药师帮

藥師幫股份有限公司
YSB Inc.

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 9885

2023
ANNUAL REPORT

CONTENTS

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Buzhen Zhang (張步鎮)
(Chairman and Chief Executive Officer)
Mr. Fei Chen (陳飛)

Non-Executive Directors

Mr. Frank Lin (林欣禾) *(resigned on 14 November 2023)*
Mr. Ziyang Zhu (朱梓陽)

Independent Non-Executive Directors

Ms. Rong Shao (邵蓉)
Mr. Sam Hanhui Sun (孫含暉)
Mr. Hongqiang Zhao (趙宏強)

AUDIT COMMITTEE

Mr. Hongqiang Zhao (趙宏強) *(Chairman)*
Ms. Rong Shao (邵蓉)
Mr. Sam Hanhui Sun (孫含暉)

REMUNERATION COMMITTEE

Mr. Sam Hanhui Sun (孫含暉) *(Chairman)*
Ms. Rong Shao (邵蓉)
Mr. Hongqiang Zhao (趙宏強)

NOMINATION COMMITTEE

Mr. Buzhen Zhang (張步鎮) (Chairman)
Mr. Sam Hanhui Sun (孫含暉)
Mr. Hongqiang Zhao (趙宏強)

ENVIRONMENTAL, SOCIAL AND CORPORATE GOVERNANCE COMMITTEE

Mr. Hongqiang Zhao (趙宏強) *(Chairman)*
Ms. Rong Shao (邵蓉)
Mr. Sam Hanhui Sun (孫含暉)

JOINT COMPANY SECRETARIES

Mr. Fei Chen (陳飛)
Ms. Fung Wai Sum (馮慧森)

AUTHORIZED REPRESENTATIVES

Mr. Fei Chen (陳飛)
Ms. Fung Wai Sum (馮慧森)

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants
Registered Public Interest Entity Auditors

REGISTERED OFFICE

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Grand Cayman KY1-1205
Cayman Islands

HEADQUARTERS

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Guangzhou, China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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LEGAL ADVISORS

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Skadden, Arps, Slate, Meagher & Flom and affiliates

As to PRC law
Fangda Partners

As to Cayman Islands law
Harney Westwood & Riegels

COMPLIANCE ADVISOR

Maxa Capital Limited
Unit 2602, 26/F, Golden Centre
188 Des Voeux Road Central
Sheung Wan, Hong Kong

HONG KONG BRANCH SHARE REGISTRAR

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Services (Cayman Islands) Limited
Third Floor, Century Yard
Cricket Square, P.O. Box 902
Grand Cayman, KY1-1103
Cayman Islands

PRINCIPAL BANKS

Ping An Bank, Shenzhen Bantian Branch
China Merchants Bank, Guangzhou Branch
Bank Of China, Guangzhou Panyu Branch

STOCK CODE

9885

COMPANY WEBSITE

www.ysbang.cn

Financial and Business Highlights

	Year ended 31 December		
	2023	2022	Change (%)
	(in RMB thousands, except specified otherwise or percentages)		
Revenue	**16,972,276**	14,274,810	18.9
– Self-operation Business	**16,036,245**	13,519,017	18.6
– Online Marketplace	**873,119**	694,204	25.8
– Other Businesses	**62,912**	61,589	2.1
Gross profit	**1,740,923**	1,434,717	21.3
Loss for the year	**(3,206,507)**	(1,500,038)	113.8
Non-IFRS: Adjusted Net Profit/(Loss)[(1)]	**130,542**	(124,856)	N/A
Total GMV[(2)] (RMB million)	**46,912**	37,833	24.0
– Self-operation Business	**18,447**	15,201	21.4
– Online Marketplace	**28,465**	22,632	25.8

(1) The adjusted net profit/loss (the "Adjusted Net Profit/(Loss)") represents loss for the year adding back (i) changes in fair value of financial liabilities at fair value through profit or loss, (ii) equity-settled share-based payment expenses, and (iii) listing expenses of the Company.

(2) "GMV" means "gross merchandise value".

First of all, on behalf of the Board and YSB Inc., I would like to express my heartfelt gratitude to our shareholders and all sectors of the community for their kind attention and tremendous support over the years.

Filled with tests and challenges, the past year witnessed the economic recovery alongside the cyclical and structural issues. In this context, China today is building new momentum for long-term development in the future through non-stop creation of new growth advantages. In the pharmaceutical industry, China coordinated and promoted the deepening of healthcare system reform by incorporating it into the comprehensively deepening reform with the shift from "focus on treating illness (以治病為中心)" to "focus on enhancing people's health (以人民健康為中心)", and launched a series of important reform initiatives with remarkable progress made.

During the year, as "Internet + Medical" rapidly developed and the sales scale of the pharmaceutical e-commerce continued to grow in China, an "online + offline" business model was basically formed. Patients have, after the pandemic, gradually built a consumption habit of seeking for medical treatment and purchasing drugs online, and their trust in telemedicine is increasing. Following the change of pandemic prevention and control policies, healthcare awareness also increased to an unprecedented level, driving the telemedicine industry towards quality growth.

2023 is not only the inaugural year for the Company to successfully enter the Hong Kong capital market, but also a new chapter for the Company to embark on its digital journey in the outside-of-hospital pharmaceutical service industry. Upholding the "user-oriented (以用戶為中心)" value, the Company entrenched its foothold in the outside-of-hospital pharmaceutical service industry, and continued to provide its eco-partners including pharmaceutical businesses, pharmacies and primary healthcare institutions with core competencies such as supply chain, technology, digital marketing and operation as well as high-quality pharmaceutical resources, so as to jointly promote the professional, digital, and intelligent construction of the outside-of-hospital pharmaceutical and healthcare industry.

In 2023, we had been focusing on user needs and continued to strengthen the synergy between our Online Marketplace and Self-operation Business to form a prosperous and diversified pharmaceutical and healthcare ecosystem. We were committed to providing better supply and service for upstream and downstream users and all participants using the online platform, constantly refining our digital technology and operation capabilities, further deepening and strengthening the supply chain, and realising the Company's quality development through technological empowerment, service optimisation and business innovation.

Over the past year, we had been committed to realising the matching of supply and demand for medicines in a more timely and efficient manner by constantly improving our supply chain system for the Online Marketplace. Leveraging on the "Supporting Programme for Helping A Thousand of Third-Party Merchants to Realise Monthly Sales More than One Million (三方商家千店百萬扶持計劃)", we enhanced the operation capabilities of upstream sellers on the platform by helping them develop new growth directions and achieve higher levels of growth. Meanwhile, we offered downstream buyers with more adequate and better products and, by extending our services along the path of purchase-management-sales assistance (幫買幫管幫賣), empowered downstream buyers to enjoy one-stop digital services.

Chairman's Statement

As our service capacity enhanced and service scope expanded, we remained focusing on users' changing needs and continued to enrich the supply of various medicines, particularly traditional Chinese medicine ("TCM") decoction pieces and other products. In China, the market size of the TCM decoction pieces exceeds RMB250 billion each year, with the outside-of-hospital primary market accounting for approximately one-third of the demand. However, the terminals of the outside-of-hospital primary market were characterised by highly localised and decentralised procurement channels, inefficient transportation, storage, and sales channels, and lack of uniform standards for participants along the entire industry chain. To solve such pain points, we insisted on taking direct supply from manufacturers as the core and place emphasis on quality and after-sales services, which attained initial results of doubling the customer number and business scale of TCM decoction pieces as compared to 2022.

Relying on digital supply chain layout as the core, our Self-operation Business also maintained good momentum with its intelligent operation advantages increasingly strengthened. As of 31 December 2023, we had built a supply chain system for self-operated warehouses which comprised 22 warehouses across 21 cities, creating a warehouse layout that combines main warehouses and sub-warehouses while expanding the coverage of the Self-operation Business. To provide users with more convenient, efficient and quality services, we will keep establishing new sub-warehouses within a radius of hundreds of kilometres ("km") from our main warehouses with higher capacity utilisation. In addition, we had also been improving the efficiency of intra-city delivery by building our own logistics platform, in a bid to speed up the delivery of orders in pilot cities to half-day delivery (半日達) or same-day delivery (當日達), a move that allows downstream buyers to further relieve inventory pressure and increase operational efficiency.

We accelerated the exploration of cooperation with upstream brands and unceasingly innovated cooperation models to jointly expand the promising outside-of-hospital market and seise the incremental growth in the outside-of-hospital pharmaceutical service market. In particular, the product series under our own brand "Leyaoshi (樂藥師)" became the key driver for our Targeted Product Launch Business in 2023. With affordable quality products from well-established manufacturers as an attraction, we focused on working with monomer pharmacies, primary healthcare institutions and small chain pharmacies, and continued to identify pharmacies with wider coverage and micro depth to drive the high-quality growth of our own brands and in turn that of the Targeted Product Launch Business. Leveraging the increasing brand power, channel power and product power, we will further form industrial capacity upwards and provide users with better products and services downwards.

In 2023, we accelerated the digitalisation and full-scenario empowerment of our outside-of-hospital pharmaceutical services. By constantly upgrading our SaaS solutions for pharmaceutical businesses, merchants, pharmacies, and primary healthcare institutions, we further optimised users' experience, helped them expand revenue sources and reduce costs, and improved their overall operation efficiency in all aspects. We further developed our ClouDiagnos business by focusing on the diagnosis and treatment needs of primary healthcare institutions and providing primary healthcare institutions with instant testing equipment to enhance the medical service capabilities of primary care doctors. The operation of parallel diagnostics concurrent with health management will become an important cornerstone for our transformation into a service provider serving billions of consumers across millions of primary endpoints.

As a pharmaceutical and healthcare service provider, we have always been committed to creating sustainable value for our users, shareholders, employees and even the whole society. During the Reporting Period, the Company further improved its environmental, social and governance ("ESG") governance system and regime, strengthened ESG governance, and incorporated the concepts of low-carbon and environmental protection and social responsibility into the Company's development and operation, striving to achieve enhancement in both economies of scale and social benefits. We have established an ESG committee under the Board and continued to strengthen the construction of professional committees, with an aim to ensure the compliance of the Company with relevant legal and regulatory requirements and the continuous improvement of the Company in environmental, social and governance performance. Internally, we have established a sound internal control and compliance and risk management system to detail and strengthen the responsibilities of each department, which effectively ensured the efficient and orderly development of the Company's business. Externally, we have continued to focus on the ecology of cooperation and have actively strengthened the communications with stakeholders including external partners and shareholders to increase the efficiency of outside-of-hospital pharmaceutical service and guide the industry's quality development. In the meantime, we continue to pay attention to the needs of different community sectors, extensively carry out and support welfare activities, and actively assume social responsibility. We will stick to our original aspiration and promote the Company's sustainable development with ESG concepts.

Looking ahead to 2024, we will embark on a new journey of quality development. With a GMV of RMB100 billion as our goal for the next two to three years, we will continuously purse layout in upstream, use digital technology to redefine the manufacturing and distribution of pharmaceuticals, and continue to build our supply chain capabilities, so as to provide users with better products and services, and achieve higher quality growth.

Last but not least, I would like to express my gratitude to our shareholders, partners, users, and different community sectors who have been accompanying the Company all the way with their long-term support and assistance to YSB Inc. We will always keep in mind the mission of "To make quality medical care and good medicine accessible to all (讓好醫好藥普惠可及)" and uphold the development concept of "High-quality and continuous growth driven by innovation and technology (創新科技驅動，高質量持續增長)". We will also promote the innovation and development of the outside-of-hospital pharmaceutical market, in a bid to enhance the efficiency of the industry and expand the coverage of our services, and in turn, contribute to the community with corporate value!

Buzhen Zhang
Chairman and Chief Executive Officer

11 March 2024

Business Outlook and Review

2023 marked the first year of fully implementing the spirit of the 20th National Congress of the Communist Party of China (CPC) and a crucial year for the deep implementation of the 14th Five-Year Plan. This year, governments and regulatory agencies at different levels continuously released relevant policies and standards to vigorously promote digital upgrade and development of the outside-of-hospital pharmaceutical industry. Meanwhile, various measures continued to promote the consumption of outside-of-hospital pharmaceutical and healthcare, giving continuous support for the steady and rapid development of the outside-of-hospital pharmaceutical industry. According to the Report of Statistical Analysis on the Operation of Pharmaceutical Distribution Industry (藥品流通行業運行統計分析報告) released by the Ministry of Commerce of the PRC in November 2023, the market size of pharmaceutical distribution saw a steady increase with accelerated market growth rate. The market is also characterised by continuous increase in industry concentration, ongoing expansion of professional services, standardisation of online sales management. In addition, in line with relevant national planning and the Business Development Plan for the 14th Five-Year Plan Period (《"十四五"商務發展規劃》), the Ministry of Commerce of the PRC proposed to promote digital transformation and upgrading of the industry, facilitate enterprises in building "online, cloud and platform (上綫上雲上平台)" and deepen digital application in marketing, operation management, warehouse logistics, product services and other aspects. Given such development opportunity, the Company has also benefitted from the policies and rode on the development trend of the industry by fully utilising its digital capacity and operational advantages in the outside-of-hospital pharmaceutical industry, and continued to play an important role in building a digital service ecosystem for outside-of-hospital pharmaceuticals.

During the Reporting Period, our business growth remained robust, as reflected by our total GMV of RMB46,912 million, representing a year-on-year increase of 24.0%. With the continuous expansion of our pharmaceutical and healthcare product offering and the continuous improvement of user experience, we are promoting the user ecosystem towards prosperous development. As of 31 December 2023, our cumulative number of registered buyers were more than 650,000, including around 401,000 pharmacies and around 246,000 primary healthcare institutions. During the Reporting Period, we had an average number of monthly active buyers ("MAB") of 367,000, representing a year-on-year increase of 19.0%. The average number of monthly paying buyers ("MPB") reached 343,000, representing a year-on-year increase of 21.1%. Our paying ratio, i.e. the proportion of average number of MPB to average number of MAB, recorded a year-on-year increase from 91.7% to 93.3% and the average number of orders per paying buyer per month increased by 8.7% from 27.3 to 29.6 for the same period of last year.

OUR ONLINE MARKETPLACE

Online Marketplace is the cornerstone for ensuring the rapid growth of our overall business. We connect and empower upstream and downstream players along the industrial chain: on the one hand, we provide pharmaceutical companies and distributors and vendors with efficient ways to sell their products to a wide range of buyers; on the other hand, we also enable pharmacies and primary healthcare institutions across the country to reach out to a broader base of suppliers. As of the end of 2023, we attracted approximately 8,100 upstream sellers and over 650,000 downstream buyers to transact on our platform. During the Reporting Period, the GMV of our Online Marketplace of third-party merchants was RMB28,465 million, accounting for 60.7% of the total GMV, and representing a year-on-year increase of 25.8%.

Our Online Marketplace seeks to continuously assist in addressing the supply and demand mismatch issue and provide cost-effective access to a vast selection of stock keeping units ("SKUs") to buyers. During the Reporting Period, buyers could select among around 3.6 million SKUs, including prescription drugs, over-the-counter ("OTC") drugs and medical and healthcare products, of which the number of SKUs of medical and healthcare products witnessed a relatively strong growth, representing a year-on-year increase of over 50%. A large number of buyers who were brought together by the platform formed a virtual alliance with better bargaining power. Since product prices are transparent on the platform, buyers are able to order pharmaceuticals at the best price available on the platform and monitor the orders online. As a result, downstream pharmacies can benefit from our Online Marketplace by being able to attract more end customers with diversified SKU offerings.

Our vast selection of SKUs and sound supply chain system enable us to cope with extreme cases at ease. During the influenza outbreaks in 2023, we provided a large number of related medicines to our downstream customers in a timely manner. Take Oseltamivir as an example, our downstream customers purchased a total of approximately RMB1,200 million on our platform for this item.

Apart from this, we strived to develop new categories on the existing basis to further enrich the medicine offerings, and began to deepen its presence in the field of TCM decoction pieces. On the supply side, we insisted on taking TCM decoction pieces manufacturers as the new main development targets. As of the end of 2023, more than 85% of the TCM decoction pieces suppliers on our platform were TCM decoction pieces manufacturers. In 2023, we provided over 110,000 SKUs of TCM decoction pieces to our downstream customers with sales amounting to approximately RMB1,300 million, representing a year-on-year increase of 113%. The rapid growth in new categories not only proved our platform's ability to continuously expand the scope of competence, but also further laid a solid foundation for us to increase revenue and profitability.

Benefitting from the outflow of prescriptions brought by the deepening healthcare reform, the transactions of stores designated by medical insurers among our downstream users were significantly active. About 50% of the platform's paying users were stores designated by medical insurers, among which over 70% of monomer pharmacies were stores designated by medical insurers. Also, the stores designated by medical insurers with higher level of activeness and higher willingness to pay were benefitted from the traffic brought by the policies, contributing more than 60% of GMV to our platform.

We charge upstream sellers a commission, which is based on a certain percentage of their sales on our Online Marketplace. The average Online Marketplace commission rate we charged, which equals to the commissions we receive from third-party sellers divided by the corresponding GMV, was 3.1% and 3.2% in 2022 and 2023, respectively. In return, our Online Marketplace provides subsidies in the form of coupon to our downstream buyers. Our Online Marketplace subsidy ratio, which equals to the amount of subsidies provided to buyers and used on Online Marketplace divided by the GMV from Online Marketplace, was 0.7% and 0.6% in 2022 and 2023, respectively, representing a year-on-year decline, without compromising customer retention rate and transaction level.

OUR GENERAL SELF-OPERATION BUSINESS

Self-operation Business acts as a stabiliser to ensure that we provide better services to more customers in a quick and economical manner. The business is conducted through our platform where we operate our own digital stores online. After obtaining the consent of relevant parties under the privacy policy of our platform, based on the transaction history on our Online Marketplace and underpinned by our big data analyses of buyers' demand and transaction preference, we are able to make procurement decisions based on downstream demand, select SKUs with higher frequencies of purchase and better quality, and exercise a higher level of quality control over these products on our own. During the Reporting Period, our Self-operation Business provided an average monthly SKUs of approximately 347,000 to downstream buyers, representing a year-on-year increase of 37.6%.

Business Outlook and Review

During the Reporting Period, we kept strengthening our supply chain services, which cover procurement, warehousing, order processing, invoicing, payment collection, and delivery to downstream pharmacies and primary healthcare institutions, with the aim of revitalising our ecosystem and in turn further enhance the experience of the buyers, our customers under Self-operation Business. In 2023, we began to explore ways to further increase the production capacity of our existing warehouses which are already highly utilised, and created a warehouse layout that combines main warehouses and sub-warehouses. We newly built sub-warehouses in Xuzhou, Jiangsu and Zhanjiang, Guangdong, which are each 500 km from the original main warehouses in their respective provinces. The two sub-warehouses are both approximately 5,000 square metres and are equipped with a variety of advanced hardware facilities and software system supports, which can provide strong support to the highly efficient operation of the existing main warehouses in Jiangsu and Guangdong, enabling us to offer better and faster services to the surrounding terminals so as to effectively improve end-user satisfaction and increase market share.

We arrange delivery from our warehouses to our buyers, using third-party carriers with high reputation with respect to time, quality, and flexibility. We provided our buyers with stable supply and fulfilment through our centralised management of inventory and delivery. Thanks to our control over the supply chain, we are able to achieve an efficient inter-province delivery by taking around 40 hours for cities and around 50 hours for towns on average. As a result, pharmacies and primary healthcare institutions can place orders in a flexible manner, such as placing multiple orders of small amount to avoid overstocking, which in turn greatly enhances operating efficiency. Meanwhile, as the intra-city delivery business of third-party logistics carriers became increasingly mature, we also began to pilot intra-city delivery services in certain cities where our main warehouses are located. We established a logistics platform to distribute orders to social vehicles, monitoring the services and efficiency of the entire process covering loading, transportation and delivery. During the Reporting Period, we opened more than a hundred of logistics routes in provincial capital cities, enabling most of our main warehouses to achieve half-day delivery and same-day delivery for intra-city orders. Such fast and fabulous procurement experience significantly increased the variety and frequency of purchases from our downstream customers.

While we continue to improve our ability to serve downstream buyers, we also provide upstream suppliers with a range of digitalised tools to help improve their performance. As of the end of 2023, the number of suppliers of our Self-operation Business amounted to more than 10,000, representing an increase of over 1,000 suppliers as compared to the same period of last year. Through our digitalised tools, the suppliers receive timely feedbacks on the demand of products and after-sale services from the downstream buyers. They can direct their decision-making according to the feedback on geographical preference, pharmacy distribution and the market sales trend provided by us and monitor pharmaceutical promotion performance, track their products and respond to market demands. They also enjoy the benefits from scalability provided by us. We generate revenue from sales of pharmaceutical products. We are able to negotiate directly with pharmaceutical companies and other sellers to obtain competitive pricing from the upstream given our expanding business size. Revenue from our Self-operation Business makes up an important percentage of our total revenue. During the Reporting Period, the GMV of our General Self-operation Business was approximately RMB17,353 million, representing a year-on-year increase of 22.3%.

OUR TARGETED PRODUCT LAUNCH BUSINESS

Leveraging enormous insights from years of extensive experience in running both Online Marketplace and Self-operation Business, we are able to identify sales potential for products with certain characteristics, such as pharmaceuticals of high demand but limited brand awareness, pharmaceuticals that are sold well in hospitals but not adequately promoted in outside-of-hospital pharmacies, pharmaceuticals that are well promoted and therefore better known in one geographic region but are less known in another. Thus, we seek to collaborate with pharmaceutical companies to assist them in promoting products tailored for downstream needs to convert potential market opportunities into realised sales of products.

We continue to provide refined and professional services to pharmaceutical companies in partnership with us, which carry out our Targeted Product Launch Business, helping them to increase sales through a series of digital marketing solutions. Meanwhile, we monitor life cycle of relevant products and constantly provide market feedback to pharmaceutical companies for them to further improve the products and tailor their marketing promotion strategies. During the Reporting Period, we collaborated with about 500 pharmaceutical companies to launch promotion, covering more than 10 pharmaceutical companies of sales exceeding RMB10 million and 15 products of sales exceeding RMB10 million. The GMV of our Targeted Product Launch Business amounted to RMB1,094 million, representing a year-on-year increase of 8.4%.

During the Reporting Period, we also explored the further development model for our own brand, "Leyaoshi (樂藥師)". We kept exploring for products with the potential to become our top-selling products in sales channels and expanding the product coverage of "Leyaoshi", while seeking for exclusive cooperations with manufacturers. As of the end of 2023, we had completed the spot delivery of 60 products, reached sales of over RMB10 million for 5 products and served over 200,000 customers. We will continue to explore private brand model in depth under our "Go Upstream (向上走)" strategy, and continue to focus on key single products produced by private factories and private brands with own approvals.

