4 million and RMB414.7 million, respectively, representing a robust year-on-year increase of approximately 22.9%. Gross margin realized a slight increase from approximately 8.2% in 2022 to approximately 8.8% in 2023, highlighting a significant increase in gross margin of the Physician Research Assistance Services business and a relatively stable gross margin of the Health Insurance Services business.

## **Other Income and Gains**

Other income and gains consist primarily of government grants, interest income, gains on financial assets at FVTPL.

Other income and gains increased by approximately 27.1% from approximately RMB60.2 million in 2022 to approximately RMB76.5 million in 2023, which was primarily due to increase in the interest income.

## **Selling and Marketing Expenses**

Selling and marketing expenses consist primarily of staff costs, marketing and promotion fees, depreciation and amortization expenses, travel and business related expense and others.

Selling and marketing expenses decreased by approximately 12.2% from approximately RMB332.9 million in 2022 to approximately RMB292.3 million in 2023.

## **Administrative Expenses**

Administrative expenses consist primarily of staff costs, consulting and service fees, travel and business related expense, depreciation and amortization expenses, listing expenses and others.

Administrative expenses decreased by approximately 39.5% from approximately RMB575.0 million in 2022 to approximately RMB347.8 million in 2023, which was mainly resulting from (i) the decrease of the share-based payment compensation; and (ii) the discontinuation of listing expenses.

## **Research and Development Expenses**

Research and development expenses primarily consist of staff costs and outsourcing cost and others. Research and development expenses decreased by approximately 26.7% from approximately RMB62.7 million in 2022 to approximately RMB45.9 million in 2023, which was mainly due to the corresponding reduction in research and development expenditure as the upfront research and development investment has paid off.

## **Change in fair value of convertible redeemable preferred shares**

Fair value loss on convertible redeemable preferred shares decreased from approximately RMB775.3 million in 2022 to nil in 2023. These preferred shares were automatically converted to ordinary shares of the Company on a 1:1 basis upon completion of the Global Offering by the Company on December 23, 2022 and no further loss or gain on fair value changes are expected to be recognized thereafter.

## **Other expenses**

Other expenses increased by approximately RMB25.9 million to approximately RMB36.9 million in 2023, primarily due to impairment losses on goodwill of approximately RMB31.3 million incurred during 2023 (nil in 2022) related to prior business combinations.

## **Income Tax**

Income tax expense decrease by approximately 68.7% from approximately RMB3.3 million in 2022 to approximately RMB1.0 million in 2023.

## **Non-IFRS Measures**

To supplement the Group's consolidated financial statements, which are presented in accordance with IFRSs, we also use adjusted loss (non-IFRS measure) as an additional financial measure, which is not required by, or presented in accordance with, IFRSs. We believe adjusted loss (non-IFRS measure) facilitates comparisons of company to company by eliminating potential impacts of items.

We believe adjusted loss (non-IFRS measure) provides useful information to investors and others in understanding and evaluating our combined results of operations in the same manner as adjusted loss (non-IFRS measure) help our management. However, our presentation of adjusted loss (non-IFRS measure) may not be comparable to similarly titled measures presented by other companies. The use of adjusted loss (non-IFRS measure) has limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for an analysis of, our results of operations or financial condition as reported under IFRSs.

We define adjusted loss (non-IFRS measure) as profit/(loss) for the year, excluding (i) fair value changes of convertible redeemable preferred shares; (ii) share-based payment compensation; and (iii) listing expenses.

The convertible preferred shares have been converted into ordinary shares of the Company on a 1:1 basis after the completion of the Global Offering, and no further loss or gain on fair value changes is expected to be recognized afterwards.

The following table reconciles adjusted loss (non-IFRS measure) for the years presented to the most directly comparable financial measure calculated and presented in accordance with IFRSs, which is loss for the years indicated:

	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
<b>Reconciliation of loss to adjusted loss (non-IFRS measure):</b>		
Loss for the year	<b>(246,707)</b>	(1,371,764)
<i>Add:</i>		
Fair value loss on convertible redeemable preferred shares	–	775,260
Share-based payment compensation	<b>96,612</b>	315,852
Including: Selling and marketing expenses	<b>4,647</b>	10,657
Administrative expenses	<b>90,919</b>	300,045
Research and development expenses	<b>1,046</b>	5,150
Listing expenses	–	21,970
	<u>                    </u>	<u>                    </u>
<b>Adjusted loss (non-IFRS measure) for the year</b>	<b><u>(150,095)</u></b>	<b><u>(258,682)</u></b>

## Capital Management

During the Reporting Period, we primarily funded working capital requirements through capital contributions from our shareholders including net proceeds from the Global Offering. We monitor and maintain a level of cash and cash equivalents deemed adequate to finance our operations and mitigate the effects of fluctuations in cash flows. Net cash used in operating activities was approximately RMB133.5 million in 2023.

## Liquidity, Financial Resources and Gearing Ratio

As of December 31, 2023, we recorded net current assets of approximately RMB1,300.5 million. As at December 31, 2023, the gearing ratio, calculated as total liabilities over total assets, was approximately 42.1%, as compared with approximately 37.4% as at December 31, 2022.

As our business develops and expands, we expect to generate net cash from operating activities, through the sales revenue of our future commercialized products. Going forward, we believe our liquidity requirements will be satisfied by using funds from a combination of cash and cash equivalents and net proceeds from the Global Offering. As of December 31, 2023, we had cash and selected financial assets of approximately RMB1,452.3 million.

## **Significant Investments, Material Acquisitions and Disposals**

### ***Subscription of Wealth Management Products from Shanghai Pudong Development Bank (“SPD Bank”)***

Sipai Wisdom Pharmacy (Guangzhou) Co., Ltd. (思派智慧大藥房(廣州)有限公司), a wholly-owned subsidiary of the Company, subscribed for structured deposit products with a principal amount of RMB500 million and RMB300 million from SPD Bank on January 3, 2023 and April 6, 2023, respectively, for treasury management purpose. As at the date of this annual results announcement, all of the structured deposit products subscribed from the SPD Bank had been redeemed. The fair value gain from such structured deposit product during the Reporting Period was approximately RMB5.6 million.

### ***Subscription of Wealth Management Products from The Hongkong and Shanghai Banking Corporation (“HSBC”)***

The Company subscribed for wealth management products with a principal amount of US\$5.5 million and US\$16 million on July 20, 2023, and RMB70 million on August 3, 2023 from HSBC, for treasury management purpose. As at the date of this annual results announcement, the Group held wealth management products from HSBC with a fair value of approximately RMB117 million, which accounted for approximately 4.2% of the total assets of the Group. The fair value gain from such wealth management products during the Reporting Period was approximately RMB3.2 million. As at the date of this annual results announcement, the wealth management products subscribed from HSBC with a principal amount of US\$5.5 million and RMB70 million had been redeemed, respectively, and the aggregate outstanding principal amount of the wealth management products subscribed from HSBC was US\$16 million.

### ***Subscription of Wealth Management Products from China Construction Bank Corporation (“China Construction Bank”)***

Bixun (Xiamen) Medical Technology Co., Ltd. (比遜(廈門)醫療科技有限公司), a wholly-owned subsidiary of the Company, subscribed for a wealth management product with a principle amount of RMB340 million from China Construction Bank on September 26, 2023 for treasury management purpose. As at the date of this annual results announcement, the abovementioned structured deposit products subscribed from the China Construction Bank had been redeemed. The fair value gain from such wealth management product during the Reporting Period was approximately RMB2.0 million.

Sipai Healthcare Investment Co., Ltd. (思派健康產業投資有限公司), a wholly-owned subsidiary of the Company, subscribed for a wealth management product with a principle amount of RMB180 million from China Construction Bank on October 7, 2023 for treasury management purpose. As at the date of this annual results announcement, the Group had a wealth management product from the China Construction Bank with a fair value of approximately RMB181.1 million, which accounted for approximately 6.4% of the total assets of the Group. The fair value gain from such wealth management product during the Reporting Period was approximately RMB1.1 million. As of the date of this annual results announcement, the aggregate outstanding principal amount of the wealth management products subscribed from China Construction Bank was RMB180 million.

For details of the above subscription of wealth management products, please refer to the announcements of the Company dated September 26, 2023, September 28, 2023 and October 8, 2023.

### *Acquisition of Smart Pharmacy*

On January 6, 2023, the Group entered into a share purchase agreement with Sinopharm Group Hubei Co., Ltd (國藥控股湖北有限公司) (“**Sinopharm Group**”) to acquire additional 45.00% equity interests in Sinopharm Holdings Smart Pharmacy (Hubei) Co., Ltd. (國藥控股思維特大藥房(湖北)有限公司) (“**Smart Pharmacy**”) for a total cash consideration of RMB3,218,000 (the “**Acquisition**”). The Acquisition was completed on January 6, 2023 when the Company obtained control of the operating and financing activities of Smart Pharmacy. Upon completion of the Acquisition, the Group holds 80.0% of the equity interest in Smart Pharmacy and the remaining 20.0% equity interest is held by an Independent Third Party. On July 15, 2023, the Group acquired further 20.0% equity interests from the remaining shareholder and Smart Pharmacy became a wholly owned subsidiary of the Group.

Smart Pharmacy is primarily engaged in the retail of drugs and pharmaceutical products in Hubei Province. Sinopharm Group, a subsidiary of Sinopharm Group Co., Ltd. (國藥控股股份有限公司) (a company listed on the Stock Exchange, stock code: 1099), is a state-owned enterprise primarily engaged in the distribution of pharmaceutical products. The Acquisition of Smart Pharmacy is complementary to our principal businesses and will enhance our presence in Hubei Province. For details, please refer to the section headed “Waivers from Strict Compliance with the Listing Rules and Exemptions From Strict Compliance with The Companies (Winding Up and Miscellaneous Provisions) Ordinance” in the Prospectus.

Save as disclosed above, during the Reporting Period, there were no significant investments, and material acquisitions and disposals of subsidiaries, associates and joint ventures by the Group.

## Capital Expenditure

Principal capital expenditures relate primarily to the purchase of office equipment, softwares as well as leasehold improvements. The following table sets forth capital expenditures for the periods indicated.