OTHER BUSINESSES

ClouDiagnos

ClouDiagnos works hand-in-hand with our pharmaceutical business to meet the increasing need of primary healthcare institutions.

We continue to make efforts in enhancing the diagnosis and treatment capability of primary care doctors, expanding their scope of services as well as upgrading their service capacity. We place point-of-care testing equipment at primary healthcare institutions to generate test results on-site within a short period of time, so as to support primary care doctors' clinical decision. In addition, we built our examination laboratories close to primary users. This shortens the physical distance between primary users and our examination laboratories, making it possible to generate test results on the same day or even within a few hours after an order for specific items and mixed items has been placed. By combining various methods, we effectively meet the needs of primary users on multiple aspects, such as examination efficiency, examination accuracy, items diversity and more, which achieved the effect of empowering primary healthcare institutions to set up examination departments and upgrade diagnosis and treatment capability.

There is a strong synergy effect between ClouDiagnos and our pharmaceutical business. On the one hand, effective BD (business development) ensures that all 246,000 downstream primary healthcare institutions registered with our platform can access our ClouDiagnos services, providing a large and stable user base. On the other hand, ClouDiagnos strengthens the bond between us and downstream primary healthcare institutions, and in turn promotes pharmaceutical sales on our platform. As of the end of 2023, we collaborated with over 12,000 primary healthcare institutions.

wePharmacy

We continue to make efforts in optimising the capability of pharmacies in serving their end customers. Our self-developed wePharmacy is one of the first 24-hour access smart unmanned pharmaceutical booth that connects real-time pharmacist services in the outside-of-hospital pharmaceutical market. Pharmacies purchasing our wePharmacy booths can decide on what products to offer their end customers, including prescription drugs, OTC drugs and others. wePharmacy provides 24-hour undisturbed services, and no pharmacist or staff is required to be present. This has significantly improved the experience of both pharmacies and their end customers, especially those with urgent needs.

Business Outlook and Review

During the Reporting Period, our product offering continued to grow with the introduction of "Yunque (雲雀)" model series with a smaller space-saving feature. Developed based on our "Tiangong (天宮)" model, the series helped the provision of around-the-clock services by more small and medium-sized pharmacies. During the Reporting Period, we sold and installed a total of 65 wePharmacy units.

SaaS solutions

During the Reporting Period, we continued to focus on improving the operational efficiency of upstream and downstream participants along the industry chain.

We offer CloudComm service to upstream sellers. CloudComm provides a series of store management solutions, including real-time interaction and information updates on price, inventory, and order status. CloudComm also provides all-in-one printing service, for sellers to efficiently print and transmit certification and qualification together with order information. As of the end of 2023, we provided this service to over 7,000 sellers, representing an increase of around 1,800 sellers during the Reporting Period.

We offer ePalm service to downstream buyers. ePalm helps pharmacies with streamlined inventory management and connection into the social security system, which greatly improves downstream pharmacies' ability to update and manage inventory as well as the efficiency of the entire pharmaceutical circulation process. As of the end of 2023, ePalm connected to social security departments in more than 150 cities. We provided this service to approximately 50,000 buyers, representing an increase of over 9,000 buyers during the Reporting Period.

In addition, to cater to the vast market of primary healthcare institutions, we launched the Cloud Consultation (光譜雲診) service during the Reporting Period. Leveraging extensive medical big data for tracking and analysis, this service offers features such as mini-program check-ins, consultation and prescription, patient management, and system management. It enables doctors to easily access both traditional Chinese and Western medicine prescriptions, record patients' medical histories, and streamline the drug procurement process with one-click inventory management. This meets the needs of doctors operating independently and enhances the information management efficiency of primary healthcare institutions.

YSB ELEARN

During the Reporting Period, we continued to make efforts in improving the service capability of pharmacists. Since 2015, we have introduced various programmes to empower pharmacists. We offer online training sessions to help prospective pharmacists prepare for the Pharmacist Licensure Examination, and also invite pharmaceutical companies to provide online introductory sessions directly to pharmacists to help them better understand the pharmaceuticals in use. These sessions have improved pharmacists' capability in providing accurate and timely services to end customers, on the one hand, and raised awareness and reputation of us among pharmacists, on the other hand.

As of the end of 2023, we provided online training to approximately 260,000 pharmacists and prospective pharmacists.

SUPPLY CHAIN MANAGEMENT

Our smart supply chain management system is significantly attributed to our ever-growing scale. Based on algorithm and the insights we accumulated from transacting on our Self-operation Business and Online Marketplace, we integrate the front and back ends of the supply chain, covering the whole process of procurement, warehousing and delivery. During the Reporting Period, we were able to guarantee an order can be processed and completed for delivery in approximately 3 hours on average, much faster than the industry level. During the Reporting Period, by leveraging on smart supply chain management, we maintained payable turnover days at around 54 days, inventory turnover days at around 30 days and receivable turnover days at around 2 days. Accordingly, our cash conversion cycle was around -22 days. The quick turnover business model allows us to manage cash efficiently and bring idle cash to the platform, which improves our liquidity and effectively ensures that we can safely and quickly scale up our overall business. Idle cash also brings us extra revenue in addition to gross profit, greatly improving our profitability.

Even more, in terms of payment, downstream buyers have access to the supply chain financial services on our platform. We use digital technology to integrate information on business, logistics, information flow and capital, through which we have built a financial service system that integrates the platform with upstream and downstream enterprises. Third-party financial institutions rely on our platform to provide order financing products to pharmacies. The loan funding received by pharmacies can only be used for purchasing goods on our platform. During the Reporting Period, the number of downstream active users for order financing products was over 12,000, representing an increase of approximately 8,000 as compared to the same period of last year, the cumulative lending amount was approximately RMB5,910 million, representing a year-on-year increase of 72.0%, and the number of orders with financing was approximately 4,660,000, representing a year-on-year increase of 42.5%. In December 2023, the number of financing orders in a single month was over 600,000, representing a year-on-year increase of 146%. Such service has also brought us active chain pharmacy customers. In December 2023, the number of paying buyers from chain headquarters was over 3,800, which generated a purchase of pharmaceuticals amounting to approximately RMB1,000 million, accounting for about 20% of the total purchases.

BUSINESS DEVELOPMENT

The primary healthcare level is fragmented and layered, leading to problems such as supply and demand mismatch, high transaction costs, and low operating efficiency. Buyers are scattered due to geographical limitations, giving them little bargaining power against the upstream. In this regard, we brought mobile internet and digital solutions to the market, and effectively built a virtual alliance for the downstream buyers, where the demand of each and every buyer is equally addressed, regardless of their size or geographical location.

To this end, we tailored our business development strategies based on our experience, competence, and capacity cultivated from serving and transacting at primary healthcare level. We closely monitor the immense potential and opportunities in the market and keep track on regulatory development to constantly adjust our business development strategies and grow with the market. As of 2023, our business development team consisted of around 2,900 members, and we saw a further increase in staff efficiency of this team as compared to the same period of last year. Each member can manage approximately 135 pharmacies on average, representing an increase of 11 pharmacies as compared to the same period of last year. This development strategy achieved great success. As of 2023, we reached 246,000 primary healthcare users, representing an increase of 74,000 users during the Reporting Period and an increase of approximately 30,000 users as compared to the increase of users in 2022. Moreover, our registered buyers covered 98.6% of counties and 88.4% of towns in China. In terms of staff efficiency, each member can bring approximately RMB16 million of GMV, representing a year-on-year increase of 18.4%.

Business Outlook and Review

SOCIAL RESPONSIBILITY

We actively fulfill our corporate social responsibility, and are committed to serving our users at all times in various aspects such as ensuring medication needs and safety assurance, helping rural revitalisation and education charities, and giving back to society. We closely connect our public health commitments with our business development, and continue to serve as an example to other companies.

During the Reporting Period, we gave full play to the pharmaceutical and healthcare product supply chains. Leveraging the advantages of our digital smart system, we performed real-time monitoring on our platform when there are short-term supply-demand imbalances in medications, and formed a special team for price normalisation to ensure fair and reasonable drug prices, participated in drug supply assurance and maintained an orderly market.

On our platform, we launched the "YSB eLearn (藥學習)" column, offering free content on drug explanations, general practice, and medical encyclopedia for licensed pharmacists and village doctors. The "YSB eLearn" column will continue to enhance the pharmaceutical and diagnostic capabilities of grassroots pharmacists and doctors, thereby providing patients with higher quality medical and healthcare services.

In collaboration with community healthcare workers, we gave consolations and provided free medical services to grassroots social workers, for whom we utilised ClouDiagnos testing equipment to conduct screenings and offered diagnostic advice for grassroots personnel, actively supporting the construction of primary healthcare services.

We actively took part in rural revitalisation works by donating funds to sponsor rural revitalisation activities and were awarded the certificate "Active Entity Participants in Rural Revitalisation (助力鄉村振興積極參與單位)" by the Haizhu District Municipal Administration for Market Regulation of Guangzhou, contributing to efforts in the rural revitalization and development.

We donated office computers to the Western Sunshine Foundation for Rural Development (Beijing) (北京市西部陽光農村發展基金會) to improve their office environment and enhance the efficiency of the foundation's staff. We also made donations to the Green & Shine Foundation (桂馨基金會) on a quarterly basis to support the improvement of China's rural education environment, helping education charities and improving the educational conditions for rural teachers and students.

OUTLOOK

As a leader in the digital ecosystem construction of the outside-of-hospital pharmaceutical industry, we will deepen the cooperation with all participants in the industry chain to keep on accelerating the digitalisation of outside-of-hospital pharmaceutical industry. Sticking to the initial intention of "To make quality medical care and good medicine accessible to all (讓好醫好藥普惠可及)", we will empower upstream and downstream users with continuous and professional digital solutions, strive to achieve closed-loop services in product supply, procurement services and intelligent marketing, thereby improving their operating efficiency. We will continue to advance the construction of the smart supply chain for pharmaceutical and healthcare products and improve the professional service capabilities, providing users with more accessible, convenient, and efficient pharmaceutical and healthcare products and services to meet their comprehensive service needs.

In terms of Online Marketplace, we will provide more comprehensive operational support and digital marketing strategies for upstream sellers and enhance product category diversity. On one hand, we will focus on expanding products such as TCM decoction pieces to increase the coverage of varieties; on the other hand, we will cooperate with the leading enterprises and cooperatives in the production areas to carry out Authentic Medicinal Decoction Pieces to improve product quality and provide high-quality pharmaceutical and healthcare products and services for downstream buyers.

In terms of Self-operation Business, we will strengthen the construction of our own smart supply chain system, and keep on building a warehouse network that combines main warehouses with sub-warehouses and a logistics system for intra-city car delivery. We will accelerate the construction of sub-warehouses near the existing main warehouses that match the conditions to form an integrated structure of main and sub-warehouses, in a bid to fully meet customers' needs for more varieties. On the basis of optimising the layout of self-operated warehouses, we will further develop intra-city car delivery services, achieving more half-day delivery and same-day delivery for orders from cities where main warehouses are located and their surrounding cities. At the same time, together with the sub-warehouse construction plan, we will begin the provision of intra-city delivery services in cities where the sub-warehouses are located and their surrounding cities to continuously improve users' experience.

In addition, we will further expand Targeted Product Launch Business, especially our own branded business, by actively planning layout in upstream, strengthen strategic cooperation with upstream pharmaceutical companies and suppliers, constantly innovate and upgrade cooperation models and broaden cooperation areas. Following the newly-launched key single product Huoxiang Zhengqi Kou Fu Ye (藿香正氣口服液), we will further strengthen the omni-channel coverage of high-quality unique products such as the key single products under our Targeted Product Launch Business, best-selling products and members-only products besides launching hundreds of new varieties, to accelerate the development of the Targeted Product Launch Business.

On top of fully ensuring product supply and supply chain finance empowerment, we will remain committed to the continuous expansion of downstream users. For monomer pharmacies with high coverage, we will further consolidate the edges that we have built, increase the variety of best-selling local pharmaceutical products covered by self-operated warehouses, and improve efficiency and users' experience through intra-city car delivery. For primary healthcare institutions, we will focus on expanding coverage and increasing its penetration rates, while accelerating the introduction of injections, traditional Chinese medicine and other varieties with special demand, and increasing their variety satisfaction rates through activities such as Super Clinic Day (超級診所日) and Traditional Chinese Medicine Super Product Day (中藥超級單品日).

For other businesses, we will increase our investment in technical resources, continue the optimisation and upgrades to improve the operational efficiency of upstream and downstream users on our platform. For the ClouDiagnos business, we will deploy tens of thousands of digital testing devices nationwide to provide primary healthcare terminals with a "user-friendly, economical, and technological" primary medical test scheme, assisting primary care doctors to realise professional, standardised and streamlined examination and diagnosis. For the Cloud Consultation (光譜雲診) business, we will continue to improve its system functions and promote it from pilot provinces to thousands of customers across China, and gradually promote its access to urban medical insurances. Both services will progress simultaneously to jointly promote the innovation and development of primary healthcare institutions, helping them become more professional and reliable health providers.

Furthermore, we will continue to explore and carefully evaluate M&A opportunities related to investment in the industrial chain, deepen the layout in the field of medicine and health, build synergies in future business development, continuously enhance our competitiveness, and strive to establish a broader brand influence and market position.

Management Discussion and Analysis

REVENUE

For the year ended 31 December 2023, the Group recorded a revenue of RMB16,972.3 million and a gross profit of RMB1,740.9 million. The gross profit margin was 10.3% for the year ended 31 December 2023 as compared with 10.1% for the corresponding period in 2022.

The Group's revenue from the Self-operation Business increased significantly from RMB13,519.0 million for the year ended 31 December 2022 to RMB16,036.2 million for the year ended 31 December 2023, primarily attributable to enlarged buyer base and increased buyer engagement, which improved the GMV for our Self-operation Business. The number of MPB of our Self-operation Business recorded a stable increase as compared with the same period of last year. Meanwhile, the average monthly GMV contribution and the average amount per order from each paying buyer also increased.

The Group's revenue from the Online Marketplace increased by 25.8% from RMB694.2 million for the year ended 31 December 2022 to RMB873.1 million for the year ended 31 December 2023, primarily attributable to the growth of GMV on our Online Marketplace, which was driven by increased seller and buyer base, and the increased average monthly GMV contribution from each paying buyer. The GMV on our Online Marketplace increased from RMB22.6 billion for the year ended 31 December 2022 to RMB28.5 billion for the year ended 31 December 2023. The number of sellers on our Online Marketplaces increased from 6,072 as at 31 December 2022 to 8,081 as at 31 December 2023. The number of MPB of our Online Marketplace recorded a stable increase as compared with the same period of last year. Meanwhile, the average number of orders per paying buyer per month also increased.

The Group's revenue from the other businesses increased by 2.1% from RMB61.6 million for the year ended 31 December 2022 to RMB62.9 million for the year ended 31 December 2023, mainly attributable to the increase in revenue from SaaS solution.

COST OF SALES

The Group's cost of sales increased by 18.6% from RMB12,840.1 million for the year ended 31 December 2022 to RMB15,231.4 million for the year ended 31 December 2023, primarily due to our revenue growth and business expansion.

The cost of sales of the Group's Self-operation Business increased by 18.7% from RMB12,679.5 million for the year ended 31 December 2022 to RMB15,054.1 million for the year ended 31 December 2023. The increase of cost of sales for the year ended 31 December 2023 was primarily due to the growth of purchase demand from buyers, as a result of which we increased the procurement of pharmaceutical products accordingly.

The cost of sales of the Group's Online Marketplace increased by 18.1% from RMB124.1 million for the year ended 31 December 2022 to RMB146.6 million for the year ended 31 December 2023, mainly due to the expansion of transaction volume on our platform.

The cost of sales of the Group's other businesses decreased by 16.4% from RMB36.6 million for the year ended 31 December 2022 to RMB30.6 million for the year ended 31 December 2023, mainly due to the decrease in costs in relation to ClouDiagnos.

GROSS PROFIT AND GROSS PROFIT MARGIN

As a result of the foregoing, the Group's gross profit increased significantly by 21.3% from RMB1,434.7 million for the year ended 31 December 2022 to RMB1,740.9 million for the year ended 31 December 2023. The Group's gross margin increased from 10.1% for the year ended 31 December 2022 to 10.3% for the year ended 31 December 2023.

The gross profit margin for the Group's Self-operation Business recorded a slight decrease from 6.2% for the year ended 31 December 2022 to 6.1% for the year ended 31 December 2023, which was largely stable while the business maintained a good scale growth.

The gross profit margin for the Group's Online Marketplace increased from 82.1% for the year ended 31 December 2022 to 83.2% for the year ended 31 December 2023, mainly attributable to the increase in usage of the low-fee transaction channels.

The gross profit margin for the Group's other businesses increased from 40.6% for the year ended 31 December 2022 to 51.3% for the year ended 31 December 2023, mainly due to (i) the year-on-year increase of gross profit margin of ClouDiagnos after the adjustment to its business model; and (ii) the year-on-year growth of revenue of our SaaS business, which has a higher gross profit, and the corresponding increase of proportion to revenue.

SELLING AND MARKETING EXPENSES

The Group's selling and marketing expenses increased by 4.7% from RMB1,325.6 million for the year ended 31 December 2022 to RMB1,387.3 million for the year ended 31 December 2023, mainly due to the increase in marketing and promotion expenses as we continue to expand our business operations. Fulfillment expenses increased slightly by 0.6% from RMB313.0 million for the year ended 31 December 2022 to RMB314.8 million for the year ended 31 December 2023, among which logistics expenses increased from RMB222.3 million for the year ended 31 December 2022 to RMB234.2 million for the year ended 31 December 2023. Although the Group's selling and marketing expenses had increased during the Reporting Period, due to a greater revenue growth, the selling and marketing expenses as a percentage of the Group's revenue continued to decline.

GENERAL AND ADMINISTRATIVE EXPENSES

The Group's administrative expenses increased by 16.0% from RMB286.8 million for the year ended 31 December 2022 to RMB332.6 million for the year ended 31 December 2023, mainly due to (i) an increase in equity-settled share-based payment expenses due to additional share options or new award shares granted to our Directors and employees during the Reporting Period to provide incentives to exert maximum efforts and reward continued efforts for the success of the Group; and (ii) an increase in salary and welfare expenses as we hired additional management personnel for the development of our business and professional staff with expertise in capital markets. Although general and administrative expenses had increased during the Reporting Period, it remained stable as a percentage of the Group's revenue.

RESEARCH AND DEVELOPMENT EXPENSES

The Group's research and development expenses increased by 18.3% from RMB79.1 million for the year ended 31 December 2022 to RMB93.6 million for the year ended 31 December 2023, primarily attributable to an increase in equity-settled share-based payment expenses and salary and welfare expenses as we incurred more employees-related expenses in our efforts to optimise and upgrade technology systems for our businesses and develop technology systems for our other businesses.

Management Discussion and Analysis

OTHER INCOME

The Group's other income decreased from RMB88.9 million for the year ended 31 December 2022 to RMB87.7 million for the year ended 31 December 2023. The decrease was primarily attributable to the increase in interest income being partially offset by the decrease in investment income from financial assets at fair value through profit or loss and the government grants.

OTHER GAINS/LOSSES (NET)

The Group recorded net other gains of RMB20.0 million for the year ended 31 December 2022 as compared to net other gains of RMB0.9 million for the year ended 31 December 2023. This difference was primarily due to the gains from changes in fair value of financial assets at fair value through profit or loss and the impact of losses due to exchange rate fluctuations.

CHANGES IN FAIR VALUE OF FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group's changes in fair value of financial liabilities at fair value through profit or loss were RMB1,299.5 million for the year ended 31 December 2022 and RMB3,171.9 million for the year ended 31 December 2023. The changes were primarily due to fair value changes of the Company's preferred shares resulting from a non-cash, one-time adjustment upon the listing per share value against fair value as of 31 December 2022 and appreciation of US dollars against RMB, which led to an increase in fair value of preferred shares that are denominated in US dollars.

FINANCE COSTS

Finance costs decreased slightly by 2.0% from RMB10.2 million for the year ended 31 December 2022 to RMB10.0 million for the corresponding period in 2023 due to the decrease in interest expense of lease liabilities.

LOSS FOR THE YEAR

As a result of the foregoing, the Group's loss for the year increased from RMB1,500.0 million for the year ended 31 December 2022 to RMB3,206.5 million for the year ended 31 December 2023.

NON-IFRS MEASURE

In evaluating our business, we consider and use (i) Adjusted Net Profit/(Loss) and (ii) Adjusted Net Profit/(Loss) margin as supplemental measures to review and assess our operating performance. The presentation of these non-IFRS financial measures is not intended to be considered in isolation or as substitutes for the financial information prepared and presented in accordance with IFRS. We define Adjusted Net Profit/(Loss) as profit or loss for the year adding back (i) changes in fair value of financial liabilities at fair value through profit or loss, (ii) equity-settled share-based payment expenses, and (iii) listing expenses. We define Adjusted Net Profit/(Loss) margin as adjusted net profit/loss divided by revenue. We present these non-IFRS financial measures because they are used by our management to evaluate our operating performance and formulate business plans. Accordingly, we believe that the use of these non-IFRS financial measures provide useful information to investors and others in understanding and evaluating our operating results in the same manner as our management and Board. These non-IFRS financial measures are not defined under IFRS and are not presented in accordance with IFRS. These non-IFRS financial measures have limitations as an analytical tool. Further, these non-IFRS measures may differ from the non-IFRS information used by other companies, including peer companies, and therefore its comparability may be limited. These non-IFRS financial measures should not be considered in isolation or construed as alternatives to profit/loss or any other measure of performance. Investors are encouraged to review our historical non-IFRS financial measures in light of the most directly comparable IFRS measures, as shown below. The non-IFRS financial measures presented here may not be comparable to similarly titled measure presented by other companies. Other companies may calculate similarly titled measures differently, limiting the usefulness of such measures when analysing our data comparatively. We encourage you to review our financial information in its entirety and not rely on a single financial measure.

The Adjusted Net Profit/(Loss), which is unaudited, represents loss for the year adding back (i) changes in fair value of financial liabilities at fair value through profit or loss, (ii) equity-settled share-based payment expenses, and (iii) listing expenses of the Company. The Adjusted Net Profit of the Group for the year ended 31 December 2023 was RMB130.5 million, representing a substantial reduction of loss RMB255.4 million from the Adjusted Net Loss RMB124.9 million for the corresponding period in 2022. We, for the first time, have achieved the Adjusted Net Profit for the year ended 31 December 2023.

The following table reconciles our Adjusted Net Profit/(Loss) from the most directly comparable financial measure calculated and presented in accordance with IFRS (loss for the year).

	Year Ended December 31,	
	2023	2022
	RMB'000	RMB'000
Loss for the year	**(3,206,507)**	(1,500,038)
Add back:		
Changes in fair value of financial liabilities at fair value through profit and loss	**3,171,903**	1,299,500
Equity-settled shared-based payment expenses	**118,278**	38,817
Listing expenses	**46,868**	36,865
Adjusted Net Profit/(Loss), a non-IFRS measure	**130,542**	(124,856)
Adjusted Net Profit/(Loss) margin, a non-IFRS measure	**0.8%**	(0.9)%

Adjusted Net Profit/(Loss) is not a measure of performance under IFRS. The use of the Adjusted Net Profit/(Loss) has material limitations as an analytical tool, as it does not include all items that impact our loss for the relevant period.

LIQUIDITY AND SOURCE OF FUNDING AND BORROWING

For the year ended 31 December 2023, we have financed our operating and investing activities through cash generated from capital contribution from shareholders and operating activities. Our cash and cash equivalents are represented by cash and bank balances and time deposits with original maturity of three months or less.

As at 31 December 2023, the Group's cash and cash equivalents decreased by 10.7% from RMB835.4 million as at 31 December 2022 to RMB745.7 million. The decrease of cash and cash equivalents for the year ended 31 December 2023 primarily resulted from our further optimisation of the payment methods to our upstream suppliers by making greater use of notes payables for payment settlements, corresponding to a significant increase in our restricted cash.

The following table sets forth our cash flows for the year indicated:

	Year Ended December 31,	
	2023	2022
	RMB'000	RMB'000
Net cash generated from operating activities	**451,202**	98,200
Net cash (used in)/generated from investing activities	**(792,946)**	41,070
Net cash generated from financing activities	**255,343**	261,927
Net (decrease) increase in cash and cash equivalents	**(86,401)**	401,197
Cash and cash equivalents at the beginning of the year	**835,394**	415,482
Effect of foreign exchange rate changes	**(3,300)**	18,715
Cash and cash equivalents at the end of the year	**745,693**	835,394

The Group adopts a prudent financial management approach for its cash management policy to ensure that the Group's liquidity structure, comprising assets, liabilities and other commitments, is able to always meet its capital requirements. Going forward, we believe our liquidity requirements will be satisfied by using funds from a combination of cash generated from operating activities, external borrowings, net proceeds from the Global Offering and other funds raised from the capital markets from time to time.

NET CASH GENERATED FROM OPERATING ACTIVITIES

For the year ended 31 December 2023, net cash generated from operating activities was RMB451.2 million, mainly attributable to our loss before tax of RMB3,210.2 million for the year, as adjusted by (i) non-cash and non-operating items, which primarily comprised equity-settled share-based payment expenses of RMB118.3 million; changes in fair value of financial liabilities at fair value through profit or loss of RMB3,171.9 million; and (ii) changes in working capital, which was mainly due to an increase of RMB708.1 million in trade and other payables. Meanwhile, trade and other receivables decreased by RMB56.1 million. The above effect on the increase in cash from operating activities was partially offset by the increase in inventories of RMB454.0 million.

NET CASH (USED IN)/GENERATED FROM INVESTING ACTIVITIES

For the year ended 31 December 2023, net cash used in investing activities was RMB792.9 million. It was mainly due to placement of restricted deposits of RMB2,136.3 million and purchase of financial assets at fair value through profit or loss of RMB8,540.6 million during the Reporting Period, which was partially offset by proceeds from disposal of financial assets at fair value through profit or loss of RMB8,391.2 million and withdrawal of restricted deposits of RMB1,328.7 million.

NET CASH GENERATED FROM FINANCING ACTIVITIES

For the year ended 31 December 2023, net cash generated from financing activities was RMB255.3 million, which was mainly attributable to proceeds received from the IPO of approximately RMB317.1 million.

SIGNIFICANT INVESTMENTS

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

MATERIAL ACQUISITIONS AND DISPOSALS

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

PLEDGE OF ASSETS

The Group had no pledge of assets as at 31 December 2023.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

The Group did not have detailed future plans for material investments or capital assets as at 31 December 2023.

GEARING RATIO

The Group's gearing ratio is calculated as total interest-bearing borrowings divided by total equity. As of 31 December 2023, as the Group had interest-bearing bank borrowings advance from discounted notes, its gearing ratio was 3.1% (as of 31 December 2022: Zero).

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in this annual report and as at the date of this annual report, there is no other significant events that might affect the Group since 31 December 2023.

EMPLOYEES AND REMUNERATION

As at 31 December 2023, the Group had 6,306 employees (2022: 5,916). The following table sets forth the total number of employees by function as at 31 December 2023:

Function	Number of employees
General and Administrative	**798**
Selling and Marketing	**2,988**
Operations	**2,198**
Research and Development	**322**
Total	**6,306**

The Group believes in the importance of attraction, recruitment and retention of quality employees in achieving the Group's success. Employees' remuneration is determined in accordance with prevailing industry practice and employees' educational backgrounds, experience and performance. The remuneration policy and package of the Group's employees are periodically reviewed.

The remuneration of the employees of the Group comprises competitive salaries, performance-based sales commissions, performance-based cash bonuses and certain other incentives. In accordance with applicable PRC regulations, the Group has made contributions to housing fund and various employee social security plans that are organised by applicable local municipal and provincial governments, including housing, pension, medical, maternity, work-related injury and unemployment benefit plans, at specified percentages of the salaries of our employees. Bonuses and sales commissions are generally discretionary and based in part on employee performance and in part on the overall performance of our business.

The Company also has adopted two share incentive plans, the 2019 Share Incentive Plan and the 2023 Share Incentive Plan to provide incentives for the Group's employees. Please refer to the section headed "Statutory and General Information — Share Incentive Plans" in Appendix IV to the Prospectus for further details of the share incentive plans.

The total remuneration cost incurred by the Group for the year ended 31 December 2023 was RMB1,064.3 million, as compared to RMB988.6 million for the year ended 31 December 2022. Total remuneration cost as a percentage of revenue decreased from 6.9% for the year ended 31 December 2022 to 6.3% for the year ended 31 December 2023, representing a continuous increase in overall employee efficiency.

For the year ended 31 December 2023, the Group did not experience any significant labour disputes or any difficulty in recruiting employees.

FOREIGN EXCHANGE EXPOSURE

For the year ended 31 December 2023, the Group mainly operated in China and the majority of the transactions were settled in RMB, the Company's primary consolidated affiliated entities' functional currency. We are exposed to foreign exchange risk arising mainly from bank balances and financial assets at fair value through profit or loss denominated in foreign currency of certain entities of the Group. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure and foreign exchange risk management strategies closely and will consider hedging significant foreign currency exposure should the need arises to minimise its foreign exchange risk.

CONTINGENT LIABILITIES

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

Report of Directors

The Board is pleased to present this report of Directors together with the consolidated financial statements of the Group for FY 2023.

OVERVIEW OF OUR BOARD

The Directors who held office during the Reporting Period and up to the date of this annual report are:

Executive Directors

Mr. Buzhen Zhang *(Chairman and Chief Executive Officer)*
Mr. Fei Chen

Non-Executive Directors

Mr. Frank Lin *(Resigned on 14 November 2023)*
Mr. Ziyang Zhu

Independent Non-Executive Directors

Ms. Rong Shao
Mr. Sam Hanhui Sun
Mr. Hongqiang Zhao

Biographical details of the Directors are set out in “Directors and Senior Management” in this annual report.

In accordance with Article 15.1 of our articles of association, Mr Ziyang Zhu and Mr. Hongqiang Zhao shall retire at our upcoming annual general meeting. Each of these Directors, being eligible, will offer themselves for re-election at our upcoming annual general meeting.

OVERVIEW OF OUR COMPANY

The Company was incorporated in the Cayman Islands on 27 August 2018 as an exempted company with limited liability, and the Shares of the Company were listed on the Main Board of the Stock Exchange on the Listing Date.

Our Business

We operate a digital pharmaceutical platform serving businesses outside of hospitals in China. We develop technology-backed solutions that connect and empower both upstream (including pharmaceutical companies, distributors and vendors) and downstream (including pharmacies and primary healthcare institutions. Primary healthcare institutions refer to downstream pharmaceutical retailer that is not a hospital or a pharmacy, including, but not limited to, a private clinic, township health centre, village clinic, and community medical institution) players in the pharmaceutical value chain, through our ecosystem. We achieve this through our two primary businesses: (a) Online Marketplace dedicated to registered pharmaceutical sellers and buyers to interact and transact with one another; and (b) Self-operation Business, in which we carefully select quality products and sell these to downstream pharmacies and primary healthcare institutions through our proprietary fulfilment system. Additionally, as part of our ecosystem, we operate add-on services and ancillary businesses, including ClouDiagnos, wePharmacy, SaaS Solutions, and YSB eLearn to improve the operating efficiency of our upstream and the downstream customers and partners, and to empower pharmacies and primary healthcare with market insights and professional knowledge to enhance their service capability and quality.

Subsidiaries

Particulars of the Company's subsidiaries are set out in Note 37 to the consolidated financial statements.

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

Save as under the Company's Global Offering, during the Reporting Period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of our securities listed on the Stock Exchange.

Public Float

Based on information that is publicly available to the Company and within the knowledge of the Directors as at the date of this annual report, the Company had maintained the prescribed percentage of public float under the Listing Rules.

Report of Directors

OVERVIEW OF OUR PERFORMANCE OVER THE REPORTING PERIOD

A fair review of the business of the Group as required by Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), including an analysis of the Group's financial performance and an indication of likely future developments in the Group's business is set out in the sections headed "Chairman's Statement", "Business Outlook and Review" and "Management Discussion and Analysis" in this annual report. Those discussions form part of this report. Events affecting the Company that have occurred since the end of the Reporting Period is set out in "Important Events after the Reporting Period" in this annual report. An account of the Company's key relationships with our employees, customers and suppliers and others that have a significant impact on the Company is set out in page 28 of this annual report and will also be set out in the "Environmental, Social and Governance Report" to be published at the same time of this annual report.

Results of our Group

The results of the Group for the Reporting Period are set out in the consolidated statement of profit or loss in this annual report.

Financial Summary

A summary of the consolidated results and the assets and liabilities of the Group for the last four financial years is set out at pages 152 to 153 of this annual report. This summary does not form part of the consolidated financial statements.

Pre-emptive Rights

There are no provisions for pre-emptive rights under our articles of association or the laws of the Cayman Islands that would oblige the Company to offer new shares on a pro-rata basis to Shareholders.

Tax Relief and Exemption

The Directors are not aware of any tax relief and exemption available to our Shareholders by reason of their holding of our securities.

Property, Plant and Equipment

Details of movements in the property, plant and equipment of the Company and the Group during the Reporting Period are set out in Note 14 to the consolidated financial statements.

Share Capital and Shares Issued

The Company has one class of shares with a nominal or par value of US$0.0000025 each. Details of movements in the share capital of the Company, and details of our shares issued, during the Reporting Period are set out in Note 28 to the consolidated financial statements.

Debenture Issued

The Group did not issue any debenture during the Reporting Period.

Equity-linked Agreements

Save as disclosed in "Other Information – Share Incentive Plans" in this annual report, no equity-linked agreements were entered into by the Group, or existed during the Reporting Period.

Dividends

The Board does not recommend the distribution of a final dividend for the Reporting Period.

No Shareholder has waived or agreed to waive any dividends for FY 2023.

Permitted Indemnity

Pursuant to our articles of association and subject to the applicable laws and regulations, every Director shall be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained which they or any of them may incur or sustain in or about the execution of their duty in their offices.

Such permitted indemnity provision has been in force over the Reporting Period. The Company has taken out liability insurance to provide appropriate coverage for the Directors.

Distributable Reserves

The Company did not have any reserves available for distribution at the end of the Reporting Period. However, as at 31 December 2023, the Company had share premium of RMB9,370.4 million.

Bank Loans and Other Borrowings

Particulars of bank loans and other borrowings of the Group as at 31 December 2023 are set out in Note 26 to the consolidated financial statements.

Major Customers and Suppliers

We have a broad base of customers. During the Reporting Period, our major customers were mainly pharmaceutical companies and large chain pharmacies. For the year ended 31 December 2023, the revenue generated from the Group's five largest customers combined accounted for less than 30% of the Group's revenue in the same year.

Our suppliers are primarily pharmaceutical companies, pharmaceutical manufacturers or their distributors. For the year ended 31 December 2023, purchases from the Group's five largest suppliers combined accounted for less than 30% of the Group's total purchases amount in the same year.

PRINCIPAL RISKS AND UNCERTAINTIES

The following list is a summary of certain principal risks and uncertainties facing the Group, some of which are beyond our control:

(a) ability to accurately predict and effectively cater to changing preferences, particularly in terms of product offerings and supply, in relation to upstream and downstream players in the pharmaceutical value chain;

(b) ability to protect, maintain and enhance our brand;

(c) uncertainties with compliance with laws and regulations in the PRC and other jurisdictions relating to data privacy and security;

(d) uncertainties with respect to the enactment, interpretation and implementation of certain laws, regulations and government policies in the PRC;

(e) ability to effectively execute monetisation strategies;

(f) competition with other business-to-business (B2B) pharmaceutical sales platforms and traditional pharmaceutical distributors;

(g) risks related to industry, business, and operations.

The above is not an exhaustive list. Investors are advised to make their own judgment or consult their own investment advisors before making any investment in our Shares.

ENVIRONMENTAL POLICIES AND PERFORMANCE

We are committed to furthering our social responsibility, namely in promoting employee benefits and development, and protecting the environment around us and giving back to the community and achieving sustainable growth. Further details are set out in the Environmental, Social and Governance Report which is published at the same time of this annual report.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

To the best of our knowledge, the Group has complied in all material aspects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the Reporting Period, there was no material breach of, or non-compliance with, applicable laws and regulations by the Group.

MATERIAL LITIGATION

The Company was not involved in any material litigation or arbitration during the Reporting Period. The Directors are also not aware of any material litigation or claims that are pending or threatened against the Group during the Reporting Period.

INFORMATION RELATING TO OUR DIRECTORS

Directors' Service Contracts

Each of the Directors entered into an appointment service contract with the Company on 12 June 2023. Under the contracts, the term of the respective Director's appointment shall be for an initial term of three years from the Listing Date or until the third annual general meeting of the Company after the Listing Date, whichever is sooner (subject to retirement as and when required under the Articles of Association). Either party may terminate the contract by giving not less than three months' written notice.

The above appointments are subject to the provisions of retirement of Directors under our articles of association.

None of the Directors proposed for re-election at our upcoming annual general meeting has a service contract with members of the Group 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

None of 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 or at the end of FY 2023.

Directors' Rights to Acquire Shares or Debenture

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.

Emolument Policy and Directors' Remuneration

In compliance with Rule 3.25 of the Listing Rules and the CG Code, the Company has established a remuneration committee to assist the Board in formulating remuneration policies. Remuneration is determined and recommended based on each Director's and senior management personnel's qualification, position, and seniority. Their remuneration is determined by the Board upon recommendation from the Board's remuneration committee. The Directors and the senior management personnel are eligible participants of our share incentive plan (details of which are summarised in "Other Information – Share Incentive Plans" in this annual report). Details of the remuneration of the Directors and the five highest paid individuals are set out in Note 11 to the consolidated financial statements.

Save as disclosed in the Company's 2023 interim report, in which Mr. Sam Hanhui Sun, an independent non-executive Director, who adjusted his annual remuneration from RMB300,000 to RMB200,000 in accordance with his willingness, none of the Directors waived or agreed to waive any remuneration and there were no emoluments paid by the Group to any of the Directors or the five highest paid individuals as an inducement to join, or upon joining the Group, or as compensation for loss of office.

Over the Reporting Period, the aggregate amount of remuneration (including basic salaries, housing allowances, other allowances, and benefits in kind, contributions to pension plans and discretionary bonuses) for the Directors was approximately RMB23.6 million (as set out in Note 11 to the consolidated financial statements).

Competing interests

To the best knowledge and belief of the Directors, the Directors have no contracts of significance with us or have any competing business which would require disclosure under Rule 8.10 of the Listing Rules.

Save as disclosed in this annual report, no contract, concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the Reporting Period.

CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE LISTING RULES

Save as disclosed in the Prospectus and in this annual report, the Company does not have any other disclosure obligations under Rules 13.20, 13.21 and 13.22 of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

During the Reporting Period, the Group engaged in certain transactions with the following persons that constituted continuing connected transactions under the Listing Rules.

Name of connected person	Relationship
Mr. Buzhen Zhang (Note)	Executive Director, chief executive officer and substantial shareholder of our Company

Set out below is a summary of the continuing connected transactions of the Group during the Reporting Period.

Notes:

1. The Onshore Holdcos and their subsidiaries are collectively our Consolidated Affiliated Entities. The Onshore Holdcos are Guangzhou Sudao Information Technology Co., Ltd. (廣州速道信息科技有限公司, "Guangzhou Sudao") and Guangzhou Yaobang Information Technology Co., Ltd. (廣州藥幫信息科技有限公司, "Guangzhou Yaobang"). The subsidiary of Guangzhou Sudao is Henan Subiao Information Technology Co., Ltd. (河南速標信息科技有限公司, "Henan Subiao"). The subsidiaries of Guangzhou Yaobang are Guangzhou Yuewei Medical Laboratory Co., Ltd. (廣州閲微醫學檢驗所有限公司, "Guangzhou Yuewei") and Guangzhou Spectrum Health Technology Co., Ltd. (廣州光譜健康科技有限公司, "Guangzhou Spectrum").

2. The registered shareholders of Guangzhou Sudao are Mr. Buzhen Zhang, the Director (as to 85.92%), Mr. Jiangwei Wang (as to 3.18%), Mr. Jiahao Shao (as to 0.92%), and Guangzhou Yaodao Information Technology Partnership (Limited Partnership), which is controlled by Mr. Zhang (as to 9.98%). Mr. Wang and Mr. Shao are independent third parties. The registered shareholder of Guangzhou Yaobang is Mr. Zhang.

Contractual Arrangements

We engage in certain activities that are subject to foreign investment restrictions under PRC laws and regulations. These activities are namely: (a) development and application of gene diagnosis and treatment technologies, which is prohibited from any foreign investment; and (b) value-added telecommunications, which requires EDI (electronic data interchange and transaction processing) and ICP (internet content provider) licences that are subject to foreign investment restrictions; entities holding these licences must be approved by the Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部).

As a result of these foreign investment restrictions under PRC laws and regulations, these businesses are operated by our consolidated affiliated entities, which are in turn, controlled by us and from which we derive the economic benefits through a series of contractual arrangements. These contractual arrangements are narrowly tailored to achieve our business purpose and minimise the potential for conflict with relevant PRC laws and regulations.

Risks relating to the Contractual Arrangements and actions taken to mitigate the risks

We believe the following risks are associated with our contractual arrangements. Further details of these risks are set out in the "Risk Factors" section of the Prospectus.

(a) If the PRC government finds that the agreements that establish the structure for operating our businesses in China do not comply with PRC regulations on foreign investment in internet and other related businesses, or if these regulations or their interpretation change in the future, we could be subject to severe penalties or be forced to relinquish our interests in those operations.

(b) We rely on contractual arrangements with our consolidated affiliated entities and their shareholders for our operations in China, which may not be as effective in providing operational control as direct ownership.

(c) We may lose the ability to use and enjoy assets held by our consolidated affiliated entities that are important to our business if our consolidated affiliated entities declare bankruptcy or become subject to a dissolution or liquidation proceeding.

(d) Contractual arrangements we have entered into with our consolidated affiliated entities may be subject to scrutiny by the PRC tax authorities. A finding that we owe additional taxes could negatively affect our financial condition and the value of your investment.

(e) If the chops of our PRC subsidiaries, including our consolidated affiliated entities, are not kept safely, are stolen or are used by unauthorised persons or for unauthorised purposes, the corporate governance of these entities could be severely and adversely compromised.

(f) Substantial uncertainties exist with respect to how the Foreign Investment Law may impact the viability of our current corporate structure and operations.

Summary of the agreements underlying our contractual arrangements

The contractual arrangements in place during the Reporting Period include:

(a) an exclusive business cooperation agreement (獨家業務合作協議) dated 16 May 2022 entered into between Guangzhou Sudaoyi Information Technology Co., Ltd. (廣州速道易信息科技有限公司) ("Guangzhou Sudaoyi") and Guangzhou Sudao.

(b) an exclusive option agreement (獨家購買權合同) dated 16 May 2022 entered into among Guangzhou Sudaoyi, Guangzhou Sudao and its registered shareholders, Mr. Zhang Buzhen (張步鎮), Mr. Wang Jiangwei (汪薑維) ("Mr. Wang"), Mr. Shao Jiahao (邵佳豪) ("Mr. Shao"), and Guangzhou Yaodao Information Technology Partnership (Limited Partnership) (廣州藥道信息科技合夥企業(有限合夥)) ("Guangzhou Yaodao" and collectively with Mr. Zhang, Mr. Wang and Mr. Shao, the "Guangzhou Sudao Shareholders").

(c) a share pledge agreement (股權質押合同), dated 16 May 2022, entered into among Guangzhou Sudaoyi, Guangzhou Sudao and each of Guangzhou Sudao Shareholders.

(d) voting entrustment agreements (授權委託協議), each dated 16 May 2022 and entered into among Guangzhou Sudaoyi, Guangzhou Sudao and each of the Guangzhou Sudao Shareholders.

(e) an exclusive business cooperation agreement (獨家業務合作協議) dated 16 May 2022 entered into between Guangzhou Sudaoyi and Guangzhou Yaobang.

(f) an exclusive option agreement (獨家購買權合同) dated 16 May 2022 entered into among Guangzhou Sudaoyi, Guangzhou Yaobang and its registered shareholder, Mr. Zhang.

(g) a share pledge agreement (股權質押合同), dated 16 May 2022, entered into among Guangzhou Sudaoyi, Guangzhou Yaobang and Mr. Zhang.

(h) a voting entrustment agreement (授權委託協議), dated 16 May 2022 and entered into among Guangzhou Sudaoyi, Guangzhou Yaobang and Mr. Zhang.

In FY 2023, the revenue contribution of our consolidated affiliated entities to the Group accounted for approximately 5.49% of our total revenue (2022: 5.23%).

No dividends or other distributions have been made by Guangzhou Sudao and Guangzhou Yaobang to the holders of their the equity interests.

For further details of the relevant foreign ownership regulations in the PRC and a discussion of the material terms of the agreements underlying our contractual arrangements are set out in "Contractual Arrangements" section of the Prospectus.

Implication under the Listing Rules and Confirmations

Waivers applied for under the Listing Rules

For the purposes of Chapter 14A of the Listing Rules, our consolidated affiliated entities are treated as connected persons of the Company, and as such, the contractual arrangements are considered continuing connected transactions for the Company.