	<b>2023</b>	2022
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Purchases of property, plant and equipment	<b>5,361</b>	3,957
Purchases of other intangible assets	<b>388</b>	7,846
Total	<b>5,749</b>	11,803

## Currency Risk

During the Reporting Period, the Group mainly operated in China and a majority of its transactions were settled in Renminbi, the functional currency of the Company's primary subsidiaries. The Group is exposed to foreign currency risk as a result of certain cash and bank balances denominated in non-functional currency. We currently do not have a foreign currency hedging policy. However, our management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

## Pledge of Assets

The pledged deposits pledged by the Group for letters of credit and bills payable increased from approximately RMB76.17 million as of December 31, 2022 to approximately RMB147.12 million as of December 31, 2023.

## Contingent Liabilities

The Group had no material contingent liabilities as at December 31, 2023.

## **Employees and Remuneration Policies**

As of December 31, 2023, we had 3,096 employees in total. Most of them are stationed in China. We recruit employees based on a number of factors, including work experience, educational background and the requirements of a relevant vacancy. We assess our employees based on their performance to determine their salary, promotion and career development.

We enter into standard employment agreements and confidentiality agreements or clauses with all of our employees. We also enter into non-compete agreements with senior management and core personnel. These agreements include a standard non-compete covenant that prohibits such employee from competing with us, directly or indirectly, during his or her employment and for a certain period after termination of his or her employment. We maintain a good working relationship with our employees, and we have not experienced any material labor disputes.

We are committed to establishing a competitive and fair remuneration. In order to effectively motivate our employees, we continually refine remuneration and incentive policies through market research. We conduct performance evaluation for our employees at least once a year to provide feedback on their performance. Compensation for employees typically consists of base salary and a performance-based bonus.

## **Future Investment Plans and Expected Funding**

As of December 31, 2023, we did not have other plans for material investments and capital assets.

## **OUTLOOK**

We aspire to lead the digital transformation of China's healthcare industry. As our name "Medbanks" suggests, we started our journey by building a robust "bank" of digital solutions and data insights, as well as strong operational capabilities, to support more participants in the healthcare ecosystem. Our journey will ultimately lead us to create an integrated health management network that will bring quality and accessible care to a large population.

We believe, by delivering clear values and serving and connecting the stakeholders in China's healthcare system, including patients, doctors, medical institutions, pharmaceutical companies and payers, we build deep and trusting relationships that can be transformative to the industry landscape.

## **SUBSEQUENT EVENTS AFTER THE REPORTING PERIOD**

During the period from January 1, 2024 to January 18, 2024, the trustee has purchased 4,250,000 Shares in aggregate on the market at the total consideration of approximately HK\$28,063,786, ranged from approximately HK\$6.48 per Share to approximately HK\$6.83 per Share pursuant to the 2023 Scheme. On March 19, 2024, the maximum aggregated number of the shares awarded under the 2023 Scheme was increased from 3% of the issued share capital of the Company as at the Adoption Date to 5% of the issued share capital of the Company as at the Adoption Date. For details and capitalized terms used, please refer to the section headed "2023 Share Award Scheme" in this annual results announcement and the announcement of the Company dated March 19, 2024.

Save as disclosed above, as at the date of this annual results announcement, the Group has no significant events occurred after the Reporting Period that require additional disclosure or adjustments.

## USE OF NET PROCEEDS FROM LISTING

The Shares of the Company commenced listing on the Main Board of the Stock Exchange on December 23, 2022 by way of Global Offering, and the total net proceeds (the “**Net Proceeds**”) received by the Company from the Global Offering amounted to approximately HK\$120.4 million after deducting professional fees, underwriting commissions and other related listing expenses.

The intended uses and the balance of the Net Proceeds as at December 31, 2023 are set out below:

	Percentage to total amount %	Net proceeds HK\$'000	Utilized amount as at December 31, 2023 HK\$'000	Unutilized amount as at December 31, 2023 HK\$'000	Expected timeline for unutilized amount
(a) Business expansion:	87	104,800	41,939	62,861	2024
(i) Further expansion of Specialty Pharmacy Business	35	42,200	15,813	26,387	2024
(ii) Further expansion of Physician Research Assistance Business	28	33,700	15,122	18,578	2024
(iii) Further expansion of Health Insurance Services business	24	28,900	11,004	17,896	2024
(b) Technology research and development	13	15,600	4,367	11,233	2024
(i) Improvement of the capability of system/application development team	10	12,000	3,431	8,569	2024
(ii) Further investment in research and development of improving technology infrastructure and new solutions	3	3,600	936	2,664	2024

The Group will utilize the Net Proceeds in accordance with the intended purposes as set out in the Prospectus. The Board is not aware of any material change to the planned use of the Net Proceeds as at the date of this annual results announcement.

## DIVIDEND

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

## **CLOSURE OF THE REGISTER OF MEMBERS**

The Company will hold the AGM on Thursday, June 20, 2024. The register of members of the Company will be closed from Monday, June 17, 2024 to Thursday, June 20, 2024, both days inclusive, in order to determine the identity of the Shareholders who are entitled to attend the AGM, during which period no share transfers will be registered. To be eligible to attend the AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong no later than 4:30 p.m. on Friday, June 14, 2024.