We have applied for, and the Stock Exchange has granted us, in respect of the contractual arrangements, (i) a waiver from strict compliance with the announcement, circular and independent shareholders' approval (including recommendation from an independent financial advisor) requirements under Chapter 14A of the Listing Rules; (ii) a waiver from strict compliance with the requirement to set a term of not exceeding three years under Rule 14A.52 of the Listing Rules; and (iii) a waiver from strict compliance with the requirements to set monetary annual caps under Rule 14A.53(1) of the Listing Rules, subject to certain conditions set out in the Prospectus.

Confirmation from Independent Non-executive Directors

Our independent non-executive Directors had reviewed the agreements underlying the Contractual Arrangements and confirm the factors listed under Rule 14A.55 of the Listing Rules and that the transactions carried out during the Reporting Period under the Contractual Arrangements had been in accordance with the relevant provisions of the agreements.

Confirmations from the Company's Independent Auditor

Deloitte Touche Tohmatsu, the auditor of the Company, has confirmed in a letter to the Board that, with respect to the transactions underlying the Contractual Arrangements, nothing has come to their attention that would cause them to believe that any of the factors listed under Rule 14A.56 of the Listing Rules, where applicable, had existed during the Reporting Period.

During the Reporting Period, save as disclosed in "Continuing Connected Transactions" of this annual report, no related party transactions disclosed in Note 36 to the financial statements constituted a connected transaction or continuing connected transaction that should be disclosed pursuant to the Listing Rules. The Company has complied with the disclosure requirements prescribed in Chapter 14A of the Listing Rules with respect to these continuing connected transactions entered into by the Group during the Reporting Period.

USE OF PROCEEDS FROM GLOBAL OFFERING

The Company's shares were listed on the Stock Exchange on 28 June 2023. The net proceeds raised from the Global Offering were approximately HK$242.2 million (including the additional proceeds received upon the partial exercise of the Over-allotment Option (as defined in the Prospectus)).

As of 31 December 2023, HK$24.0 million out of the net proceeds have been utilized in the manner consistent with that disclosed in the Prospectus under the section headed "Future Plans and Use of Proceeds". Set out below is the status of use of proceeds from the Global Offering as of 31 December 2023. There has been no change in the intended use of net proceeds as previously disclosed in the Prospectus and the Company expects to fully utilised the residual amount of the net proceed in accordance with such intended purpose by December 2025.

	Net proceeds from the Global Offering (HK$ million)	Unutilised amount as of 31 December 2023 (HK$ million)	Utilisation during the Reporting Period (HK$ million)	Expected timeline of full utilisation of the unutilised proceeds
Pharmaceutical circulation business	**109.0**	**99.0**	10.0	By December 2025
• leveraging market insights accumulated through our platform to engage more qualified upstream participants and diversify our SKU offerings, making our platform a more attractive go-to platform for our buyers	48.4	46.6	1.8	By December 2025
• improving our BD capabilities and efficiencies with our dedicated digital tools	48.4	42.5	5.9	By December 2025
• strengthening our supply chain capability	12.2	9.9	2.3	By December 2025
Further developing our other businesses	**60.5**	**52.9**	7.6	By December 2025
• expanding the geographical coverage of our ClouDiagnos services	36.3	31.7	4.6	By December 2025
• promoting market awareness and popularity of our wePharmacy	24.2	21.2	3.0	By December 2025
Research and development	**53.3**	**49.6**	3.7	By December 2025
Working capital and general corporate purposes	**19.4**	**16.7**	2.7	By December 2025
Total	**242.2**	**218.2**	24.0	

AUDITOR

The Shares were only listed on 28 June 2023, and there has been no change in auditor since the Listing Date up to 31 December 2023. The consolidated financial statements of the Group have been audited by Deloitte Touche Tohmatsu, Certified Public Accountants and Registered Public Interest Entity Auditors, who will retire and, being eligible, offer themselves for reappointment at our upcoming annual general meeting.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in this report and as at the date of this report, there is no other significant events that might affect the Group since 31 December 2023.

By the order of the Board of Directors
Mr. Buzhen Zhang
Chairman

Hong Kong
11 March 2024

Directors and Senior Management

As at the date of this annual report, the Board comprises two executive Directors, one non-executive Director and three independent non-executive Directors.

DIRECTORS

Executive Directors

Mr. Buzhen Zhang (張步鎮), aged 48, is our executive Director, Chairman of our Board and Chief Executive Officer. Mr. Zhang co-founded our Group and served as our Chief Executive Officer since January 2015, and as the Director of our Company since its incorporation in August 2018. Prior to founding our Group, Mr. Zhang held a number of positions with Fang Holdings Limited, which is listed on the New York Stock Exchange (stock symbol: SFUN) from April 1999 to October 2014, including separately as chief technology officer, and vice president of Fang Holdings Limited, responsible for the technology development and business management. Mr Zhang received a bachelor's degree majoring in communication engineering from the Beijing Institute of Electronic Science and Technology (北京電子科技學院) in China in July 1997.

Mr. Fei Chen (陳飛), aged 40, is our executive Director, Chief Financial Officer and joint company secretary. Mr. Chen joined our Group in April 2022 and has served as our Director since April 2022 and our Chief Financial Officer since May 2022. Prior to joining our Group, Mr. Chen previously worked as an investment banker with HSBC from July 2008 to May 2010, advising on financings and mergers and acquisitions for domestic and foreign clients. From May 2010 to May 2018, Mr. Chen worked with UBS AG Hong Kong Branch, also advising on a broad range of financings and mergers and acquisitions. From May 2018 to April 2022, Mr. Chen was the chief financial officer and board secretary at Tubatu Group Co., Ltd. (土巴兔集團股份有限公司), overseeing their financial and investment activities. Mr. Chen received a bachelor's degree in finance in July 2006 and a master's degree in finance in July 2008 from Peking University (北京大學) in China. Mr. Chen holds a chartered financial analyst certificate from the CFA Institute, awarded in September 2012, and a board secretary certification from the Shenzhen Stock Exchange, awarded in November 2020.

Non-executive Director

Mr. Ziyang Zhu (朱梓陽), aged 28, is our non-executive Director. Mr. Zhu is the Vice President, at Hopson Development Holdings Limited (合生創展集團有限公司), a company listed on the Stock Exchange (stock code: 754) and a fellow subsidiary of Million Surplus Developments Limited (i.e., both are controlled corporations of Sounda Properties Limited), since July 2021. Mr. Zhu also serves as the non-executive director, the Chairman of the Risk Control Committee and the member of the Strategy Committee at Genertec Universal Medical Group Company Limited (通用環球醫療集團有限公司), a company listed on the Stock Exchange (stock code: 2666), since July 2021, and the non-executive director at Ping An Healthcare and Technology Company Limited (平安健康醫療科技有限公司), a company listed on the Stock Exchange (stock code: 1833), since December 2021. Mr. Zhu was an assistant to the strategic committee director at Hopson Development Holdings Limited (合生創展集團有限公司). Mr. Zhu has also been the Head of Healthcare at Guangdong Yuanzhi Technology Group Co., Ltd. (廣東元知科技集團有限公司) since 2020. Mr. Zhu received his bachelor's degree majoring in information management and information systems from the Beijing Institute of Technology (北京理工大學) in China in June 2017.

Independent Non-executive Directors

Ms. Rong Shao (邵蓉), aged 61, is our independent non-executive Director. Ms. Shao has been the Executive Dean of the Institute of Drug Regulatory Sciences, China Pharmaceutical University (National Drug Administration Scientific Research Base), in charge of regulatory science disciplines and research, since October 2021. Ms. Shao is or has been an independent director of several listed corporations, including an independent director of Jiangsu GDK Biotechnology Co., Ltd. (江蘇金迪克生物技術股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 688670), since June 2020, I-Mab, a company listed on Nasdaq (stock symbol: IMAB) since June 2021 and an independent non-executive director of Alibaba Health Information Technology Limited (阿里健康信息技術有限公司), a company listed on the Stock Exchange (stock code: 241), since August 2023. Ms. Shao received her bachelor's degree in medicinal chemistry from Nanjing College of Pharmacy (南京藥學院) (now China Pharmaceutical University (中國藥科大學)) in China in July 1983, her second bachelor's degree in law from Nanjing University in China in July 1989, and a PhD in Pharmacy from Shenyang Pharmaceutical University (瀋陽藥科大學) in China in July 2010. Ms. Shao is a qualified lawyer, licenced by the Jiangsu Justice Department (江蘇司法廳) in 2009.

Mr. Sam Hanhui Sun (孫含暉), aged 51, is our independent non-executive Director. Mr. Sun has been the chairman of VSP Private Fund Management (Zhuhai) Co., Ltd. (維世私募基金管理(珠海)有限公司) since December 2020, and the chairman of VSP Investment Consulting (Shenzhen) Co., Ltd. (維世投資諮询(深圳)有限公司) since August 2021. Mr. Sun assumed various positions at Qunar Cayman Islands Limited, a mobile and online travel platform listed on Nasdaq until February 2017. Mr. Sun currently acts as an independent director of various listed companies, namely Zhihu Inc. (知 乎), a company listed on the Stock Exchange (stock code: 2390) and the New York Stock Exchange (stock symbol: ZH), iQIYI Inc. (愛奇藝) a company listed on Nasdaq (stock symbol: IQ) since March 2018, and Yiren Digital Ltd. (宜人金科), a company listed on the New York Stock Exchange (stock symbol: YRD) since December 2015. From August 2014 to July 2021, Mr. Sun acted as an independent non-executive director of CAR Inc. (神州租車有限公司), a company formerly listed on the Stock Exchange until July 2021. From March 2018 to July 2019, Mr. Sun served as an independent director of Sunlands Technology Group (formerly known as Sunlands Online Education Group), a company listed on the New York Stock Exchange (stock symbol: STG). From September 2010 to May 2019, Mr. Sun served as an independent director of Fang Holdings Limited (formerly known as SouFun Holdings Limited), a company listed on the New York Stock Exchange (stock symbol: SFUN). Mr. Sun received a bachelor's degree in business administration from Beijing Institute of Technology in China in July 1993. Mr. Sun was also awarded his PRC certified public accountant (non-practicing member) certificate from the Beijing Institute of Certified Public Accountants (北京註冊會計師協會).

Mr. Hongqiang Zhao (趙宏強), aged 47, is our independent non-executive Director. Mr. Zhao has been an independent non-executive director of Beisen Holding Limited (北森控股有限公司), a company listed on the Stock Exchange (stock code: 9669) since March 2023, GOGOX Holdings Limited (快狗打車控股有限公司), a company listed on the Stock Exchange (stock code: 2246) since August 2021, and non-executive director of Li Auto Inc. (理想汽車), a company listed on Nasdaq (stock symbol: LI) and the Stock Exchange (stock code: 2015) since July 2020, and HUYA Inc. (虎牙直播), a company listed on the New York Stock Exchange (stock symbol: HUYA) since May 2018. From June 2018 to May 2023, he was the executive director and chief financial officer at Bairong Inc. (百融雲創), a company listed on the Stock Exchange (stock code: 6608), and from August 2013 to October 2014, he was the vice president of finance at Fang Holdings Limited, a company listed on the New York Stock Exchange (stock symbol: SFUN). Mr. Zhao formerly served as an assistant Chief Auditor on the Public Company Accounting Oversight Board, in 2009. Mr. Zhao received his bachelor's degree in accounting from Tsinghua University (清華大學) in China in July 1999, and his master's degree in accountancy from George Washington University in Washington D.C., the United States, in May 2001.

SENIOR MANAGEMENT

Mr. Buzhen Zhang is our executive Director, Chairman of the Board and Chief Executive Officer. See "– Executive Directors" for Mr. Zhang's biography.

Mr. Fei Chen is our executive Director and Chief Financial Officer. See "– Executive Directors" for Mr. Chen's biography.

Mr. Haodong Xiao (肖浩東) is our Vice President. Aside from our Group, Mr. Xiao previously held positions with Xi'an Janssen Pharmaceutical Ltd. (西安楊森製藥有限公司), including as the Commercial Regional Sales Director, South, responsible for southern region dealers and market management, from January 1999 to December 2013. From January 2014 to February 2017, Mr. Xiao has also worked as the general manager of Guangzhou Pharmaceuticals Corporation's Popular Drug Sales Branch (廣州醫藥有限公司大眾藥品銷售分公司). Following this, from March 2017 to November 2018, Mr. Xiao joined Johnson & Johnson Medical (Shanghai) Ltd. (強生(上海)醫療器材有限公司) as the Director of Channel Management, responsible for company-wide commercial channels management. Mr. Xiao received his certification in culinary and hospitality enterprise management (餐旅企業管理) from Shenzhen University in China in June 1993 and his MBA in business management from Hong Kong Baptist University in November 2011.

Mr. Zhuoqi Chen (陳焯杞) is the Chief Technology Officer as well as a director of our subsidiary Leyou Investment Limited. Following this, from November 2009 to May 2013, Mr. Chen worked at New Post Telecommunication Equipment Co., Ltd. (新郵通信設備有限公司), and from June 2013 to January 2015, as system architect at Vtron Group Co., Ltd. (威創集團股份有限公司), a company listed on the Shenzhen stock exchange (stock code: 002308) (formerly known as 廣東威創視訊科技股份有限公司). Mr. Chen received his Bachelor of Science degree (majoring in applied physics) from the Southeast University (東南大學) in China in June 2001.

COMPANY SECRETARIES

Mr. Fei Chen is a joint company secretary of our Company. See "– Executive Directors" for Mr. Chen's biography.

Ms. Emily Fung (馮慧森), also known as Ms. Fung Wai Sum, is a joint company secretary of our Company. Ms. Fung is a Senior Manager of Corporate Services of Tricor Services Limited, a global professional services provider specialising in integrated business, corporate and investor services. Ms. Fung has over 15 years of experience in the corporate secretarial field. She has been providing professional corporate services to Hong Kong listed companies as well as multinational, private and offshore companies. Ms. Fung is currently the company secretary/joint company secretary of various listed companies on the Stock Exchange, namely FriendTimes Inc. (友誼時光股份有限公司) (stock code: 6820), Tongdao Liepin Group (同道獵聘集團) (stock code: 6100), Greenland Hong Kong Holdings Limited (綠地香港控股有限公司) (stock code: 337), Shenzhen Neptunus Interlong Bio-technique Company Limited (深圳市海王英特龍生物技術股份有限公司) (stock code: 8329), China ZhengTong Auto Services Holdings Limited (中國正通汽車服務控股有限公司) (stock code: 1728), ClouDr Group Limited (stock code: 9955), Sichuan Kelun-Biotech Biopharmaceutical Co., Ltd. (四川科倫博泰生物醫藥股份有限公司) (stock code: 6990) and Migao Group Holdings Limited (米高集團控股有限公司) (stock code: 9879). Ms. Fung is a Chartered Secretary, a Chartered Governance Professional and an Associate of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom. Ms. Fung obtained her master's degree in professional accounting and corporate governance from City University of Hong Kong in November 2008.

Changes in Director's Information

Changes in Director's information is set out below pursuant to Rule 13.51(B) of the Listing Rules:

1) Mr. Frank Lin resigned as a non-executive Director of the Company on 14 November 2023.

2) Ms. Rong Shao, an independent non-executive Director of the Company, has served as an independent non-executive director of Alibaba Health Information Technology Limited (阿里健康信息技術有限公司), a company listed on the Stock Exchange (stock code: 241), since August 2023.

3) Mr Hongqiang Zhao, an independent non-executive Director of the Company, has ceased to serve as an executive director and chief financial officer of Bairong Inc. (a company listed on the Stock Exchange, stock code: 06608) since May 2023. He became an independent non-executive director of Beisen Holding Limited (a company listed on the Stock Exchange, stock code: 09669) since March 2023.

4) Mr Sam Hanhui Sun, an independent non-executive Director of the Company, has adjusted his annual remuneration from RMB300,000 to RMB200,000 in accordance with his willingness. Other terms and conditions in Mr Sun's appointment service contract remains unchanged.

Save as disclosed above, there is no other change in information of Directors required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the last published interim report.

DISCLOSURE OF INTERESTS

Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company or Any of Its Associated Corporations

As at 31 December 2023, the interests and short positions of the Directors or chief executives of the Company in any of our Shares, underlying shares and debentures of the Company or its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)), as recorded in the register required to be kept by the Company pursuant to Section 352 of the Securities and Futures Ordinance, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Interest in the Company

Name of Director	Capacity/Nature of interest	Number of ordinary Shares	Approximate percentage of holding[(1)]	Long position/ Short position
Mr. Buzhen Zhang[(2)]	Interest in a controlled corporation	125,316,184	19.57%	Long position
	Interest of spouse	4,800,000	0.75%	Long position
Mr. Fei Chen[(3)]	Beneficial owner	7,300,000	1.14%	Long position

Notes:

(1) The calculation is based on the total number of 640,485,502 Shares in issue as at 31 December 2023.

(2) Represents (i) 125,316,184 Shares held by MIYT Holdings Limited, a company controlled by MIYT Worldwide Limited, which in turn is wholly owned by a trust for the benefit of Mr. Buzhen Zhang, the Director; and (ii) 4,800,000 Shares underlying options granted under the 2019 Share Incentive Plan to Ms. Xiaoye Xu, the spouse of Mr. Zhang. Under the SFO, Mr. Zhang is deemed to be interested in the entire interests of MIYT Holdings Limited and Ms. Xu in our Company.

(3) Represents 7,300,000 Shares underlying options granted under the 2019 Share Incentive Plan to Mr. Chen pursuant to the exercise of options granted to Mr. Chen under the 2019 Share Incentive Plan.

Save as disclosed above, as at 31 December 2023, so far as is known to any Director or the chief executive of the Company, none of the Directors nor the chief executives of the Company has any interest or short position 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) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Model Code.

Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares

As at 31 December 2023, so far as the Directors are aware, the following persons (other than the Directors or chief executives of the Company) had interests or short positions in our Shares or underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the Securities and Futures Ordinance:

Name of Shareholder	Capacity/Nature of interest	Number of ordinary Shares	Approximate percentage of holding[(1)]	Long position/ Short position
MIYT Holdings Limited[(2)]	**Beneficial owner**	**125,316,184**	**19.57%**	**Long position**
MIYT Worldwide Limited[(2)]	Interest in a controlled corporation	125,316,184	19.57%	Long position
TMF (Cayman) Ltd.[(2)]	Interest in a controlled corporation	125,316,184	19.57%	Long position
Buzhen Zhang[(2)(3)]	Interest in a controlled corporation	125,316,184	19.57%	Long position
	Interest of spouse	4,800,000	0.75%	Long position
Million Surplus Developments Limited[(4)]	**Beneficial owner**	**81,938,584**	**12.79%**	**Long position**
Meta Group Limited[(4)]	Interest in a controlled corporation	81,938,584	12.79%	Long position
Sounda Hopson Technology Investment Limited[(4)]	Interest in a controlled corporation	81,938,584	12.79%	Long position
Sounda Hopson Investment Holdings Limited[(4)]	Interest in a controlled corporation	81,938,584	12.79%	Long position
Sounda Hopson Investment Holdings Limited[(4)]	Interest in a controlled corporation	81,938,584	12.79%	Long position
Sounda Properties Limited[(4)]	Interest in a controlled corporation	81,938,584	12.79%	Long position
Chu Mang Yee[(4)]	Interest in a controlled corporation	81,938,584	12.79%	Long position
Internet Fund V Pte. Ltd.[(5)]	**Nominee for another person**	**80,000,000**	**12.49%**	**Long position**
Internet Fund Holding V. Ltd.[(5)]	Interest in a controlled corporation	80,000,000	12.49%	Long position
Tiger Global Private Investment Partners XI, L.P.[(5)]	Beneficial owner	80,000,000	12.49%	Long position
Tiger Global Management, LLC[(5)]	Investment manager	80,000,000	12.49%	Long position
Tiger Global PIP Performance XI, L.P.[(5)]	Interest in a controlled corporation	80,000,000	12.49%	Long position
Charles P. Coleman III[(5)]	Interest in a controlled corporation	80,000,000	12.49%	Long position
Scott Shleifer[(5)]	Interest in a controlled corporation	80,000,000	12.49%	Long position

Name of Shareholder	Capacity/Nature of interest	Number of ordinary Shares	Approximate percentage of holding[1]	Long position/ Short position
H Capital V, L.P.[6]	**Beneficial owner**	**55,911,844**	**8.73%**	**Long position**
H Capital V GP, L.P.[6]	Interest in a controlled corporation	55,911,844	8.73%	Long position
H Capital V GP, Ltd.[6]	Interest in a controlled corporation	55,911,844	8.73%	Long position
Xiaohong Chen[6]	Interest in a controlled corporation	55,911,844	8.73%	Long position
DCM Investments (DE 5), LLC[7]	**Beneficial owner**	**53,323,236**	**8.33%**	**Long position**
DCM IX, L.P.[7]	Interest in a controlled corporation	53,323,236	8.33%	Long position
DCM Investment Management IX, L.P.[7]	Interest in a controlled corporation	53,323,236	8.33%	Long position
DCM IX International Ltd[7]	Interest in a controlled corporation	53,323,236	8.33%	Long position
Shanghai Fosun Pharmaceutical Industrial Development Co., Ltd.[8]	**Beneficial owner**	**48,721,760**	**7.61%**	**Long position**
Shanghai Fosun Pharmaceutical (Group) Co., Ltd.[8]	Interest in a controlled corporation	48,721,760	7.61%	Long position
Fosun International Limited[8]	Interest in a controlled corporation	48,721,760	7.61%	Long position
Shanghai Fosun High Technology (Group) Co., Ltd.[8]	Interest in a controlled corporation	48,721,760	7.61%	Long position
Fosun Holdings Limited[8]	Interest in a controlled corporation	48,721,760	7.61%	Long position
Fosun International Holdings Ltd.[8]	Interest in a controlled corporation	48,721,760	7.61%	Long position
Guo Guangchang[8]	Interest in a controlled corporation	48,721,760	7.61%	Long position
GENIUS II FOUND LIMITED[9]	**Beneficial owner**	**33,863,980**	**5.29%**	**Long position**
Shenzhen Songhe Growth No.1 Equity Investment Partnership (Limited Partnership)[9]	Interest in a controlled corporation	33,863,980	5.29%	Long position
Shenzhen Songhe International Capital Management Partnership (Limited Partnership)[9]	Interest in a controlled corporation	38,580,904	6.02%	Long position
Luo Fei[9]	Interest in a controlled corporations	43,209,656	6.75%	Long position

Notes:

(1) The calculation is based on the total number of 640,485,502 Shares in issue as at 31 December 2023. "Control" takes the meaning under Part XV of the SFO.

(2) MIYT Holdings Limited is wholly-owned by MIYT Worldwide Limited which in turn is the holding vehicle wholly-owned by TMF (Cayman) Ltd., the trustee of a trust for the benefit of Mr. Buzhen Zhang, the Director. Accordingly, under Part XV of SFO, each of Mr. Buzhen Zhang, TMF (Cayman) Ltd. and MIYT Worldwide Limited is deemed to be interested in all of the Shares held by MIYT Holdings Limited.

(3) Ms. Xiaoye Xu, the spouse of Mr. Buzhen Zhang, is interested in the underlying options granted under the 2019 Share Incentive Plan of the Company. By virtue of Part XV of the SFO, Mr. Buzhen Zhang is deemed to be interested in the entire interest of Ms. Xiaoye Xu in our Company.

(4) Million Surplus Developments Limited is wholly-owned by Meta Group Limited which is in turn controlled by Sounda Hopson Technology Holdings Limited and by Sounda Hopson Technology Investment Limited. Both Sounda Hopson Technology Holdings Limited and Sounda Hopson Technology Investment Limited are wholly-owned by Sounda Hopson Investment Holdings Limited which is turn is wholly-owned by Sounda Properties Limited. Sounda Properties Limited is controlled by Mr. Chu Mang Yee. Accordingly, under Part XV of SFO, each of Mr. Chu Mang Yee, Sounda Properties Limited, Sounda Hopson Investment Holdings Limited, Sounda Hopson Technology Holdings Limited, Sounda Hopson Technology Investment Limited and Meta Group Limited is deemed to be interested in all of the Shares held by Million Surplus Developments Limited.

(5) Internet Fund V Pte. Ltd. is wholly-owned by Internet Fund Holding V. Ltd., which is in turn controlled by Tiger Global Private Investment Partners XI, L.P., which general partner is Tiger Global PIP Performance XI, L.P. and is wholly owned by Tiger Global Management, LLC. Both Tiger Global PIP Performance XI, L.P. and Tiger Global Management, LLC are controlled by Mr. Charles P. Coleman III and Mr. Scott Shleifer. Accordingly, under Part XV of SFO, each of Mr. Charles P. Coleman III, Mr. Scott Shleifer, Tiger Global PIP Performance XI, L.P., Tiger Global Management, LLC, Tiger Global Private Investment Partners XI, L.P. and Internet Fund Holding V. Ltd. is deemed to be interested in all of the Shares held by Internet Fund V Pte Ltd.

(6) H Capital V GP, L.P. is the general partner of H Capital V, L.P. H Capital V GP, Ltd. is the general partner of H Capital V GP, L.P. and is controlled by Ms Xiaohong Chen. Accordingly, under Part XV of SFO, each of Ms Xiaohong Chen, H Capital V GP, Ltd. and H Capital V GP, L.P. is deemed to be interested in all of the Shares held by H Capital V, L.P.

(7) DCM Investments (DE 5), LLC is controlled by DCM IX L.P., which is in turn wholly-owned by DCM Investment Management IX, L.P., which is in turn wholly-owned by DCM IX International Ltd. Accordingly, under Part XV of SFO, each of DCM IX International Limited, DCM Investment Management IX, L.P. and DCM IX L.P. is deemed to be interested in all of the Shares held by DCM Investments (DE 5), LLC.

(8) Shanghai Fosun Pharmaceutical Industrial Development Co., Ltd. is wholly-owned by Shanghai Fosun Pharmaceutical (Group) Co., Ltd., which is owned as to 0.22% by Fosun International Limited and 35.84% by Shanghai Fosun High Technology (Group) Co., Ltd., which is in turn wholly-owned by Fosun International Limited. Fosun International Limited is owned as to 73.30% by Fosun Holdings Limited and 0.01% by Mr. Guo Guangchang. Fosun Holdings Limited is in turn wholly-owned by Fosun International Holdings Ltd. and which Mr. Guo Guangchang is holding as to 85.29%. Accordingly, under Part XV of SFO, each of Mr. Guo Guangchang, Fosun International Holdings Ltd., Fosun Holdings Limited, Fosun International Limited, Shanghai Fosun High Technology (Group) Co., Ltd., and Shanghai Fosun Pharmaceutical (Group) Co., Ltd. is deemed to be interested in all of the Shares held by Shanghai Fosun Pharmaceutical Industrial Development Co., Ltd..

(9) Genius II Found Limited is wholly-owned by Shenzhen Songhe Growth No. 1 Equity Investment Partnership (Limited Partnership) which is in turn wholly-owned by Shenzhen Songhe International Capital Management Partnership (Limited Partnership) (深圳市松禾國際資本管理合夥企業(有限合夥)), which Mr Luo Fei is the general partner. Shanghai Jixu Information Technology Partnership (Limited Partnership) (上海績旭信息科技合夥企業(有限合夥)), beneficially holding 4,716,924 Shares, is also wholly-owned by Shenzhen Songhe International Capital Management Partnership (Limited Partnership) (深圳市松禾國際資本管理合夥企業(有限合夥)). Genius V Found Limited, beneficially holding 4,628,752 Shares, is in turn 50% owned by Mr. Luo Fei. Accordingly, under Part XV of SFO, Mr Luo Fei is deemed to be interested in 4,628,752 Shares held by Genius V Found Limited, 33,863,980 Shares held by Genius II Found Limited, and 4,716,924 Shares held by Shanghai Jixu Information Technology Partnership (Limited Partnership) (上海績旭信息科技合夥企業(有限合夥)). Shenzhen Songhe International Capital Management Partnership (Limited Partnership) (深圳市松禾國際資本管理合夥企業(有限合夥)) is deemed to be interested in 33,863,980 Shares held by Genius II Found Limited and 4,716,924 Shares held by Shanghai Jixu Information Technology Partnership (Limited Partnership) (上海績旭信息科技合夥企業(有限合夥)). Shenzhen Songhe Growth No. 1 Equity Investment Partnership (Limited Partnership) is deemed to be interested in 33,863,980 Shares held by Genius II Found Limited.

Save as disclosed above, as at the date 31 December 2023 based on publicly available information, no other person (other than the Directors or chief executives of the Company) had an interest or short position in the Shares or underlying Shares of the Company which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance, or which were required to be entered in the register required to be kept under section 336 of the Securities and Futures Ordinance.

SHARE INCENTIVE PLANS

Details of Share Incentive Plans of our Company

Overview

Adoption

The Company had two share incentive plans in effect during the Reporting Period: (a) the 2019 Share Incentive Plan, which was adopted before our Listing and does not constitute a share scheme governed by Chapter 17 of the Listing Rules and under which we may not grant any new incentive units (or awards) after Listing; and (b) and the 2023 Share Incentive Plan (collectively, the "Plans"), which was adopted immediately prior to our Listing and constitutes a share scheme governed by Chapter 17 of the Listing Rules.

Purpose of the Plans

The purpose of both Plans is to, among others, attract and retain talent, provide incentives to participants under the Plans and to promote the success of our business by aligning the personal interests of participants with those of shareholders of our Company.

Awards

Under the 2019 Share Incentive Plan, we were able to grant options, unit purchase rights, or unit awards, with each option/unit entitling the holder to receive two Shares. Following our Listing, we have ceased granting any new incentive units (or awards) under the 2019 Share Incentive Plan. Under the 2023 Share Incentive Plan, we are able to grant options or restrictive share units (each being an award), with each entitling the holder to receive one newly issued or existing Share.

Further details of the Plans

The following table summarises the material terms of the Plans. For further information about the 2019 Share Incentive Plan, please see pages IV-15 to IV-16 of Appendix IV to the Prospectus. For further information about the 2023 Share Incentive Plan, please see pages IV-19 to IV-28 of Appendix IV to the Prospectus.

9,631,000 new shares, representing approximately 2.49% of the weighted average of issued share capital of the Company, may be issued in respect of all options and awards granted during the Reporting Period to eligible participants pursuant to the 2019 Share Incentive Plan and the 2023 Share Incentive Plan.

	2019 Share Incentive Plan	2023 Share Incentive Plan
Scheme mandate limit	47,772,984 Shares	63,235,005 new Shares; and subject to an annual limit of 2% of the total issued shares immediately upon Listing, for awards over existing Shares (which is automatically refreshed on 1 January of each year up to 2% of the total issued share number on 31 December of the previous year, and which may be adjusted by the Board from time to time).
Service provider sublimit	N/A	1,264,700 new Shares
Number of options and awards (either to be satisfied by new Shares or existing Shares) available for grant under the scheme mandate and the service provider sublimit (if applicable) at the beginning and the end of the financial year	No further grant of awards would be made under the 2019 Share Incentive Plan after Listing. As at 1 January 2023 and 31 December 2023, the aggregate number of underlying Shares pursuant to the outstanding options granted under the 2019 Share Incentive Plan were 36,593,992 and 41,894,088 Shares, respectively.	Since the 2023 Share Incentive Plan has only come into effect on the Listing Date (i.e. 28 June 2023), as at 28 June 2023, 63,235,005 Award Shares were available for grant under the 2023 Share Incentive Plan. During the period since the Listing Date up to 31 December 2023, 3,818,000 Award Shares had been granted and 99,000 Award Shares had lapsed pursuant to the 2023 Share Incentive Plan. As at 31 December 2023, the total number of Shares available for grant under the 2023 Share Incentive Plan was 59,516,005 Shares.
Number of Shares available for issue (i.e., new Shares) pursuant to awards granted and ungranted under the plan *(assuming no granted awards have lapsed or are cancelled or satisfied in a manner other than issuing new shares)*	34,429,868 shares, representing 5.38% of the Company's total issued share number as at the date of the annual report, all of which represent awards already granted prior to Listing.	63,235,005 shares, representing 9.87% of the Company's total issued share number as at the date of the annual report.

	2019 Share Incentive Plan	2023 Share Incentive Plan
Eligible participants	Eligibility is determined by the plan administrator, and includes: • employees, director or consultant (collectively, "service providers"), or trusts or companies established in connection with an employee benefit plan of our Company (including this plan) for the benefit of a service provider. Employees and directors refer to our Group, our parent or an affiliate of our Company. Consultant refers to an entity that is engaged by our Group or our parent to provide and is compensated for providing consulting or advisory services.	Eligibility is determined by the plan administrator, and includes, for grants over new Shares: • directors and employees of the Company and its subsidiaries ("employee participants"); • directors and employees of our parent and a fellow subsidiary or associated company of the Company ("related entity participants"); and • service providers that, in the opinion of the plan administrator, provide services to the Group on a continuing or recurring basis in our ordinary and usual course of business and that are in the interests of the long-term growth of the Group or to which grants of awards under the 2023 Share Incentive Plan would be in the interest of the Company and our shareholders as a whole, and shall include those identified on page IV-20 and IV-21 of Appendix IV to the Prospectus ("service provider participants"). Eligibility is determined by the plan administrator, and includes, but is not limited to, for grants over existing Shares, employee participants, related entity participants and service provider participants.
Maximum entitlement of each participant	None	None; however, grants over new Shares may be subject to additional approval requirements as specified under Rules 17.04 and 17.03D of the Listing Rules.

	2019 Share Incentive Plan	2023 Share Incentive Plan
Exercise period for options	10 years from date of grant.	For grants over new Shares: 10 years from date of grant; for grants over existing Shares: none.
Vesting period	A period to be determined by the plan administrator.	For grants over new Shares: a minimum of 12 months from the date of grant, except limited circumstances set out on page IV-24 of Appendix IV to the Prospectus. For grants over existing Shares: no restrictions under the 2023 Share Incentive Plan.
Consideration payable for accepting a grant	None, unless otherwise specified by the plan administrator.	None, unless otherwise specified by the plan administrator.
Basis of determining the exercise price of options	None, unless otherwise specified by the plan administrator.	For grants of options over new Shares: at a price specified by the administrator, provided that the exercise price shall be the higher of: (i) closing price of the Shares as stated in the daily quotations sheet issued by the Stock Exchange on the grant date; and (ii) the average closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the grant date.
Basis of determining the purchase price of awards (other than options)	None, unless otherwise specified by the plan administrator.	None, unless otherwise specified by the plan administrator.
Scheme life *(unless terminated earlier by the Board)*	10 years from adoption date, with a scheme life of approximately 5 years remaining.	10 years from adoption date, with a scheme life of approximately 9 years remaining.

Details of grants made under the Plans

2019 Share Incentive Plan

The following table sets out details of grantees holding outstanding share options under the 2019 Share Incentive Plan during the Reporting Period; no grants of other awards were made under the 2019 Share Incentive Plan that ought to be disclosed in this annual report.

Name or category of grantee[1]	Position/Relationship	Date of grant	Vesting period (from date of grant) and/or performance target[2]	Exercise price per share[3]	Number of options outstanding as at beginning of Reporting Period	Details of movements during the Reporting Period: Number of options granted during the Reporting Period	Number of options exercised during the Reporting Period	Number of options cancelled during the Reporting Period	Number of options lapsed during the Reporting Period	Number of options outstanding as at end of Reporting Period	Number of Shares underlying the outstanding options as at end of Reporting Period	Closing price of our Shares immediately before the date of grant	Fair value of options on date of grant and the accounting standard and policy adopted[4]	Weighted average closing price of our Shares immediately before the exercise date
Directors, Chief Executives, Substantial Shareholders and Associates														
Fei Chen	Director, Chief Financial Officer, Joint Company Secretary	5 May 2022	Two-third of the outstanding options will be vested within 4 years, and one-third of the outstanding options will be vested upon the completion of the core projects	US$0.40	3,990,000	–	340,000	–	–	3,650,000	7,300,000	N/A	N/A	HK$31.00
Xiaoye Xu[5]	Chief Operation Officer of Online Marketplace	1 October 2019 to 1 November 2021	4 years	US$0.525-1.00	2,400,000	–	–	–	–	2,400,000	4,800,000	N/A	N/A	N/A
Other Senior Management														
Haodong Xiao	Vice President	1 December 2018 to 1 January 2023	4 years	US$0.525-1.00	1,007,659	200,000	193,900	–	–	1,013,759	2,027,518	N/A	US$1.92	HK$26.98
Zhuoqi Chen	Chief Technology Officer	1 July 2017 to 10 June 2023	4 years	US$0.15-1.00	119,524	61,000	115,200	–	–	65,324	130,648	N/A	US$3.16	HK$27.21
Other Grantees														
Employee participants in aggregate		1 July 2017 to 10 June 2023	4 years	US$0.14-1.00	10,779,813	2,468,000	2,475,325	–[6]	536,037[6]	10,236,451	20,472,902	N/A	US$1.90-3.11	HK$27.84
Service provider participants (consultants) in aggregate		1 January 2023	4 years	Nil	–	280,000	230,000	–	–	50,000	100,000	N/A	US$2.90	HK$25.63
Total					**18,296,996**	**3,009,000**	**3,354,425**	**-**	**536,037**	**17,415,534**	**34,831,068**			

Notes:

(1) With respect to each award granted, upon each vesting date, the portion of the award that vests shall depend on the grantee meeting the vesting requirements, which are typically performance targets for a specified threshold in their performance evaluations during the one-year period prior to the vesting date, or upon successful completion of specified projects.

(2) The exercise period of these options commences from the vesting date of the relevant options and end on the tenth anniversary of the grant date thereof, subject to the terms of the 2019 Share Incentive Plan and the share option agreement signed by the grantee.

(3) No consideration was payable by grantees for these share options.

(4) The fair value of share options were calculated according to the binomial option pricing model. The fair value was determined based on a number of factors, including market conditions (e.g., share price volatility and fluctuations), the impact of any non-vesting conditions (e.g., lock-up restrictions), and excluding any impact of service and non-market performance vesting conditions (e.g., profitability, sales growth targets, employment tenure). For the relevant accounting standard and policy adopted, please see Note 3 and Note 29 to the "Notes to the Consolidated Financial Statements".

(5) Ms. Xu is the spouse (and therefore a close associate) of Mr. Buzhen Zhang, the Director. She is a former director of our Company.

Other Information

2023 Share Incentive Plan

The following table sets out details of grantees holding outstanding Award Shares over new Shares under the 2023 Share Incentive Plan during the Reporting Period; no grants of other awards over new Shares were made under the 2023 Share Incentive Plan that ought to be disclosed in this annual report.

						Details of movements during the Reporting Period							
Name or category of grantee	Position/Relationship	Date of grant	Vesting period (from date of grant)	Performance target	Outstanding as at beginning of Reporting Period	Granted during the Reporting Period	Vested during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period	Outstanding as at end of Reporting Period	Closing price of our Shares immediately before the date of grant	Fair value of Award Shares on date of grant and the accounting standard and policy adopted[3]	Weighted average closing price of our Shares immediately before the vesting date
992 grantees	Employee participants	4 September 2023	2–4 years [1]	See Note 2	Nil	3,818,000	Nil	–	99,000[4]	3,719,000	HK$52.45	HK$54.35	N/A
Total					**Nil**	**3,818,000**	**Nil**	**-**	**99,000**	**3,719,000**			

Notes:

(1) 627,900 Award Shares shall vest over two years equally on annual basis in arrears from the date of grant; and 3,190,100 Award Shares shall vest over four years equally on annual basis in arrears from the date of grant. No consideration was payable on the grant of these Award Shares.

(2) Each vesting of the award shares granted to the award grantees will be subject to the individual annual performance targets as stipulated in the respective grant letters entered into by each award grantee and the Company. These performance targets are set against certain benchmark in which the individual grantee achieves, including but not limited to annual sales target, and various project milestone achievements, etc. The vesting percentage of the award shares will be adjusted based on his/her annual performance evaluation at each vesting.

(3) The fair value of award shares was determined based on the market price of the Company's shares at the grant date. For the relevant accounting standard and policy adopted, please see Note 3 and Note 29 to the "Notes to the Consolidated Financial Statements".

(4) An aggregate of 99,000 Award Shares have lapsed under the rules of the 2023 Share Incentive Scheme, and following which, these granted Award Shares were cancelled by the Company. As these Award Shares have lapsed, these Award Shares will not be counted as utilising the scheme limit and will be available for future grants pursuant to the 2023 Share Incentive Scheme.

The Board is pleased to present the corporate governance report for the Company for FY 2023.

CORPORATE GOVERNANCE PRACTICES

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

During FY 2023 and upon our Listing, the Company has adopted and complied with all applicable code provisions of the CG Code contained in Appendix C1 to the Listing Rules except for the deviation as set out below.

Code provision C.2.1 of the CG Code recommends, but does not require, that the roles of chairperson and chief executive to be separate and not to be performed by the same person. Our Company deviates from this provision as Mr. Buzhen Zhang performs both the roles of chairman of our Board and the chief executive officer of our Company. Mr. Zhang is the founder of the Company and a substantial shareholder, and has extensive experience in the business operations and management of our Group. Our Board believes that vesting the roles of both chairman and chief executive officer to Mr. Zhang has the benefit of ensuring consistent leadership within our Group and enables more effective and efficient overall strategic planning. This structure will enable our Company to make and implement decisions promptly and effectively. Our Board considers that the balance of power and authority will not be impaired due to this arrangement. In addition, all major decisions are made in consultation with members of our Board, including the relevant board committees, and our three independent non-executive Directors. Our Board will reassess the division of the roles of chairman and the chief executive officer from time-to-time, and may recommend dividing the two roles between different people in the future, taking into account the circumstances of our Group as a whole.

Additionally, code provision C.5.1 of the CG Code recommends that the Board should meet regularly, and board meetings should be held at least four times a year at approximately quarterly intervals. Our Company was listed on the Stock Exchange during the Reporting Period, on 28 June 2023, from which date the CG Code applied to our Company. Since Listing and until the end of the Reporting Period, we held less than four Board meetings. Nevertheless, our Board members have been in regular communication with one another and, going forward, will continue to meet regularly to update themselves on our Company's affairs.

Code provision C.3.2 of the CG Code recommends that functions reserved to the Board and those delegated to management should be formalized. Our Company does not formally separate those functions reserved to the Board and those delegated to management. However, when a matter arise that requires decision by the Board, it will be reserved for the Board to resolve by resolutions or delegate to management.

Code provision D.1.2 of the CG Code recommends that the management should provide to all members of the board with monthly updates, offering a fair and clear evaluation of the company's performance, position, and prospects. These updates should contain enough details to enable both the entire board and individual directors to fulfill their obligations under Rule 3.08 and Chapter 13 of the Listing Rules. Despite the fact that our management does not report to the Board with monthly updates, we do report updates to the executive Directors and Chairman of the Board on a timely basis for their assessment and facilitating their decision making.

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix C3 to the Listing Rules as its own securities dealing code to regulate all dealings by Directors and relevant employees of securities in the Company and other matters covered by the Model Code.

Specific enquiry has been made to all the Directors and they have confirmed that they have complied with the Model Code between the Listing Date and 31 December 2023. No incident of non-compliance of the Model Code by the relevant employees has been noted by the Company during the Reporting Period.

BOARD OF DIRECTORS

Board Composition

During the Reporting Period, our Board comprised two executive Directors, two non-executive Directors and three independent non-executive Directors, with one non-executive Director, Mr. Frank Lin, resigning from the Board on 14 November 2023, following which and as at the date of this annual report, our Board comprised, and continues to comprise, two executive Directors, one non-executive Director and three independent non-executive Directors.

For details on the members of the Board and their biographies, see "Directors and Senior Management" of this annual report.

Save as disclosed in this report, none of the Directors and members of senior management are related to other Directors or members of senior management.

Chairman and Chief Executive Officer

The positions of Chairman and Chief Executive Officer are held by Mr. Buzhen Zhang. Please refer to "Corporate Governance Practices" above for further details.

Board Meetings, Committee Meetings and General Meetings

The Company was listed on the Stock Exchange on 28 June 2023. From the Listing Date to 31 December 2023, the Company held two Board meetings, three Audit Committee meetings and one Remuneration Committee meeting, but did not hold any general meeting, Nomination Committee meeting nor Environmental, Social and Corporate Governance Committee meeting. The Company will fully comply with code provision C.5.1 of the CG Code to hold Board meetings at least four times a year, and at approximately quarterly intervals.

A summary of the attendance record of the Directors at the Board meetings and committee meetings during the Reporting Period is set out in the following table below:

	Meetings Attended/Meetings Held during Tenure of Office					
Name of Director	**Board meeting(s)**	**Remuneration Committee meeting(s)**	**Nomination Committee meeting(s)**	**Audit Committee meeting(s)**	**General meeting(s)**	**Environmental, Social and Corporate Governance Committee meeting(s)**
Executive Directors:						
Mr. Buzhen Zhang	2/2	N/A	N/A	N/A	N/A	N/A
Mr. Fei Chen	2/2	N/A	N/A	N/A	N/A	N/A
Non-executive Directors:						
Mr. Frank Lin[(1)]	2/2	N/A	N/A	N/A	N/A	N/A
Mr. Ziyang Zhu	2/2	N/A	N/A	N/A	N/A	N/A
Independent Non-executive Directors:						
Ms. Rong Shao	2/2	1/1	N/A	3/3	N/A	N/A
Mr. Sam Hanhui Sun	2/2	1/1	N/A	3/3	N/A	N/A
Mr. Hongqiang Zhao	2/2	1/1	N/A	3/3	N/A	N/A

Note:

(1) Mr. Frank Lin resigned from the Board on 14 November 2023.