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2023

	<i>Notes</i>	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
REVENUE	4	4,712,107	4,119,478
Cost of sales		<u>(4,297,409)</u>	<u>(3,782,126)</u>
Gross profit		414,698	337,352
Other income and gains		76,469	60,189
Selling and marketing expenses		(292,320)	(332,851)
Administrative expenses		(347,788)	(575,011)
Research and development expenses		(45,947)	(62,650)
Impairment losses on financial assets and contract assets under expected credit loss model (“ECL”), net		(9,965)	(5,466)
Other expenses		(36,912)	(11,035)
Finance costs		(3,489)	(4,041)
Share of profits and losses of an associate		<u>(412)</u>	<u>331</u>
Loss before fair value changes in convertible redeemable preferred shares		(245,666)	(593,182)
Change in fair value of convertible redeemable preferred shares		<u>—</u>	<u>(775,260)</u>
LOSS BEFORE TAX	5	(245,666)	(1,368,442)
Income tax expense	6	<u>(1,041)</u>	<u>(3,322)</u>
LOSS FOR THE YEAR		<u><u>(246,707)</u></u>	<u><u>(1,371,764)</u></u>
Attributable to:			
Owners of the parent		(255,768)	(1,370,572)
Non-controlling interests		<u>9,061</u>	<u>(1,192)</u>
		<u><u>(246,707)</u></u>	<u><u>(1,371,764)</u></u>

	<b>2023</b>	2022
<i>Notes</i>	<b><i>RMB'000</i></b>	<i>RMB'000</i>
<b>OTHER COMPREHENSIVE INCOME/(EXPENSE)</b>		
<i>Items that may be reclassified to profit or loss in subsequent periods:</i>		
Exchange differences on translation of foreign operations	(117)	2,241
<i>Items that will not be reclassified to profit or loss in subsequent periods:</i>		
Exchange differences on translation of the Company	<u>14,970</u>	<u>(726,770)</u>
<b>OTHER COMPREHENSIVE INCOME/(EXPENSE)</b>		
<b>FOR THE YEAR</b>	<u>14,853</u>	<u>(724,529)</u>
<b>TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR</b>	<u>(231,854)</u>	<u>(2,096,293)</u>
Attributable to		
Owners of the parent	(240,915)	(2,095,101)
Non-controlling interests	<u>9,061</u>	<u>(1,192)</u>
	<u>(231,854)</u>	<u>(2,096,293)</u>
<b>LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>		
	8	
Basic and diluted		
For loss for the year ( <i>RMB</i> )	<u>(0.40)</u>	<u>(12.19)</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2023

	<i>Notes</i>	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		13,495	17,854
Other intangible assets		48,191	56,182
Prepayments, other receivables and other assets		7,475	7,384
Right-of-use assets		67,611	71,009
Investment in an associate		8,513	1,967
Goodwill		50,653	79,823
Deferred tax assets		1,055	–
Time deposits		175,573	–
		<hr/>	<hr/>
Total non-current assets		372,566	234,219
<b>CURRENT ASSETS</b>			
Inventories	9	246,058	280,332
Contract cost		1,660	2,590
Trade and bills receivables	10	329,955	241,256
Contract assets		130,087	94,739
Prepayments, other receivables and other assets		150,516	134,166
Amounts due from related parties		7,701	883
Financial assets at fair value through profit or loss (“FVTPL”)		478,348	–
Time deposits		155,854	75,146
Pledged deposits		147,115	76,170
Cash held on behalf of clients		299,755	334,599
Cash and cash equivalents		495,425	1,455,454
		<hr/>	<hr/>
Total current assets		2,442,474	2,695,335
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	11	464,269	340,051
Other payables and accruals		466,998	508,099
Bank and other borrowings		2,000	–
Amounts due to related parties		477	2,381
Contract liabilities		181,898	170,724
Lease liabilities		26,218	29,019
Contingent consideration payables		–	3,677
Income tax payable		74	1,391
		<hr/>	<hr/>
Total current liabilities		1,141,934	1,055,342
<b>NET CURRENT ASSETS</b>		<hr/>	<hr/>
		1,300,540	1,639,993
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<hr/>	<hr/>
		1,673,106	1,874,212

	<i>Notes</i>	<b>2023</b> <b>RMB'000</b>	2022 RMB'000
<b>NON-CURRENT LIABILITIES</b>			
Lease liabilities		<b>39,339</b>	38,745
Deferred tax liabilities		<b>2,616</b>	1,335
		<hr/>	<hr/>
Total non-current liabilities		<b>41,955</b>	40,080
		<hr/>	<hr/>
Net assets		<b>1,631,151</b>	1,834,132
		<hr/> <hr/>	<hr/> <hr/>
<b>EQUITY</b>			
Equity attributable to owners of the parent			
Share capital	<i>12</i>	<b>516</b>	517
Reserves		<b>1,618,343</b>	1,836,384
		<hr/>	<hr/>
		<b>1,618,859</b>	1,836,901
		<hr/>	<hr/>
<b>Non-controlling interests</b>		<b>12,292</b>	(2,769)
Total equity		<b>1,631,151</b>	1,834,132
		<hr/> <hr/>	<hr/> <hr/>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

## 1. CORPORATE INFORMATION

Sipai Health Technology Co., Ltd. (the “**Company**”, is a limited liability company incorporated in the Cayman Islands (“**Cayman**”) under the laws of the Cayman Islands. The registered office address of the Company is located at Floor 4, Willow House, Cricket Square, Grand Cayman KY1-9010, Cayman Islands.

During the year, the Group is principally engaged in (i) the business of specialty pharmacy (the “**Specialty Pharmacy Business**”, including specialty pharmacy network and the provision of pharmacist service), (ii) the business of physician research assistance (the “**Physician Research Assistance Business**”, including the provision of site management organisation services and services for image management in clinical trials) and (iii) the provision of health insurance services (the “**Health Insurance Services Business**”, including health management services). The Group’s principal place of operations and geographical markets are in the People’s Republic of China (the “**PRC**”).

The Company was listed on the Main Board of the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on December 23, 2022.

## 2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards (“**IFRSs**”) (which include all IFRSs, International Accounting Standards (“**IASs**”) and Interpretations) issued by the International Accounting Standards Board (the “**IASB**”) and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss, convertible redeemable preferred shares and contingent consideration payables which have been measured at fair value. These financial statements are presented in Renminbi (“**RMB**”) and all values are rounded to the nearest thousand (RMB’000) except when otherwise indicated.

### **Basis of consolidation**

The consolidated financial statements include the financial statements of the Group for the year ended December 31, 2023. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

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

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

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

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

## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to IAS 1 and IFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to IAS 8	<i>Definition of Accounting Estimates</i>
Amendments to IAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
Amendments to IAS 12	<i>International Tax Reform – Pillar Two Model Rules</i>

The new or amended IFRSs that are effective from January 1, 2023 did not have any significant impact on the Group's accounting policies.

## 2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following revised IFRSs, that have been issued but are not yet effective, in these financial statements. The Group intends to apply these revised IFRSs, if applicable, when they become effective.

Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> <sup>3</sup>
Amendments to IFRS 16	<i>Lease Liability in a Sale and Leaseback</i> <sup>1</sup>
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current (the “2020 Amendments”)</i> <sup>1,4</sup>
Amendments to IAS 1	<i>Non-current Liabilities with Covenants (the “2022 Amendments”)</i> <sup>1,4</sup>
Amendments to IAS 7 and IFRS 7	<i>Supplier Finance Arrangements</i> <sup>1</sup>
Amendments to IAS 21	<i>Lack of Exchangeability</i> <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2024

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2025

<sup>3</sup> No mandatory effective date yet determined but available for adoption

<sup>4</sup> As a consequence of the 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1 January 2024

These issued but not yet effective IFRSs are not expected to have any significant impact on the Group’s financial statements.

### 3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has three reportable operating segments as follows:

Specialty Pharmacy Business	Operation of specialty pharmacy stores and distribution of pharmaceutical products to pharmaceutical companies and other distributors.
Physician Research Assistance Business	Offering pharmaceutical companies and other clinical trial institutions site management organisation services, including site feasibility, site initiation, patient recruitment, patient management, data entry and document management, on-site drug management and bio-sample management, site closure and others; and offering services for image management in clinical trials.
Health Insurance Services Business	Providing insurance brokerage services to insurance companies and health management services to insurance carriers and enterprise clients.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment gross profit. No analysis of segment assets and liabilities is presented as management does not regularly review such information for the purposes of resource allocation and performance assessment. Therefore, only segment revenue and segment results are presented.

For the year ended December 31, 2023

	<b>Specialty Pharmacy Business</b> <i>RMB'000</i>	<b>Physician Research Assistance Business</b> <i>RMB'000</i>	<b>Health Insurance Services Business</b> <i>RMB'000</i>	<b>Total</b> <i>RMB'000</i>
Segment revenue	4,188,080	361,781	162,246	4,712,107
Segment results	195,958	114,617	104,123	414,698

#### Reconciliation:

Other income and gains	76,469
Selling and marketing expenses	(292,320)
Administrative expenses	(347,788)
Research and development expenses	(45,947)
Impairment losses under ECL model	(9,965)
Other expenses	(36,912)
Finance costs	(3,489)
Share of profits and losses of an associate	(412)
Group's loss before tax	<u>(245,666)</u>

For the year ended December 31, 2022

	<b>Specialty Pharmacy Business</b>	<b>Physician Research Assistance Business</b>	<b>Health Insurance Services Business</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Segment revenue	3,661,809	319,449	138,220	4,119,478
Segment results	<u>183,345</u>	<u>66,238</u>	<u>87,769</u>	<u>337,352</u>
<b>Reconciliation:</b>				
Other income and gains				60,189
Selling and marketing expenses				(332,851)
Administrative expenses				(575,011)
Research and development expenses				(62,650)
Impairment losses under ECL model				(5,466)
Change in fair value of convertible redeemable preferred shares				(775,260)
Other expenses				(11,035)
Finance costs				(4,041)
Share of profits and losses of an associate				<u>331</u>
Group's loss before tax				<u><u>(1,368,442)</u></u>

### Geographical information

During the reporting period, almost all of the Group's revenues were derived from operations in the PRC and nearly all of the Group's non-current assets were located in Chinese Mainland. No geographical segment information is presented in accordance with IFRS 8 *Operating Segments*.

### Information about major customers

No further information about major customers is presented as there was no single customer from which over 10% or more of the Group's revenue was derived during the reporting period.