Apart from regular board meetings, the Chairman of our Board also held one meeting with the independent non-executive Directors without the presence of the other executive Director during the Reporting Period.

Independence of Independent Non-Executive Directors

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

The Board has received from each of the independent non-executive Directors a written annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules and considers each of them to be independent.

Appointment, Re-election and Removal of Directors

The procedures and process of appointment, re-election and removal of Directors are laid down in our articles of association. The Board's Nomination Committee is responsible for reviewing the composition of the Board, developing, and formulating the relevant procedures for nomination and appointment of Directors, monitoring the appointment of Directors and succession planning for Directors and assessing the independence of independent non-executive Directors.

At every annual general meeting of the Company, 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 the annual general meeting at which he/she retires and shall be eligible for re-election thereat. Our articles of association also provides that all Directors appointed to fill a casual vacancy or as an addition to the existing Board shall hold office only until the first annual general meeting after appointment and shall then be eligible for re-election at such meeting.

Responsibilities, Accountabilities and Contributions of the Board and Management

The Board should assume responsibility for leadership and control of the Company, and is collectively responsible for directing and supervising the Company's affairs.

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 professionalism to the Board for its efficient and effective functioning.

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 expenses for discharging their duties to the Company.

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

The Board reserves for its decision 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. Responsibilities relating to implementing decisions of the Board, directing, and coordinating the daily operation and management of the Company are delegated to the management.

Continuous Professional Development of Directors

All Directors should participate in continuous professional development to develop and refresh their knowledge and skills to ensure their contribution to the Board remains informed and relevant.

Every newly appointed Director should receive formal, comprehensive, and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of our Company and full awareness of 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. Internally-facilitated briefings for the Directors would be arranged and reading materials on relevant topics would be provided to the Directors where appropriate. All Directors are encouraged to attend relevant training courses at the Company's expenses.

During the Reporting Period, the Directors (Mr. Buzhen Zhang, Mr. Fei Chen, Mr. Frank Lin, Mr. Ziyang Zhu, Ms. Rong Shao, Mr. Sam Hanhui Sun and Mr. Hongqiang Zhao) were regularly briefed on the amendments to or updates on the relevant laws, rules and regulations. Internally-facilitated briefings for Directors would be arranged and reading material on relevant topics would be provided to Directors where appropriate.

Prior to the Listing, all of the Directors participated in a training session conducted by Skadden, Arps, Slate, Meagher & Flom, our legal advisor as to Hong Kong law, on directors' duties, responsibilities and obligations under the Listing Rules and the SFO.

Directors' and Officers' Liabilities Insurance

The Company has arranged appropriate insurance coverage for Directors' and officers' liabilities in respect of legal actions against Directors, officers and senior management of the Company arising out of corporate activities. See also "Permitted Indemnity" on page 27 of this annual report.

BOARD COMMITTEES

The Board has established four committees, namely, the Audit Committee, the Remuneration Committee, the Nomination Committee, and the Environmental, Social and Corporate Governance Committee, for overseeing particular aspects of the Company's affairs. Each of these committees is established with defined written terms of reference. Copies of these terms of reference are available on the websites of the Stock Exchange and the Company.

Board Committee	Chairperson (C)/ Members	Description and summary of work performed
Audit Committee	Mr. Hongqiang Zhao (C) Ms. Rong Shao Mr. Sam Hanhui Sun	The purpose of this committee is to assist and advise the Board in establishing formal and transparent arrangements to consider how the Board should apply financial reporting, risk management and internal control principles and maintain an appropriate relationship with the Company's auditor. Its scope of duties includes, among others, advising on significant issues relating to the financial reporting, operational and compliance controls, the effectiveness of risk management and internal control systems and internal audit function, recommending the appointment of external auditors and engagement of non-audit services and relevant scope of works. It has reviewed, in respect of the year ended 31 December 2023, the interim financial results and report for the period ended 30 June 2023, and significant issues on the financial reporting, operational and compliance controls, the effectiveness of the risk management and internal control systems and internal audit function, appointment of external auditors and engagement of non-audit services and relevant scope of works and, connected transactions and arrangements for employees to raise concerns about possible improprieties.

Board Committee	Chairperson (C)/ Members	Description and summary of work performed
Remuneration Committee	Mr. Sam Hanhui Sun (C) Ms. Rong Shao Mr. Hongqiang Zhao	The purpose of this committee is to make recommendations to the Board on the policy and structure for the remuneration of directors and senior management, to establish a formal and transparent procedure for developing policy, to evaluate the performance of Directors and senior management, to review and approve the terms of and/or matters relating to incentive schemes including share schemes under Chapter 17 of the Listing Rules. Its scope of duties includes, among others, reviewing proposed remuneration packages for Directors and senior managers, including their share incentive packages, and to make recommendations to the Board. From the Listing Date to 31 December 2023, it has considered and reviewed the existing remuneration policies and structures, and reviewed and made recommendations to the Board on the remuneration policy and the remuneration packages (which includes the grant of awards under the Company's incentive schemes, where applicable) of the Directors and senior management.
Nomination Committee	Mr. Buzhen Zhang (C) Mr. Sam Hanhui Sun Mr. Hongqiang Zhao	The purpose of this committee is to identify, consider and recommend to the Board appropriate candidates to serve as Directors of the Company, to oversee the process for evaluating the performance of the Board, and to develop and recommend to the Board the nomination guidelines, which shall be consistent with any applicable laws, regulations and listing standards Its scope of duties includes, among others, reviewing the current Board composition, assessing diversity and needs of the Board, and making recommendations about future Director appointments. From the Listing Date to 31 December 2023, it has conducted an annual review of the Board Diversity Policy and the composition of the Board, and reviewed the annual confirmation of independence of the independent non-executive Directors and assessed their independence.

Board Committee	Chairperson (C)/ Members	Description and summary of work performed
Environmental, Social and Corporate Governance Committee	Mr. Hongqiang Zhao (C) Ms. Rong Shao Mr. Sam Hanhui Sun	The purpose of this committee is to review and monitor the Company's environmental, social and corporate governance policies and practices to ensure compliance with the relevant legal and regulatory requirements, monitor and respond to emerging ESG issues. Its scope of duties includes, among others, reviewing the ESG report prepared on the Company and making further ESG related suggestions and recommendations to the Board to further enhance ESG practices and achieve ESG targets of the Group. The key area of consideration performed by the committee from the Listing Date to 31 December 2023 includes reviewing the Company's compliance with the Listing Rules with respect to ESG matters; analysing the current ESG status of the Company; and assessing the adequacy of the Company's policies and practices on ESG matters.

Other than Mr. Buzhen Zhang, who is the Chairman of the Board, Chief Executive Officer and executive Director of the Company, the other members of the Board committees are all independent non-executive Directors.

Director and Senior Management Remuneration

Details of the Directors' remuneration for FY 2023 are set out in Note 11 to the consolidated financial statements.

The remuneration of the senior management (other than Directors) of the Group by band for FY 2023 are:

Remuneration Bands (HK$)	Number of Persons
HK$1,500,001 – HK$2,000,000	1
HK$4,500,001 – HK$5,000,000	1
TOTAL	**2**

BOARD POLICIES AND CORPORATE GOVERNANCE FUNCTIONS

Board Diversity Policy

Our Company has adopted a board diversity policy ("Board Diversity Policy") which sets out the approach to achieve diversity of the Board. Our Company recognises and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level, including gender diversity, as an essential element in maintaining the Company's competitive advantage and enhancing its ability to attract, retain and motivate employees from the widest possible pool of available talent. Pursuant to the Board Diversity Policy, in reviewing and assessing suitable candidates to serve as a Director of the Company, the Nomination Committee will consider a number of aspects, including, but not limited to, gender, age, cultural and educational background, professional qualifications, skills, knowledge, and industry and regional experience. Pursuant to the Board Diversity Policy, the Nomination Committee will discuss periodically and when necessary, agree on the measurable objectives for achieving diversity, including gender diversity, on the Board and recommend them to the Board for adoption.

The Nomination Committee has conducted an annual review of the Board Diversity Policy to ensure its effectiveness. The review results are satisfactory. The Nomination Committee and the Board consider that the current composition of the Board is sufficiently diverse and has met the objectives set out in the Board Diversity Policy and provided the Company with a good balance of skills, experience and diversity of perspectives appropriate to the requirements of its business, and accordingly have not set other measurable objectives.

Gender Diversity

The Company values gender diversity across all levels of the Group. Currently, the Board has one female Director and five male Directors, and the Group's Chief Executive Officer, representing its senior management, is male. The Board targeted to achieve and has achieved to have at least one female Director, and considers that the above current gender diversity in the Board is satisfactory. The Board will continue to embrace gender diversity when making future board appointments but no specific targets or timelines to further enhance gender diversity have been set as the Board is of the view that all aspects of diversity should be considered as a whole in the selection of candidates for directorship. The same approach to gender diversity at the Board level also applies to the Group's workforce, including its senior management. The following table sets out the gender ratio in the workforce of the Group, including the Board and senior management as at the date of this annual report:

	Female **Percentage (number)**	**Male** **Percentage (number)**
Board	16.7% (1)	83.3% (5)
Senior Management	0.0% (0)	100.0% (2)
Other employees	40.5% (2,554)	59.5% (3,748)
Overall (Directors included)	40.5% (2,555)	59.5% (3,755)

We will implement policy to ensure gender diversity when recruiting staff to develop a pipeline of female senior management and potential successors to the Board. We will strive to enhance our female representation and achieve appropriate balance of gender diversity with reference to the stakeholders' expectation and international and local recommended best practices. Furthermore, we continue to embrace gender diversity aimed at identifying and training our female staff who display leadership and potential, with the goal of promoting them to the senior management or the Board. However, our Company currently does not consider it appropriate to set any specific gender target for its workforce. As an equal opportunity employer, our Company also takes into account other relevant factors in its hiring decisions, and we believe the gender ratio of our current workforce is appropriate for our current business model and operational needs.

Details on the gender ratio of the Group together with relevant data can be found in the Environmental, Social and Governance Report, which will be published at the same time as the publication of this annual report.

Director Nomination Policy

The Company has adopted a director nomination policy in accordance with the CG Code. The director nomination policy sets out the selection criteria and process and the Board's succession planning considerations in relation to nomination and appointment of Directors of the Company and aims to ensure that the Board has a balance of skills, experience, and diversity of perspectives appropriate to the requirements of the Company's business.

The Nomination Committee shall identify, consider, and recommend to the Board appropriate candidates to serve as Directors and to make recommendations to our Shareholders. The ultimate responsibility for selection and appointment of Directors rests with our entire Board.

The director nomination policy sets out the non-exhaustive factors for assessing the suitability and the potential contribution to the Board of a proposed candidate, including but not limited to the following:

- reputation for integrity;
- professional qualifications and skills;
- accomplishment and experience in the industry of the Company;
- commitment in respect of available time and relevant interest;
- independence of proposed independent non-executive Directors; and
- diversity of the Board in all aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge, and length of service.

The director nomination policy also sets out the procedures for the selection and appointment of new Directors and re-election of Directors at general meetings.

The Nomination Committee will review the director nomination policy, from time to time and as appropriate, to ensure its effectiveness.

Corporate Governance Function

The Board is responsible for performing the functions set out in code provision A.2.1 of the CG Code.

The Board would review the Company's corporate governance policies and practices, training and continuous professional development of the Directors and senior management, the Company's policies, and practices on compliance with legal and regulatory requirements, and the Company's compliance with the CG Code and disclosure in its Corporate Governance Report.

The Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The company secretary of the Company may from time to time and as the circumstances require provide updated written training materials relating to the roles, functions, and duties of a director of a company listed on the Stock Exchange.

BOARD INDEPENDENCE EVALUATION MECHANISM

The Board has established mechanisms in accordance with the code provision B.1.4 of CG Code to ensure independent views and input from any Directors are conveyed to the Board. The Board includes a balanced composition of executive Directors and non-executive Directors (including independent non-executive Directors) so that there is a strong independent element on the Board, which enables it effectively exercise independent judgement. External independent professional advice is available as and when required by individual Directors. The Board reviews annually the implementation and effectiveness of the board independence mechanisms, including but not limited to assessing the independence of non-executive directors pursuant to Rule 3.13 of the Listing Rules. The Board also evaluates the board composition and its independence with reference to the requirements under Listing Rules.

During FY 2023, the Board has completed the review for the implementation and effectiveness of the Board independence evaluation mechanism and concluded that the results were satisfactory.

Dividend Policy

The Company has adopted a dividend policy on payment of dividends in accordance with code provision F.1.1 of the CG Code.

The Company does not have any pre-determined dividend payout ratio. According to the dividend policy, payment of dividends depends on a number of factors, including our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that the Directors may deem relevant. Dividends may be proposed and/or declared by the Board during a financial year and any final dividend for a financial year will be subject to our Shareholders' approval.

Additionally, we are a holding company incorporated under the laws of the Cayman Islands. As a result, the payment and amount of any future dividends will also depend on the availability of dividends received from our subsidiaries. PRC Laws require that dividends be paid only out of the profit for the year determined according to PRC accounting principles. PRC Laws also require companies to set aside at least 10% of its after-tax profits, if any, to fund its statutory reserves, which are not available for distribution as cash dividends. Dividend distribution to our Shareholders is recognised as a liability in the period in which the dividends are approved by our Shareholders or Directors, where appropriate. As advised by our Cayman Islands counsel, under Cayman Islands law, a Cayman Islands company may pay a dividend out of either profits or share premium account. Even if there are accumulated losses, a dividend may be paid out of the share premium account, provided that the memorandum and articles of association do not prohibit such payment. In no circumstances may a dividend be declared or paid if this would result in the company being unable to pay its debts as they fall due in the ordinary course of business.

FINANCIAL STATEMENTS, INTERNAL CONTROL AND RISK MANAGEMENT

Directors' Responsibility in Respect of the Financial Statements

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the Reporting Period.

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 of the independent auditor of the Company, Deloitte Touche Tohmatsu, about their reporting responsibilities on the consolidated financial statements is set out in the Independent Auditor's Report of this annual report.

Auditors' Responsibility and Remuneration

The Company appointed Deloitte Touche Tohmatsu as the external auditor for the Reporting Period. A statement by Deloitte Touche Tohmatsu about their reporting responsibilities for the financial statements is included in the Independent Auditors' Report at pages 67 to 71.

Details of the fees paid and payable in respect of the audit and non-audit services provided by Deloitte Touche Tohmatsu for FY 2023 are set out in the table below. The audit and audit related services conducted by the Auditor comprise of audit and review services for the Group. The non-audit service covered ESG related assurance service.

Services rendered for the Company	**Total fees paid and payable** RMB'000
Audit and audit related services related to the Group	3,900
Non-audit service	228
Total	**4,128**

Risk Management and Internal Control

The Board acknowledges its responsibility for the Company's risk management and internal control systems and reviewing their effectiveness. The risk management and internal control measures are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Company recognises that risk management is critical to the success of the business operation. Accordingly, we have devoted ourselves to establishing and maintaining risk management and internal control systems consisting of policies and procedures that we consider to be appropriate for our business operations, and we are dedicated to continuously improving these systems. We have adopted and implemented comprehensive risk management policies in various aspects of our business operations, such as financial reporting, information system, internal control, and human resources, and have conducted regular (at least once a year) risk assessments to ensure the effective operation of our risk assessment management and internal control systems. During the Reporting Period, the Board conducted an annual review on the effectiveness on the risk management and internal control system of the Company and considered the system effective and adequate. The annual review also covered the financial reporting and internal audit function and staff qualifications, experiences and relevant resources.

The Audit Committee, and ultimately the Board, supervise the implementation of risk management policies. Risks identified by management will be analysed on the basis of likelihood and impact, and will be properly followed up and mitigated by the Group and the Board.

Some notable areas of risk management focus include:

Financial Risk Management

We have in place a set of accounting policies in connection with our financial reporting risk management, such as financial management policies, budget management policies, treasury management policies, tax management policies and accounting manual. We have various procedures and IT systems in place to implement our accounting policies, and our finance department reviews our management accounts based on such procedures. We also provide diverse training programs tailored for our finance department employees to ensure that they understand our financial management and accounting policies and implement them in our daily operations.

Information System Risk Management

We have implemented a network of process and software controls to protect individual personal information and privacy. We encrypt data in network transmission. For back-end storage, we also use various encryption technologies at software and hardware levels to protect sensitive data. To minimise the risk of data loss or leakage, we conduct regular data backup and data recovery tests. We collect and process data and narrowly tailor their usage to the extent possible. In particular:

- *Data Collection.* We collect and process data and narrowly tailor their usage to the extent possible.

- *Data Security and Privacy.* We prioritise data security and privacy by strictly following our defined policy. We have a dedicated team to enforce our privacy practises. We have completed the grading and filing for our primary business information systems under China's Multiple-level Protection System according to the Administrative Measures for the Graded Protection of Information Security (《信息安全等級保護管理辦法》). We have established a coordination mechanism with third parties to handle information security threats in a timely manner. We have established company-wide policies to cover various aspects of network security and data privacy and protection. We have adopted and implemented various cybersecurity and data protection policies which set out technical and organisation measures to protect users' data privacy and security, including: Guidelines for Personal Information Protection Impact Assessment (《個人信息保護影響評估指引》), Guidelines for Vendor Data Protection Management (《供應商數據保護管理指引》), Network and Data Security Management Policy (《網絡及數據安全管理制度》), Emergency Response Plan for Network and Personal Data Security Incidents (《網絡與個人信息安全事件應急預案》), Network Failure Operation Manual (《網絡故障操作手冊》), Information Security Operation Protocol (《信息安全操作規範》), Account Password Management Policy (《賬號口令管理制度》), Response Plan for Business System Disaster (《業務系統整體災難應急預案》), Confidentiality Provisions (《保密條款》), Confidentiality Grading Management Protocol (《保密分級管理規範》) and the requirements on data breach and destruction of important files and data in our YSB Employee Handbook (《藥師幫員工手冊》). We have also promulgated and issued the Confidentiality and File Management System for Overseas Securities Offerings and Listings (《境外發行證券和上市相關保密和檔案管理工作制度》) and the Guidelines for the Provision of Due Diligence Data for Overseas Listings Projects (《境外上市項目盡調數據提供指引》) to meet the requirements of applicable laws and regulations, including the Regulations on Strengthening Confidentiality and File Management for Overseas Securities Offerings and Listings of Domestic Enterprises (《關於加強境內企業境外發行證券和上市相關保密和檔案管理工作的規定》). We have an internal team dedicated to formulating data protection policy and monitoring data security practices, and we hold relevant personnel accountable for unauthorised access and data breaches. We strictly comply with laws and regulations and do not distribute or sell personal data for any illegal or unauthorised purpose.

- *Information Security Measures.* At the enterprise level, we established a systematic and universal account authorisation and management mechanism based on which we periodically review the status of accounts and the related authorisation information. We regularly perform security configuration assessment on our databases and servers and implement procedures for system log management. We have put in place a series of back-up management procedures. We set the frequency and time interval of back-up plans. We require that at least one of our back-up plans, such as local server back-up and offsite back-up, must be followed. We perform data recovery tests on a regular basis, and we retain relevant records. We provide information security training to our employees and conduct ongoing trainings, and we discuss any issues or necessary updates from time to time. We also have an emergency response mechanism to evaluate critical risks, formulate disaster response plans and perform emergency drills on a regular basis. Our information security department is responsible for ensuring that the usage, maintenance, and protection of data are in compliance with our internal rules and the applicable laws and regulations.

Internal Control Risk Management

We have designed and adopted strict internal procedures to ensure the compliance of our business operations with the relevant rules and regulations. Our internal control team works closely with our business units to (i) perform risk assessments and give advice on risk management strategies, (ii) improve business process efficiency and monitor internal control effectiveness, and (iii) promote risk awareness throughout our Company.

With regards to the management of legal and compliance risks, our in-house legal department performs the basic function of reviewing and updating the form of contracts we enter into with our consumers, merchants and relevant third parties. Our legal department examines the contract terms and reviews relevant documents for our business operations, and the necessary underlying due diligence materials, before we enter into any contract or business arrangements. In addition, our quality control teams under each business group are also responsible for reviewing the licences and permits of the relevant counterparties and proposed commercial terms before we enter into any contract or business arrangements. Our in-house legal department reviews our services for regulatory compliance before they are made available to the general public. Our in-house legal department and administrative department are responsible for obtaining any requisite governmental pre-approvals or consents, including preparing and submitting all necessary documents for filing with relevant government authorities within the prescribed regulatory timelines.

We have also developed disclosure procedures which provide general guidance for the Company's Directors, senior management and relevant employees on handling confidential information, monitoring information disclosure and responding to enquiries. The Company has implemented internal procedures to prevent any unauthorized access and use of inside information.

We review the implementation of our risk management policies and measures annually to ensure our policies and implementation are effective and sufficient.

Human Resources Risk Management

We provide regular and specialised training tailored to the needs of our employees in different departments. We have a training centre which regularly organises internal training sessions conducted by senior employees or outside consultants on topics of interest that employees can vote on. The training centre schedules regular online and classroom trainings, reviews the content of the trainings, follows up with employees to evaluate the impact of such training and rewards lecturers for positive feedback.

We have in place an employee handbook and a code of conduct approved by our management and have distributed them to all our employees. The handbook contains internal rules and guidelines regarding work ethics, fraud prevention mechanisms, negligence and corruption. We provide employees with regular training, as well as resources to explain the guidelines contained in the employee handbook. We have in place an anti-bribery and corruption policy to safeguard against any corruption within our Company. The policy explains potential bribery and corruption conduct and our anti-bribery and corruption measures. We make our internal reporting channel open and available for our staff to report any bribery and corruption acts, and our staff can also make anonymous reports to our anti-fraud department. Our anti-fraud department is responsible for investigating the reported incidents and taking appropriate measures.

Anti-corruption and Bribery Risk Management

As we and our employees deal with a variety of third parties in our operations, we have implemented internal procedures with respect to anti-corruption, anti-bribery, and conflict of interest matters. First, we have adopted a series of internal regulations against corruption, bribery, and fraudulent activities, which include measures against receiving bribes and kickbacks, and misappropriation of company assets. Second, our internal audit department carefully evaluates risk events of potential corruption and bribery and conducts investigations when necessary. Third, we have implemented clear and strict policies and guidelines that prohibit the acceptance of gifts, hospitality, and other offers by interested third parties. Employees are required to acknowledge and accept our internal code of business conduct and ethics that lists in detail relevant policies and regulations, including, but not limited to, clear definitions of bribery, corruption, and interested parties. Our internal audit department conducts internal audits regularly (at least once a year).

Audit Committee Experience and Qualification and Board Oversight

We have established the Audit Committee to monitor the implementation of our risk management policies across the Company on an ongoing basis to ensure that our internal control system is effective in identifying, managing and mitigating risks involved in our business operations. The Audit Committee consists of three members, being our independent non-executive Directors. For the professional qualifications and experiences of the members of our Audit Committee, see the section headed "Directors and Senior Management" in this annual report. We also maintain an internal audit department which is responsible for reviewing the effectiveness of internal controls and reporting to the Audit Committee and senior management on any issues identified. Our internal audit department members hold regular meetings (at least once a year) with management to discuss any internal control issues we face and the corresponding measures to implement toward resolving such issues. The internal audit department also reports regularly (at least about once in a half year) to the Audit Committee to ensure that any major issues identified are channelled to the committee on a timely basis. The Audit Committee then discusses the issues and reports to the Board, if necessary.

JOINT COMPANY SECRETARIES

Mr. Fei Chen and Ms. Emily Fung are the joint company secretaries of the Company. See "Directors and Senior Management" of this annual report for their biographies. Mr. Chen (executive Director and Chief Financial Officer of the Company) has been designated as the primary corporate contact person at the Company who would work and communicate with Ms. Fung on the Company's corporate governance and secretarial and administrative matters.

During the Reporting Year, Mr. Chen and Ms. Fung have each undertaken not less than 15 hours of relevant professional training respectively in compliance with Rule 3.29 of the Listing Rules.

SHAREHOLDER RIGHTS AND COMMUNICATIONS

Shareholder Right to Requisition a General Meeting

Pursuant to Article 9.3 of our articles of association, one or more members holding, as at the date of deposit of the requisition, in aggregate not less than one-tenth of the voting rights (on a one vote per share basis) in the share capital of the Company may make a requisition to convene an extraordinary general meeting and/or add resolutions to the agenda of a general meeting.

Such requisition shall be made in writing (for details of contact information, please see the section "Putting Forward Enquiries to the Board and Contact Details" below) to the Board or the Secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the consideration of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition.

If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Shareholders who wish to put forward proposals at general meetings may achieve this by means of convening an extraordinary general meeting following the procedures set out in the paragraphs above.

For the procedures for our Shareholders to propose a candidate for election as a director of the Company, please see the Company's website at www.ysbang.cn.

Distribution of Corporate Communications to Shareholders

As part of the Company's initiatives to be more environmentally conscious, the Company has adopted new arrangements on dissemination of corporate communications on 23 February 2024 which allow the Company's transition to electronic communications. Under this new arrangement, we will not distribute printed copies of corporate communications to Shareholders by default.

Under this updated electronic communications method, the Company has sent a initial notification letter to the registered address of each Shareholder kept with the Hong Kong Share Registrar. This letter detailed the updated electronic communications method and include a method by which Shareholders can notify/update the Company with its nominated functional email address and/or make a specific request for certain corporate communications to be delivered to them in printed form for a limited of time.

Corporate communications to Shareholders (including circulars and a copy of this report) and other information published by the Company (including financial results and announcements) can be viewed and downloaded at the below websites:

Company:	www.ysbang.cn
Stock Exchange:	www.hkex.com.hk

Additionally, at the forthcoming annual general meeting, the Directors (or their delegates as appropriate) will be available to meet Shareholders and answer their enquiries.

Putting Forward Enquiries to the Board and Contact Details

For putting forward any enquiries to the Board, Shareholders may send written enquiries to the Company in the following manner:

Attention:	Joint Company Secretary of YSB Inc.
Post:	5/F, Manulife Place, 348 Kwun Tong Road, Kowloon, Hong Kong
Subject:	Enquiry from Shareholder of YSB Inc.

For the avoidance of doubt, Shareholders must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law. The Company will not normally deal with verbal or anonymous enquiries.

Communication with Shareholders and Investors Relations

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company has adopted a shareholders' communication policy (the "Shareholders' Communication Policy"), which aims to set out the approach of the Board to provide Shareholders of the Company and other stakeholders (including potential investors) information about the Company, in a fair and equal manner. In accordance with the Shareholders' Communication Policy, the Company endeavours to maintain an ongoing dialogue with Shareholders and in particular, through annual general meetings and other general meetings, at which the Shareholders are able to communicate and share opinions with the Board, and exercise their voting rights. At the forthcoming annual general meeting, our Directors (or their delegates as appropriate) will be available to meet Shareholders and answer their enquiries.

As set out above in the section headed "Distribution of Corporate Communications to Shareholders", the Company discloses information and publishes corporate communication to the public on the Stock Exchange's website in a timely manner in accordance with the Listing Rules, the relevant laws and regulations. The primary focus of the Company is to ensure information disclosure is timely, fair, accurate, truthful and does not contain any material omission, thereby enabling Shareholders, investors as well as the public to make rational and informed decisions. To promote effective communication, the Company maintains a website at www.ysbang.cn, where information and updates on the Company's business developments and operations, financial information, corporate governance practices and other information are available for public access.

We annually review the implementation and effectiveness of the Shareholders' Communication Policy (with communication channels). Following our review during the Reporting Period, we have concluded that the above policy provides sufficient opportunity and avenues for ongoing communication between the Company (including the Board and management) and our Shareholders and the results were satisfactory.

Changes in Constitutional Documents

From the Listing Date to 31 December 2023, the Company did not make any significant changes to its constitutional documents.

The latest version of our memorandum and articles of association are available on the websites of the Company and the Stock Exchange.

TO THE SHAREHOLDERS OF YSB INC.
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of YSB Inc. (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 72 to 151, which comprise the consolidated statement of financial position as at 31 December 2023, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information and other explanatory information.

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 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") 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 Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). 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 are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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. The 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 (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
Allowance for inventories	

We identified the allowance for inventories as a key audit matter due to the significance of the balance to the consolidated financial statements and the management judgments and estimations involved in the identification of obsolete or damaged inventories and the determination of the net realisable value of the inventories.
 	
The management identified the obsolete or damaged inventories based on expiry date or physical condition of the inventories. The specific factors considered by management in the estimation of the allowance for obsolete or damaged inventories include the latest sales information, expected market demand and saleability of inventories.
 	
As disclosed in note 4 to the consolidated financial statements, as at 31 December 2023, the carrying amount of inventories was approximately RMB1,470,293,000, net of allowance of approximately RMB14,184,000.
	Our procedures in relation to allowance for inventories included:
	
	• Obtaining an understanding of the Group's allowance policy on inventories and the management's process over the identification of obsolete or damaged inventories and the determination of the net realisable value of inventories; and
	
	• Evaluating the reasonableness of the Group's allowance for inventories by:
	
	    • Observing the Group's physical inventory counts to ascertain whether obsolete or damaged inventories were identified;
	
	    • Testing the expiry date of inventories, on a sample basis, to the product labels;
	
	    • Tracing the latest selling prices for inventories sold subsequent to the reporting period, on a sample basis, to the relevant sales invoices; and
	
	• Performing retrospective review on the accuracy of management's assessment relating to the allowance for inventories.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include 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 OF THE COMPANY 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 issued by the IASB 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 solely to you, as a body, in accordance with our agreed terms of engagement, 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 HKSAs 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.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism 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.

- 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.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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 the independent auditor's report is Chan Men.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
11 March 2024

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2023

	Notes	Year ended 31 December 2023 RMB'000	2022 RMB'000
Revenue	5	**16,972,276**	14,274,810
Cost of sales		**(15,231,353)**	(12,840,093)
Gross profit		**1,740,923**	1,434,717
Other income	6	**87,730**	88,920
Other gains and losses	7	**901**	19,965
Changes in fair value of financial liabilities at fair value through profit or loss ("FVTPL")	27	**(3,171,903)**	(1,299,500)
Impairment losses reversed (recognised) under expected credit loss model, net	32	**2,540**	(2,300)
Selling and marketing expenses		**(1,387,290)**	(1,325,640)
Research and development expenses		**(93,601)**	(79,146)
General and administrative expenses		**(332,597)**	(286,787)
Finance costs	8	**(10,032)**	(10,231)
Listing expenses		**(46,868)**	(36,865)
Loss before tax		**(3,210,197)**	(1,496,867)
Income tax credit (expense)	9a	**3,690**	(3,171)
Loss for the year	10	**(3,206,507)**	(1,500,038)
Other comprehensive expense for the year		**–**	–
Loss and total comprehensive expense for the year		**(3,206,507)**	(1,500,038)
Loss and total comprehensive expense for the year attributable to:			
Owners of the Company		**(3,189,212)**	(1,488,688)
Non-controlling interests		**(17,295)**	(11,350)
		(3,206,507)	(1,500,038)
LOSS PER SHARE			
Basic and diluted (RMB)	13	**(8.26)**	(11.88)

Consolidated Statement of Financial Position

As at 31 December 2023

	Notes	As at 31 December 2023 RMB'000	2022 RMB'000
Non-current assets			
Property, plant and equipment, net	14	**69,586**	98,261
Right-of-use assets	15	**140,130**	165,749
Intangible assets	16	**85,311**	98,903
Goodwill	17	**9,252**	9,252
Deferred tax assets	9b	**4,524**	1,584
Time deposits	21	**40,000**	50,000
		348,803	423,749
Current assets			
Inventories	18	**1,470,293**	1,016,168
Trade and other receivables	19	**457,715**	503,460
Amount due from a shareholder	36	**–**	2
Financial assets at FVTPL	20	**865,493**	711,076
Time deposits	21	**289,673**	320,487
Restricted bank deposits	22	**1,105,992**	298,404
Bank balances and cash	22	**673,874**	835,394
		4,863,040	3,684,991
Current liabilities			
Trade and other payables	23	**(3,105,738)**	(2,398,078)
Contract liabilities	24	**(10,308)**	(24,434)
Lease liabilities	25	**(62,550)**	(81,178)
Bank borrowings	26	**(57,508)**	–
Financial liabilities at FVTPL	27	**–**	(5,872,042)
		(3,236,104)	(8,375,732)
Net current assets (liabilities)		**1,626,936**	(4,690,741)
Total assets less current liabilities		**1,975,739**	(4,266,992)

Consolidated Statement of Financial Position

As at 31 December 2023

	Notes	As at 31 December 2023 RMB'000	2022 RMB'000
Non-current liabilities			
Lease liabilities	25	**(89,603)**	(99,370)
Deferred tax liabilities	9b	**(2,598)**	(3,348)
		(92,201)	(102,718)
Net assets (liabilities)		**1,883,538**	(4,369,710)
Capital and reserves (deficits)			
Share capital	28	**11**	2
Reserves (deficits)		**1,919,751**	(4,350,783)
Equities (deficits) attributable to owners of the Company		**1,919,762**	(4,350,781)
Non-controlling interests		**(36,224)**	(18,929)
Total equities (deficits)		**1,883,538**	(4,369,710)

The consolidated financial statements on pages 72 to 151 were approved and authorised for issue by the board of directors on 11 March 2024 and are signed on its behalf by:

Buzhen Zhang
DIRECTOR

Fei Chen
DIRECTOR

	Attributable to the owners of the Company								
	Share Capital RMB'000	Share premium RMB'000	Capital reserves RMB'000 (Note)	Share-based payments reserves RMB'000	Treasury shares RMB'000	Accumulated losses RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total equities (deficits) RMB'000
As at 1 January 2022	2	–	39,890	24,040	–	(2,964,842)	(2,900,910)	(7,579)	(2,908,489)
Loss and total comprehensive expense for the year	–	–	–	–	–	(1,488,688)	(1,488,688)	(11,350)	(1,500,038)
Recognition of equity-settled share-based payments (Note 29)	–	–	–	38,817	–	–	38,817	–	38,817
Transfer forfeited equity-settled share-based payments to accumulated losses (Note 29)	–	–	–	(3,683)	–	3,683	–	–	–
As at 31 December 2022	2	–	39,890	59,174	–	(4,449,847)	(4,350,781)	(18,929)	(4,369,710)
Loss and total comprehensive expense for the year	**–**	**–**	**–**	**–**	**–**	**(3,189,212)**	**(3,189,212)**	**(17,295)**	**(3,206,507)**
Issue of new shares upon the initial public offerings (the "IPO") (as detailed in Note 28)	*****	**317,132**	**–**	**–**	**–**	**–**	**317,132**	**–**	**317,132**
Transaction costs attributable to issue of new shares	**–**	**(39,243)**	**–**	**–**	**–**	**–**	**(39,243)**	**–**	**(39,243)**
Automatic conversion of preferred shares upon the IPO (as detailed in Note 27)	**9**	**9,043,936**	**–**	**–**	**–**	**–**	**9,043,945**	**–**	**9,043,945**
Recognition of equity-settled share-based payments (Note 29)	**–**	**–**	**–**	**118,278**	**–**	**–**	**118,278**	**–**	**118,278**
Purchase of shares for the award share scheme (Note 28)	**–**	**–**	**–**	**–**	**(4,829)**	**–**	**(4,829)**	**–**	**(4,829)**
Transfer forfeited equity-settled share-based payments to accumulated losses (Note 29)	**–**	**–**	**–**	**(2,825)**	**–**	**2,825**	**–**	**–**	**–**
Exercise of share options (Note 29)	*****	**48,605**	**–**	**(24,133)**	**–**	**–**	**24,472**	**–**	**24,472**
As at 31 December 2023	**11**	**9,370,430**	**39,890**	**150,494**	**(4,829)**	**(7,636,234)**	**1,919,762**	**(36,224)**	**1,883,538**

* Amount is less than RMB1,000.

Note: Capital reserves mainly represented deemed contribution from a shareholder arising from the waive of the amount of approximately RMB30,925,000 due from YSB Inc. (the "Company") and its subsidiaries (collectively referred to as the "Group").

Consolidated Statement of Cash Flows

For the year ended 31 December 2023

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
OPERATING ACTIVITIES		
Loss before tax	**(3,210,197)**	(1,496,867)
Adjustment for:		
Financial costs	**10,032**	10,231
Bank interest income	**(49,139)**	(42,657)
Investment income from financial assets at FVTPL	**(15,717)**	(19,981)
Gain on disposal of subsidiaries	**–**	(1,344)
Depreciation of property, plant and equipment	**41,449**	43,429
Depreciation of right-of-use assets	**78,685**	76,562
Amortisation of intangible assets	**13,936**	15,036
(Reversal of write down) write down for obsolete inventories	**(99)**	1,576
Changes in fair value of financial assets at FVTPL	**(5,015)**	–
Changes in fair value of financial liabilities at FVTPL	**3,171,903**	1,299,500
Impairment losses (reversed) recognised under expected credit loss model, net	**(2,540)**	2,300
Share-based payment expense	**118,278**	38,817
Losses (gains) on disposal of property, plant and equipment	**329**	(38)
Net foreign exchange losses (gains)	**3,300**	(18,715)
Operating cash flows before movements in working capital	**155,205**	(92,151)
Increase in inventories	**(454,026)**	(169,904)
Decrease (increase) in trade and other receivables	**56,080**	(127,188)
Increase in trade and other payables	**708,069**	472,349
(Decrease) increase in contract liabilities	**(14,126)**	15,094
Cash generated from operations	**451,202**	98,200
Income taxes paid	**–**	–
NET CASH FROM OPERATING ACTIVITIES	**451,202**	98,200

Consolidated Statement of Cash Flows

For the year ended 31 December 2023

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(17,205)**	(38,848)
Proceeds on disposal of property, plant and equipment	**4,102**	3,686
Net cash inflow on disposal of subsidiaries	**–**	1,141
Purchase of intangible assets	**(344)**	(4,861)
Placement of time deposits	**(504,787)**	(986,419)
Withdrawal of time deposits	**617,420**	1,291,505
Purchase of financial assets at FVTPL	**(8,540,568)**	(8,964,437)
Proceeds from disposal of financial assets at FVTPL	**8,391,166**	8,765,713
Investment income received from financial assets at FVTPL	**15,717**	19,981
Bank interest income received	**49,139**	42,657
Repayment from a shareholder	**2**	–
Placement of restricted bank deposits	**(2,136,284)**	(558,822)
Withdrawal of restricted bank deposits	**1,328,696**	469,774
NET CASH (USED IN) FROM INVESTING ACTIVITIES	**(792,946)**	41,070
FINANCING ACTIVITIES		
Repayment of lease liabilities	**(81,461)**	(75,276)
New bank borrowings raised	**57,508**	4,448
Repayment of bank borrowings	**–**	(4,448)
Interest paid	**(10,032)**	(10,231)
Proceeds from issue of shares	**317,132**	–
Purchase of shares for the award share scheme	**(4,829)**	–
Proceeds on issue of preferred shares	**–**	350,161
Share issue cost paid	**(33,798)**	(2,727)
Proceeds from exercise of share options	**10,823**	–
NET CASH FROM FINANCING ACTIVITIES	**255,343**	261,927
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(86,401)**	401,197
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**835,394**	415,482
Effect of foreign exchange rate changes	**(3,300)**	18,715
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	**745,693**	835,394
Represented by		
Bank balances and cash	**673,874**	835,394
Time deposits with original maturity of three months or less	**71,819**	–
	745,693	835,394

Notes to the Consolidated Financial Statements

For the Year ended 31 December 2023

1. GENERAL

The Company was incorporated as an exempted company in the Cayman Islands with limited liability on 27 August 2018 under the Company laws of the Cayman Islands. Its immediate holding company is MIYT Holdings Limited, a company incorporated in the British Virgin Islands (the "BVI"). The shares of the Company had been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 28 June 2023 (the "Listing").

The addresses of the registered office and principal place of business of the Company are set out in the corporate information section of the annual report of the Company for the year ended 31 December 2023.

The Company is an investment holding company. The Group mainly operates online platform that provide wholesale and retail of pharmaceutical and healthcare products and online marketplace service to the pharmaceutical and healthcare manufacturers. The Group's principal operations and geographic markets are in the People's Republic of China (the "PRC").

The consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

New and amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following new and amendments to IFRSs issued by the International Accounting Standards Board (the "IASB") for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2023 for the preparation of the consolidated financial statements:

IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17)	Insurance Contracts
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to IAS 12 Amendments to IAS 1 and IFRS	International Tax Reform – Pillar Two Model Rules
Practice Statement 2	Disclosure of Accounting Policies

Except as described below, the application of the new and amendments to IFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (CONTINUED)

New and amendments to IFRSs that are mandatorily effective for the current year (Continued)

2.1 Impacts and changes in accounting policies on application of Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The Group has applied the amendments for the first time in the current year. The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of HKAS 12 Income Taxes so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

In accordance with the transition provision:

(i) the Group has applied the new accounting policy retrospectively to leasing transactions that occurred on or after 1 January 2022;

(ii) the Group also, as at 1 January 2022, recognised a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary difference associated with right-of-use assets and lease liabilities.

The application of the amendments has had no material impact on the Group's financial position and performance, except that the Group recognised the related deferred tax assets of RMB39,760,000 and deferred tax liabilities of RMB39,760,000 on a gross basis but it has no impact on the accumulated losses at the earliest period presented.

2.2 Impacts on application of Amendments to IAS 1 and IFRS Practice Statement 2 Disclosure of Accounting Policies

The Group has applied the amendments for the first time in the current year. IAS 1 *Presentation of Financial Statements* is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

IFRS Practice Statement 2 *Making Materiality Judgements* (the "Practice Statement") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (CONTINUED)

New and amendments to IFRSs that are mandatorily effective for the current year (Continued)

2.2 Impacts on application of Amendments to IAS 1 and IFRS Practice Statement 2 Disclosure of Accounting Policies (Continued)

The application of the amendments has had no material impact on the Group's financial positions and performance but has affected the disclosure of the Group's accounting policies set out in Note 3 to the consolidated financial statements.

Amendments to IFRSs in issue but not yet effective

The Group has not early applied the following amendments to IFRS Standards that have been issued but are not yet effective:

Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to IFRS 16	Lease liability in a Sale and Leaseback[2]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[2]
Amendments to IAS 1	Non-current Liabilities with Covenants[2]
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements[2]
Amendments to IAS 21	Lack of Exchangeability[3]

1 Effective for annual periods beginning on or after a date to be determined.
2 Effective for annual periods beginning on or after 1 January 2024.
3 Effective for annual periods beginning on or after 1 January 2025.

The directors of the Company anticipate that the application of all the amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION

3.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with IFRSs issued by the IASB. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and by the Hong Kong Companies Ordinance.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policy information

Basis of consolidation

The consolidated financial statements incorporates the financial statements of the Company and entities (including the consolidated affiliated entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

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 listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policy information (Continued)

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when control of the goods or services underlying the particular performance obligation is transferred to the customers.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

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

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

The Group mainly engaged in wholesales of pharmaceutical and healthcare products offline or online through its online platform. The Group also engaged in retail of pharmaceutical and healthcare products through its retail shops. In addition, the Group operates online platform that enable the pharmaceutical distributors and vendors to sell their own pharmaceutical and healthcare products using the Group's online platform.

The Group evaluates whether it is appropriate to record the gross amounts of product sales or services provided and related costs, or the net amount earned as commissions. When the Group is a principal, that the Group obtains control of the specified goods or services before they are transferred to the customers, the revenue should be recognised in the gross amount of consideration to which it expects to be entitled in exchange for the specified goods or services transferred. When the Group is an agent and its obligation is to facilitate third parties in fulfilling their performance obligation for specified goods or services, in which case the Group does not control the specified goods or services provided by third parties before those goods or services are transferred to the customer, the revenue should be recognised in the net amount for the amount of commission which the Group earns in exchange for arranging for the specified goods or services to be provided by other parties.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration from the customer.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policy information (Continued)

Revenue from contracts with customers (Continued)

Timing of revenue recognition may differ from the timing of invoicing to customers. Trade receivables represent amounts invoiced and revenue recognised prior to invoicing when the Group has satisfied the Group's performance obligation and has the unconditional right to payment.

Contracts with multiple performance obligations (including allocation of transaction price)

For contracts that contain more than one performance obligations (i.e. contracts related to the software and service), the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

Specifically, revenue is recognised as follows:

Product Revenue

The Group mainly engaged in wholesales of pharmaceutical and healthcare products offline or online through its online platform. The Group also engaged in retail of pharmaceutical and healthcare products through its retail shops. The Group recognises product revenue on a gross basis as the Group is acting as a principal in these transactions and is responsible for fulfilling the promise to provide the specified goods. Product revenue is recognised upon customers' acceptance of product delivery, net of discounts and return allowances. Transportation and handling activities that occur before customers obtain control are considered as fulfilment activities.