#### 4. REVENUE

An analysis of revenue is as follows:

##### Revenue from contracts with customers

###### *Disaggregated revenue information*

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
<b>Types of segmentation of business</b>		
Specialty Pharmacy Business	4,188,080	3,661,809
Physician Research Assistance Business	361,781	319,449
Health Insurance Services Business	162,246	138,220
	<hr/>	<hr/>
Total revenue from contracts with customers	4,712,107	4,119,478
	<hr/>	<hr/>
<b>Timing of revenue recognition</b>		
Recognised at a point in time	4,350,326	3,800,029
Recognised over time	361,781	319,449
	<hr/>	<hr/>
Total revenue from contracts with customers	4,712,107	4,119,478
	<hr/> <hr/>	<hr/> <hr/>

The following table shows the amounts of revenue recognised during the reporting period that were included in the contract liabilities at the beginning of each reporting period and recognised from performance obligations satisfied in previous periods:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
<b>Revenue recognised that was included in contract liabilities at the beginning of the reporting period:</b>		
Specialty Pharmacy Business	14,375	11,359
Physician Research Assistance Business	107,632	120,437
Health Insurance Services Business	—	—
	<hr/>	<hr/>
	122,007	131,796
	<hr/> <hr/>	<hr/> <hr/>

## 5. LOSS BEFORE TAX

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

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Cost of inventories sold	3,992,122	3,478,464
Cost of services provided	305,287	303,662
Depreciation of property, plant and equipment *	9,441	9,205
Depreciation of right-of-use assets*	34,800	31,807
Amortization of other intangible assets *	8,727	8,411
Government grants	(25,326)	(20,157)
Interest income	(31,340)	(17,249)
Foreign exchange difference, net	30	(8)
Impairment losses under ECL model	9,965	5,466
Impairment losses on goodwill	31,281	–
Auditor's remuneration	3,300	2,136
Expense relating to short-term leases	1,446	2,694
Expense relating to leases of low-value assets	4,920	1,565
Gains on financial assets at FVTPL	(17,357)	(22,355)
Loss on disposal of property, plant and equipment	996	702
Loss on disposal of other intangible assets	4	–
Gains on remeasurement of the Group's previously held equity interest at the acquisition date	(97)	–
Listing expenses	–	21,970
	<u>4,328,199</u>	<u>3,806,313</u>
Staff cost (excluding directors' and chief executive's remuneration):		
– Wages and salaries	566,428	599,295
– Pension scheme contributions	44,654	45,563
– Share-based payment compensation	96,612	181,856
	<u>                    </u>	<u>                    </u>

\* The depreciation of plant and equipment, depreciation of right-of-use assets and amortisation of other intangible assets for each reporting period are set out in “Administrative expenses”, “Selling and marketing expenses” and “Research and development expenses” in the consolidated statements of profit or loss and other comprehensive income.

## 6. INCOME TAX

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

### Cayman Islands

Under the current laws of the Cayman Islands, the Company is not subject to tax on income or capital gains.

## Hong Kong

On March 21, 2018, the Hong Kong Legislative Council passed the Inland Revenue (Amendment) (No. 7) Bill 2017 (the “**Bill**”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on March 28, 2018 and was gazette on the following day.

Under the two-tiered profits tax rates regime, the first HK\$2,000,000 of profits of qualifying corporations will be taxed at 8.25%, and profits above HK\$2,000,000 will be taxed at 16.5%. The two-tiered profits tax rates regime is applicable to the Group’s Hong Kong subsidiaries with estimated assessable profits for its annual reporting period ended on or after April 1, 2018.

## Mainland China

Under the Law of the PRC on Enterprise Income Tax (the “**EIT Law**”) and Implementation Regulation of the EIT Law, the EIT rate of the PRC subsidiaries was 25% during the reporting period unless subject to tax concession set out below.

A reconciliation of the tax expense applicable to loss before tax at the statutory tax rates to the tax expense at the effective tax rate is as follows:

	<b>2023</b>	2022
	<i>RMB’000</i>	<i>RMB’000</i>
Loss before tax	<b>(245,666)</b>	(1,368,442)
Tax at the applicable tax rate of 25%	<b>(61,416)</b>	(342,111)
Expenses not deductible for tax	<b>13,349</b>	86,028
Different tax rates enacted by local authority	<b>31,059</b>	193,815
Deductible temporary differences and tax losses not recognised or utilised	<b>18,049</b>	65,590
Tax charge at the Group’s effective tax rate for the year	<b>1,041</b>	3,322

## 7. DIVIDEND

No dividend has been paid or declared by the Company during the year (2022: Nil).

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

The calculation of the basic loss per share amount is based on the loss for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 644,081,816 (2022: 112,475,216) in issue during the year. The weighted average number of ordinary shares used in the calculation has excluded the treasury shares held in trust of the Company.

No adjustment has been made to the basic loss per share amounts presented for the years ended December 31, 2023 and 2022 in respect of a dilution as the impact of the share option scheme and the conversion of preferred shares had an anti-dilutive effect on the basic loss per share amount presented.

The calculation of basic loss per share is based on:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
<b>Loss</b>		
Loss attributable to ordinary equity holders of the parent ( <i>RMB'000</i> )	<u><u>(255,768)</u></u>	<u><u>(1,370,572)</u></u>
<b>Ordinary shares</b>		
Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculation	<u><u>644,081,816</u></u>	<u><u>112,475,216</u></u>
Loss per share (RMB per share)	<u><u>(0.40)</u></u>	<u><u>(12.19)</u></u>

## 9. INVENTORIES

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Trading merchandise	248,539	283,889
<i>Less: Provision for impairment</i>	<u>(2,481)</u>	<u>(3,557)</u>
Net carrying amount	<u><u>246,058</u></u>	<u><u>280,332</u></u>

Movements in provision for impairment of inventories are as follows:

	<b>2023</b>	2022
	<i>RMB'000</i>	<i>RMB'000</i>
At beginning of year	3,557	2,471
Provision for the year	2,246	3,382
Write-off for the year	<u>(3,322)</u>	<u>(2,296)</u>
At end of year	<u><b>2,481</b></u>	<u>3,557</u>

#### 10. TRADE AND BILLS RECEIVABLES

	<b>2023</b>	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Bills receivables	429	5,327
Trade receivables	344,719	248,180
Less: Allowance for credit losses	<u>(15,193)</u>	<u>(12,251)</u>
Net carrying amount	<u><b>329,955</b></u>	<u>241,256</u>

The Group's trading terms with its customers are mainly on credit, except for individual customers, where payment in advance is normally required. The credit period is generally from one month to two months. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade and bills receivables balances. The balances of trade and bills receivables are non-interest-bearing.

An ageing analysis of the trade and bills receivables as at the end of each reporting period, based on the invoice date and net of allowance for expected credit losses, is as follows:

	<b>2023</b>	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Within 6 months	311,170	214,184
6 to 12 months	18,751	24,114
Over 12 months	<u>34</u>	<u>2,958</u>
Total	<u><b>329,955</b></u>	<u>241,256</u>

## 11. TRADE AND BILLS PAYABLES

	<b>2023</b> <i>RMB'000</i>	2022 <i>RMB'000</i>
Trade and bills payables	<b>464,269</b>	340,051

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

	<b>2023</b> <i>RMB'000</i>	2022 <i>RMB'000</i>
Within 1 month	<b>329,511</b>	239,059
1 to 3 months	<b>124,903</b>	78,316
3 to 6 months	<b>5,834</b>	16,772
Over 6 months	<b>4,021</b>	5,904
Total	<b>464,269</b>	340,051

Trade and bills payables are non-interest-bearing and are normally settled within three months.

## 12. SHARE CAPITAL

The Company was incorporated in May 2015 with an authorised share capital of USD200,000 divided into 2,000,000,000 ordinary shares (“**ordinary shares**”) with a par value of USD0.0001 each.

### Shares

	<b>2023</b> <i>RMB'000</i>	2022 <i>RMB'000</i>
Issued and fully paid: 761,500,114 (2022: 763,025,314) ordinary shares of USD0.0001 each	<b>516</b>	517

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

	<b>Number of shares in issue</b>	<b>Share capital <i>RMB'000</i></b>
At January 1, 2022	<b>219,199,231</b>	138
Issue of shares from IPO ( <i>note a</i> )	<b>9,919,400</b>	7
Repurchase of ordinary shares ( <i>note b</i> )	<b>(2,668,776)</b>	(2)
Conversion of redeemable convertible preferred shares to ordinary shares upon IPO ( <i>note c</i> )	<b>536,575,459</b>	374
At December 31, 2022 and January 1, 2023	<b>763,025,314</b>	517
Repurchase of ordinary shares ( <i>note d</i> )	<b>(1,525,200)</b>	(1)
At December 31, 2023	<b><u>761,500,114</u></b>	<b><u>516</u></b>

*Note a:* On December 23, 2022, the Company issued a total of 9,919,400 ordinary shares of USD0.0001 each at the price of HK\$18.60 per share by means of IPO.

*Note b:* In October 2022, the Company repurchased and cancelled 2,668,776 ordinary shares with a par value of USD0.0001 from two special purpose vehicle shareholders. The repurchased ordinary shares were reserved for 2017 Share Option Plan and had not been granted to any eligible award recipient before the repurchase.

*Note c:* All the 536,575,459 outstanding Preferred Shares were automatically converted into ordinary shares based upon the completion of IPO on December 23, 2022.

*Note d:* In 2023, the Company repurchased and cancelled 1,525,200 ordinary shares with a par value of USD0.0001 at total consideration of RMB10,117,000.

## CORPORATE GOVERNANCE

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. The Company has adopted the CG Code as set out in Appendix C1 of the Listing Rules on the Stock Exchange as its own code of corporate governance. The Company has complied with all applicable code provisions of the CG Code during the Reporting Period, save for the deviations from the code provisions C.2.1 and F.1.1 as explained below. The Company will continue to review and monitor its corporate governance practices to ensure compliance with the CG Code.

Code provision C.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be segregated and should not be performed by the same individual. According to the current structure of the Board, the positions of the Chairman and Chief Executive Officer of the Company are held by Mr. MA Xuguang.

The Board believes that this structure will not impair the balance of power and authority between the Board and the management of the Company, given that: (i) decision to be made by the Board requires approval by at least a majority of the Directors and that the Board comprises three independent non-executive Directors out of seven Directors, and the Board believes there is sufficient check and balance on the Board, (ii) Mr. MA Xuguang and the other Directors are aware of and undertake to fulfil their fiduciary duties as Directors, which require, among other things, that they act for the benefit and in the best interests of the Company and will make decisions of the Group accordingly, and (iii) the balance of power and authority is ensured by the operations of the Board which comprises experienced and high caliber individuals who meet regularly to discuss issues affecting the operations of the Group. Moreover, the overall strategic and other key business, financial and operational policies of the Group are made collectively after thorough discussion at both the Board and senior management levels. Finally, as Mr. MA Xuguang is one of our co-founders, the Board believes that vesting the roles of both chairman and chief executive officer in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board will continue to review the effectiveness of the corporate governance structure of the Group in order to assess whether separation of the roles of chairman and chief executive officer is necessary.

Code provision F.1.1 of the CG Code provides that the issuer should have a policy on payment of dividends. As the Company intends to retain most, if not all, of the Company's available funds and any future earnings to fund the development and growth of the Company's business and has not yet adopted a dividend policy to declare or pay any dividends in the near future, the Board will review the Company's status periodically and consider adopting a dividend policy if and when appropriate.

A detailed Corporate Governance Report setting out the Group's framework of governance and explanations about how the provisions of the CG Code have been applied will be included in the Company's 2023 annual report to be published.

## **MODEL CODE FOR SECURITIES TRANSACTIONS**

The Company has adopted the Model Code as set out in Appendix C3 of the Listing Rules as its own code of conduct regarding directors' securities transactions. Having made specific enquiries of all Directors, each of the Directors has confirmed that he/she has complied with the required standards as set out in the Model Code during the Reporting Period.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

During the Reporting Period, the Company repurchased an aggregate of 1,525,200 Shares for a total amount of HK\$11,032,966 on July 21, July 24, July 25, July 27, July 28, August 31, September 11-15, September 18-19, September 22, September 25-29, October 6, October 10-12, October 17, October 30, November 13, 2023 respectively on the Stock Exchange (the “**Repurchased Shares**”) and the Repurchased Shares were cancelled on December 28, 2023.

Save as disclosed above, the Company and its subsidiaries did not purchase, sell or redeem any other listed securities of the Company during the year ended December 31, 2023.

## **AUDIT COMMITTEE**

The Audit Committee had, together with the Board and external auditor of the Company, reviewed the accounting standards and practices adopted by the Group and the annual results for the year ended December 31, 2023.

## **PUBLICATION OF THE ANNUAL RESULTS AND 2023 ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY**

This annual results announcement is published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.medbankshealthtech.com](http://www.medbankshealthtech.com)), and the 2023 annual report containing all the information required by the Listing Rules will be disseminated to the Shareholders electronically (or in hard copy upon request) and published on the respective websites of the Stock Exchange and the Company in due course.

## **DEFINITIONS AND GLOSSARY**

In this annual results announcement, unless the context otherwise requires, the following expressions shall have the following meanings.

“AGM”	the annual general meeting of the Company to be held on Thursday, June 20, 2024
“Audit Committee”	the audit committee of the Board

“Board”	the board of Directors
“CG Code”	the “Corporate Governance Code” as contained in Appendix C1 to the Listing Rules
“China” or “PRC”	the People’s Republic of China, which, for the purpose of this annual results announcement and for geographical reference only, excludes Hong Kong, Macau and Taiwan
“Company”	Sipai Health Technology Co., Ltd., an exempted company with limited liability incorporated under the laws of the Cayman Islands on May 19, 2015, and its shares were listed on the Main Board of the Stock Exchange on December 23, 2022
“Director(s)”	the director(s) of the Company or any one of them
“Global Offering”	the Hong Kong Public Offering and the International Offering
“GP(s)”	the general practitioner who treat common medical conditions and refer patients to hospitals and other medical services for urgent and specialist treatment
“Group”, “our”, “we”, or “us”	the Company and all of its subsidiaries and its consolidated affiliated entities, or any one of them as the context may require or, where the context refers to any time prior to its incorporation, the business which its predecessors or the predecessors of its present subsidiaries, or any one of them as the context may require, were or was engaged in and which were subsequently assumed by it
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong dollars” or “HK dollars” or “HK\$”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
“IASB”	International Accounting Standards Board
“IFRS”	International Financial Reporting Standards, as issued from time to time by the International Accounting Standards Board
“Listing”	the listing of the Shares on the Main Board of 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)
“Model Code”	the “Model Code for Securities Transactions by Directors of Listed Issuers” set out in Appendix C3 to the Listing Rules
“Reporting Period”	for the year ended December 31, 2023
“Prospectus”	the prospectus of the Company dated December 12, 2022
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) with nominal value of US\$0.0001 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“SMO”	site management organization, an organization that provides clinical trial related services to medical device companies having adequate infrastructure and staff to meet the requirements of the clinical trial protocol
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“United States” or “U.S.”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“US\$”	United States Dollars, the lawful currency of the United States
“%”	per cent

By order of the Board  
**Sipai Health Technology Co., Ltd.**  
**Ma Xuguang**  
*Chairman of the Board and Executive Director*

Hong Kong, March 19, 2024

*As at the date of this announcement, the Board comprises Mr. Ma Xuguang and Mr. Li Ji as executive directors, Mr. Yao Leiwen as non-executive director, Mr. Chang Stanley Yi (張翊, alias 張翌軒), Mr. Fan Xin, Mr. He Haijian and Ms. Huang Bei as independent non-executive directors.*