The Group also sells smart unmanned pharmaceutical booth to third-party pharmacies and the revenue is recognised upon customers' acceptance of product delivery and installation.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policy information (Continued)

Revenue from contracts with customers (Continued)

Service Revenue

The service revenue primarily consists of i) commission fees charged to pharmaceutical distributors and vendors participating on the online marketplace through the Group's online platform; ii) service revenue received from third-party pharmacies for the access right granted to them for use of the Group's software; iii) service revenue received from provision of medical testing services to primary healthcare institutions; and iv) service revenue from third-party pharmacies for provision of maintenance and technical support services in relation to the smart unmanned pharmaceutical booth.

As for the commission charged related to the online platform, the Group generally is acting as an agent and its performance obligation is to arrange for the provision of the specified goods or services by those pharmaceutical distributors and vendors. Upon successful sales, the Group charges the pharmaceutical distributors and vendors commission fee revenue based on a certain percentage of sales, net of discounts and return allowances. Commission fee revenue is recognised upon end customers' acceptance of product delivery on a net basis.

As for the service revenue charged related to the one-time usage fee and service fee for the inventory management related SaaS solution provided to the downstream pharmacies, the Group is acting as a principal and its performance obligation is to provide the access right to pharmacies to use the Group's software. Since the pharmacies simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs, revenue from the software services therefore are recognised over time on the straight-line base during the service period which less than one year.

As for the service revenue charged related to the medical testing services, the Group is acting as a principal and its performance obligation is to perform the testing and generate testing results to the primary healthcare institutions. The Group recognises revenue at a point in time when the Group delivers the testing results to the primary healthcare institutions.

As for the service revenue charged related to the provision of maintenance and technical support services in relation to the smart unmanned pharmaceutical booth, the Group is acting as a principal and its performance obligation is to provide technical support service. Since the pharmacies simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs, revenue are recognised over time on the straight-line base during the service period.

Cost of sales

Cost of sales consists primarily of purchase price of products, transaction processing fees and write-downs of inventories.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policy information (Continued)

Cost of sales (Continued)

The Group periodically receives considerations from certain vendors, representing rebates for products purchased. The rebates are not sufficiently separable from the Group's purchase of the vendors' products and they do not represent a reimbursement of costs incurred by the Group to sell vendors' products. The Group accounts for the rebates received from its vendors as a reduction to the prices it pays for the products purchased and therefore the Group records such amounts as a reduction of carrying value of the inventories for inventories still held by the Group at the end of the reporting period or as a reduction of cost of sales for inventories sold before the end of each reporting period.

Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period in exchange for consideration.

The Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 *Leases* at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee

Short-term leases

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

Right-of-use assets

The cost of right-of-use assets includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policy information (Continued)

Leases (Continued)

The Group as a lessee (Continued)

Right-of-use assets (Continued)

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policy information (Continued)

Government grants (Continued)

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under "other income".

Retirement benefits costs

Payments to state-managed retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Share-based payments

Equity-settled share-based payments transactions

Shares/share options granted to employees

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed using graded vesting method over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share-based payments reserve). At the end of the reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share-based payments reserve. For shares/share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policy information (Continued)

Share-based payments (Continued)

Equity-settled share-based payments transactions (Continued)

Shares/share options granted to employees (Continued)

When share options are exercised, the amount previously recognised in share-based payments reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share-based payments reserve will be transferred to accumulated losses.

Taxation

Income tax expense represents the sum of the current and deferred income tax expense.

The current tax is based on taxable profit for the year. Taxable profit differs from loss before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of the transaction does not give rise to equal taxable and deductible temporary differences. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policy information (Continued)

Taxation (Continued)

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 Income Taxes requirements to the lease liabilities, and the related assets separately. The Group recognises a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised and a deferred tax liability for all taxable temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss.

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress). Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policy information (Continued)

Property, plant and equipment (Continued)

Depreciation is recognised so as to write off the cost of assets (other than construction in progress) less their residual values over their estimated useful lives (as below), using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of the reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

	Useful lives
Leasehold improvement	Over the term of the lease
Plant and machinery	5 to 10 years
Motor vehicles	5 years
Office equipment	3 to 5 years

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives (as below).

The estimated useful life and amortisation method are reviewed at the end of the reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

	Useful lives
Licences and franchise	10 years
Business relationship	10 years
Office software	3 to 10 years

Internally-generated intangible assets – research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policy information (Continued)

Impairment on property, plant and equipment, right-of-use assets and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible assets with finite useful lives to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of property, plant and equipment, right-of-use assets, and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Recoverable amount is the higher of fair value less costs of disposal and value in use. 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 (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on specific identification method. Net realisable value represents the estimated selling price for inventories less costs necessary to make the sales. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15 Revenue from Contracts with Customers. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of each reporting period following the determination that the asset is no longer credit-impaired.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

(ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or fair value through other comprehensive income ("FVTOCI") or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of the reporting period, with any fair value gains or losses recognised in profit or loss and is included in "other gains and losses" line item.

The dividend or interest earned on the financial assets at FVTPL and is included in "other income" line item.

Impairment of financial assets subject to impairment assessment under IFRS 9 *Financial Instruments*

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including trade and other receivables, amount due from a shareholder, time deposits, restricted bank deposits and bank balances), which are subject to impairment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment is done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets subject to impairment assessment under IFRS 9 *Financial Instruments* (Continued)

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as of the reporting date with the risk of a default occurring on the financial instrument as of the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets subject to impairment assessment under *IFRS 9 Financial Instruments* (Continued)

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets subject to impairment assessment under IFRS 9 *Financial Instruments* (Continued)

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Lifetime ECL for trade and note receivables are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by the directors of the Company to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade and note receivables where the corresponding adjustment is recognised through a loss allowance account.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. For financial assets measured at FVTPL that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the "Other gains and losses" line item as part of the gain/(loss) from changes in fair value of financial assets (Note 7).

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is designated as at FVTPL.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial liabilities and equity (Continued)

Classification as debt or equity (Continued)

Financial liabilities at FVTPL (Continued)

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL.

The convertible preferred shares contain redemption features and/or other embedded derivatives, are designated as financial liabilities at FVTPL.

For financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. For financial liabilities that contain embedded derivatives, such as convertible preferred shares, the changes in fair value of the embedded derivatives are excluded in determining the amount to be presented in other comprehensive income. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to accumulated losses upon derecognition of the financial liability. Fair value is determined in the manner described in Note 32.

Financial liabilities at amortised cost

Financial liabilities including trade and other payables and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial liabilities and equity (Continued)

Foreign exchange gains and losses

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. For financial liabilities that are measured as at FVTPL, the foreign exchange component forms part of the fair value gains or losses and is recognised in profit or loss for financial liabilities that are not part of a designated hedging relationship.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the management of the Group are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgement in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Critical judgement in applying accounting policies (Continued)

Consolidation of affiliated entities

The Group obtained control over PRC domestic companies, Guangzhou Sudao Information Technology Co., Ltd. ("Guangzhou Sudao") and Guangzhou Yaobang Information Technology Co., Ltd. ("Guangzhou Yaobang"), by entering into a series of the contractual arrangements with the PRC domestic companies and their respective nominee shareholders (collectively, the "Contractual Arrangements"). Nevertheless, the Contractual Arrangements and other measures may not be as effective as direct legal ownership in providing the Group with direct control over the PRC domestic companies and uncertainties presented by the PRC legal system could impede the Group's beneficiary rights of the results, assets and liabilities of the PRC domestic companies. The directors of the Company, based on the advice of its legal counsel, consider that the Contractual Arrangements among PRC domestic companies and their respective Nominee Shareholders are in compliance with the relevant PRC Laws and are legally enforceable.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Allowance for inventories

The Group records inventories at the lower of cost and net realisable value. Allowance for inventories is provided for those identified obsolete or slow-moving inventories; and inventories with a carrying amount higher than net realisable value. Regular operational procedures have been in place to monitor the allowance for inventories due to the significant balance involved and nature of the inventories is subject to expiry date.

The management identified the obsolete or damaged inventories based on expiry date or physical condition of the inventories. The specific factors considered by management in the estimation of the allowance for obsolete or damaged inventories include the latest sales information, expected market demand and saleability of inventories. Although the Group carries out regular reviews on the net realisable value of inventories, the actual realisable value of inventories is not known until the sales are concluded.

As at 31 December 2023, the carrying amounts of inventories of the Group were approximately RMB1,470,293,000 (2022: RMB1,016,168,000), net of allowance for inventories of approximately RMB14,184,000 (2022: RMB14,283,000).

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Key sources of estimation uncertainty (Continued)

Impairment of property, plant and equipment, right-of-use assets and intangible assets

Property, plant and equipment, right-of-use assets and intangible assets are carried at cost less accumulated depreciation and impairment, if any. In determining whether an asset is impaired or the event previously causing the impairment no longer exists, the management of the Group has to exercise judgement and make assumptions, particularly when assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the value in use included in the cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset (including right-of-use assets), the Group estimates the recoverable amount of the cash-generating unit to which the assets belong, including allocation of corporate assets when a reasonable and consistent basis of allocation can be established, otherwise recoverable amount is determined at the smallest group of cash generating units, for which the relevant corporate assets have been allocated. Changing the underlying assumptions and key inputs, including but not limited to the forecasted revenue, gross profit margins and discount rates, in the cash flow projections, could materially affect the estimated recoverable amounts.

Determining whether property, plant and equipment, right-of-use assets and intangible assets are impaired requires an estimation of the recoverable amount of the cash-generating unit (or group of cash-generating units) to which property, plant and equipment, right-of-use assets and intangible assets have been allocated, which is the higher of the value in use or fair value less costs of disposal. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit (or a group of cash-generating units) and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash flows or upward revision of discount rate, a material impairment loss or further impairment loss may arise. Furthermore, the cash flows projections and discount rate are subject to greater uncertainties due to uncertainty on how the volatility or disruptions in energy, financial, foreign currency or commodity markets may progress and evolve.

For the years ended 31 December 2023 and 2022, no impairment loss was recognised for property, plant and equipment, right-of-use assets and intangible assets. As at 31 December 2023, the aggregate carrying amounts of property, plant and equipment, right-of-use assets and intangible assets are approximately RMB295,027,000 (2022: RMB362,913,000). Details of the recoverable amount calculation are disclosed in Note 14.

5. REVENUE AND SEGMENT INFORMATION

The Group engaged in i) wholesales of pharmaceutical and healthcare products offline or online through its online platform; ii) retail of pharmaceutical and healthcare products through its retail shops; iii) operating online platform that enable the pharmaceutical distributors and vendors to sell their own pharmaceutical and healthcare products using the Group's online platform; iv) providing SaaS solution to downstream pharmacies to streamline their inventory management; v) providing medical testing services to primary healthcare institutions; vi) selling smart unmanned pharmaceutical booth to third-party pharmacies; and vii) providing maintenance and technical support services in relation to the smart unmanned pharmaceutical booth to third-party pharmacies.

(a) Disaggregation of revenue from contracts with customers

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Type of goods or services:		
Self-operation business (Note (i))	**16,036,245**	13,519,017
Online marketplace services (Note (ii))	**873,119**	694,204
Others (Note (iii))	**62,912**	61,589
Total	**16,972,276**	14,274,810
Timing of revenue recognition:		
At a point in time	**16,960,080**	14,268,376
Over-time	**12,196**	6,434
Total	**16,972,276**	14,274,810

Notes:

i) The Group sells pharmaceutical and healthcare products mainly to pharmacies and primary healthcare institutions.

ii) The marketplace services revenue represents the commission received by the Group from distributors and vendors using the Group's online platform, which is recognised upon end customers' acceptance and is charged based on a certain percentage of sales, net of discounts and return allowances made by the distributors and vendors through the Group's online platform.

iii) Others includes

1) The Group collects one-time usage fee and service fee for the inventory management related to the SaaS solution provided to the downstream pharmacies, which helps pharmacies to streamline their inventory management.

2) The Group provides diagnostic testing services and generates testing results to primary healthcare institutions.

3) The Group sells smart unmanned pharmaceutical booth to third-party pharmacies and also provides maintenance and technical support services in relation to the smart unmanned pharmaceutical booth to them.

5. REVENUE AND SEGMENT INFORMATION (CONTINUED)

(b) Transaction price allocated to the remaining performance obligation for contracts with customers

All contracts with customers are for period of one year or less. As permitted by IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

(c) Segment information

Information is reported to the executive directors of the Company, being the chief operating decision maker ("CODM"), for the purposes of resource allocation and performance assessment. The accounting policies are the same as the Group's accounting policies. No other analysis of the Group's results nor assets and liabilities is regularly provided to the CODM for review and the CODM reviews the overall results and financial position of the Group as a whole. Accordingly, the CODM has identified one operating segment and only entity-wide disclosures are presented in accordance with IFRS 8 *Operating Segments*.

(d) Geographic information

The Group principally operates in the PRC, which is also the place of domicile. The Group's revenue is all derived from operations in the PRC for both years and the Group's non-current assets are all located in the PRC.

(e) Information about major customers

There was no revenue derived from transactions with a single external customer which amounted to 10% or more of the Group's revenue for both years.

6. OTHER INCOME

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Government grants (Note)	**21,090**	23,171
Bank interest income	**49,139**	42,657
Investment income from financial assets at FVTPL	**15,717**	19,981
Others	**1,784**	3,111
	87,730	88,920

Note: It represented cash received from unconditional grants by the local government to encourage the business operations in the PRC. Government grants are recognised in profit and loss when received.

7. OTHER GAINS AND LOSSES

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
(Losses) gains on disposal of property, plant and equipment	**(329)**	38
Gain on disposal of subsidiaries (Note)	**–**	1,344
Donations	**(485)**	(132)
Net foreign exchange (losses) gains	**(3,300)**	18,715
Gains from changes in fair value of financial assets at FVTPL	**5,015**	–
	901	19,965

Note: The gain on disposal of subsidiaries represents the disposal of Guangzhou Yaoshibang Network Technology Co., Ltd., Beijing Yaoshibang Network Technology Co., Ltd., Dongguan Dalingshan Jianhui Comprehensive Clinic Co., Ltd., Tianjin Yaoshibang Comprehensive Clinic Co., Ltd. and Shandong Leyao Pharmaceutical Co., Ltd. to an independent third party with a total gain of RMB1,344,000 on 8 April 2022, 6 April 2022, 28 March 2022, 1 April 2022 and 9 October 2022, respectively.

8. FINANCE COSTS

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Interest expense on lease liabilities	**8,536**	9,710
Interest expense on discounted note receivables	**1,496**	521
	10,032	10,231

9a. INCOME TAX CREDIT (EXPENSE)

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
PRC Enterprise Income Tax ("EIT"):		
Current tax	**–**	–
Deferred tax (Note 9b)	**3,690**	(3,171)
	3,690	(3,171)

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and is exempted from the Cayman Islands income tax.

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Group had no assessable profit subject to Hong Kong Profits Tax for both years.

9a. INCOME TAX CREDIT (EXPENSE) (CONTINUED)

Under the Law of the PRC on EIT (the "EIT Law") and Implementation Regulation of the EIT Law, the PRC EIT rate of subsidiaries of the Group operating in the PRC was 25% for both years. Certain PRC subsidiaries of the Group are subject to "small and thin-profit enterprises" will benefit from a preferential tax rate of 20% under the EIT Law. For the year ended 31 December 2022, the qualifying group entities enjoyed 87.5% reduction on annual taxable income on first RMB1,000,000 and 75% reduction between the annual taxable income of RMB1,000,000 to RMB3,000,000, respectively. For the year ended 31 December 2023, the qualifying group entities enjoyed 75% reduction on annual taxable income on first RMB3,000,000. As a result, such PRC subsidiaries were eligible for a preferential enterprise income tax rate for their respective tax holiday.

Certified high and new technology enterprises ("HNTE") are entitled to a preferential tax rate of 15%. Guangzhou Sudaoyi Information Technology Co., Ltd. ("Guangzhou Sudaoyi") has been qualified as an HNTE and enjoyed a preferential income tax rate of 15% since 2021, which is subjected to review and renewal every three years. The HNTE Certificate of Guangzhou Sudaoyi remains valid for 3 years from 2021 to 2023 and will be expired in 2024. In addition, Guangzhou Sudao, Guangzhou Sudaoyi, Guangzhou Yuewei Medical Laboratory Co., Ltd., Guangzhou Xiaoweicang Intelligent Pharmacy Technology Co., Ltd., Guangzhou Spectrum Health Technology Co., Ltd. and Guangzhou Yaobang enjoyed super deduction of 175% and 200% of qualifying research and development expenses as tax deductible expenses for the period from 1 January 2020 to 30 September 2022 and for the period from 1 October 2022 to 31 December 2023, respectively, pursuant to the relevant laws and regulations promulgated by the State Administration of Taxation of the PRC.

The income tax credit (expense) for the year can be reconciled to the loss before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2023 **RMB'000**	2022 RMB'000
Loss before tax	**3,210,197**	1,496,867
Tax at PRC EIT rate of 25%	**802,549**	374,217
Tax effect of super deduction for research and development expenses (Note a)	**17,520**	16,721
Tax effect of expenses not deductible for tax purpose (Note b)	**(840,784)**	(353,160)
Tax effect of tax losses not recognised	**(52,946)**	(122,466)
Utilisation of tax losses previously not recognised	**77,351**	81,534
Others	**–**	(17)
	3,690	(3,171)

Notes:

(a) The eligible expenditures represent research and development costs incurred in the PRC and charged to profit or loss, which is subject to an additional 75% and 100% tax deduction in the calculation of income tax expense for both years.

(b) The non-deductible expenses mainly represent changes in fair value of financial liabilities at FVTPL.

9a. INCOME TAX CREDIT (EXPENSE) (CONTINUED)

As at 31 December 2023, the Group had unused tax losses of approximately RMB1,399,756,000 (2022: RMB1,510,546,000), available for offset against future profits. Due to the unpredictability of future profit streams, no deferred tax asset had been recognised for these unused tax losses. Included in the unrecognised tax losses are losses of approximately RMB1,399,756,000 as at 31 December 2023 (2022: RMB1,510,546,000) with expiry dates as disclosed in the following table. With effect from 1 January 2018, unused tax losses occurred five years prior to the year in which the entity becomes qualified as an HNTE shall be allowed to be carried forward to subsequent years, and the maximum carry-forward period of such tax losses shall be extended from 5 years to 10 years.

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
2023	**–**	16,537
2024	**164,153**	188,318
2025	**203,304**	175,671
2026	**328,581**	330,319
2027	**377,913**	488,568
2028	**211,785**	–
2029	**–**	136,361
2030	**–**	85,535
2031	**3,371**	89,237
2032	**110,649**	–
	1,399,756	1,510,546

9b. DEFERRED TAXATION

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

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Deferred tax assets	**4,524**	1,584
Deferred tax liabilities	**(2,598)**	(3,348)
	1,926	(1,764)

9b. DEFERRED TAXATION (CONTINUED)

The following are the major deferred tax liabilities and assets recognised and movements thereon during the current and prior years:

	Fair value adjustment in business combination RMB'000	ECL provision RMB'000	Inventory provision RMB'000	Right-of-use assets RMB'000	Lease liabilities RMB'000	Total RMB'000
At 1 January 2022	(4,593)	5,209	791	(39,760)	39,760	1,407
Credit (charge) to profit or loss	609	(4,174)	394	(1,677)	1,677	(3,171)
At 31 December 2022	(3,984)	1,035	1,185	(41,437)	41,437	(1,764)
Credit (charge) to profit or loss	609	(417)	1,563	5,334	(3,399)	3,690
At 31 December 2023	**(3,375)**	**618**	**2,748**	**(36,103)**	**38,038**	**1,926**

10. LOSS FOR THE YEAR

Loss for the year has been arrived at after charging:

	Year ended 31 December 2023 RMB'000	2022 RMB'000
Cost of inventories recognised as an expense	**15,054,203**	12,677,901
Depreciation of property, plant and equipment	**41,449**	43,429
Depreciation of right-of-use assets	**78,685**	76,562
Amortisation of intangible assets	**13,936**	15,036
(Reversal of write down) write down for obsolete inventories	**(99)**	1,576
Auditors' remunerations	**3,900**	101
Listing expenses	**46,868**	36,865
Staff costs:		
Directors' emoluments (Note 11)	**23,647**	28,639
Other staff costs		
– Salaries and other allowances	**891,617**	897,841
– Contributions to retirement benefits scheme	**49,233**	45,500
– Equity-settled share-based payment expenses	**99,818**	16,620
Total staff costs	**1,064,315**	988,600

11. DIRECTORS' AND CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

Directors' and chief executive's emoluments

Directors' and chief executive's remuneration for the year, disclosed pursuant to the applicable Listing Rules and the Hong Kong Companies Ordinance, is as follows:

	For the year ended 31 December 2023					
Name	Fee RMB'000	Salaries and allowances RMB'000	Performance related bonus RMB'000	Retirement benefits scheme contributions RMB'000	Equity-settled share-based payments RMB'000	Total RMB'000
Mr. Buzhen Zhang (Note i)	–	819	500	55	–	1,374
Mr. Fei Chen (Note iv)	–	2,404	1,000	–	18,460	21,864
Mr. Frank Lin (Note iii)	–	–	–	–	–	–
Mr. Ziyang Zhu (Note vi)	–	–	–	–	–	–
Ms. Rong Shao (Note v)	–	153	–	–	–	153
Mr. Sam Hanhui Sun (Note v)	–	103	–	–	–	103
Mr. Hongqiang Zhao (Note v)	–	153	–	–	–	153
	–	3,632	1,500	55	18,460	23,647

	For the year ended 31 December 2022					
Name	Fee RMB'000	Salaries and allowances RMB'000	Performance related bonus RMB'000	Retirement benefits scheme contributions RMB'000	Equity-settled share-based payments RMB'000	Total RMB'000
Mr. Buzhen Zhang (Note i)	–	630	1,006	34	–	1,670
Ms. Xiaoye Xu (Note ii)	–	968	1,000	23	4,684	6,675
Mr. Fei Chen (Note iv)	–	1,604	900	–	15,299	17,803
Ms. Xiaohong Chen (Note ii)	–	–	–	–	–	–
Ms. Yanhua Hu (Note ii)	–	275	–	2	2,214	2,491
Mr. Frank Lin (Note iii)	–	–	–	–	–	–
Mr. Lei Fu (Note ii)	–	–	–	–	–	–
Mr. Fei Luo (Note ii)	–	–	–	–	–	–
Mr. Jiangwei Wang (Note ii)	–	–	–	–	–	–
Mr. Pengfei Wang (Note ii)	–	–	–	–	–	–
Mr. Ziyang Zhu (Note vi)	–	–	–	–	–	–
	–	3,477	2,906	59	22,197	28,639

11. DIRECTORS' AND CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (CONTINUED)

Directors' and chief executive's emoluments (Continued)

Notes:

(i) Mr. Buzhen Zhang acts as chief executive of the Company for both years and his emoluments disclosed above included those for services rendered by him as the chief executive in management of the affairs of the group entities. Mr. Buzhen Zhang has been redesignated as executive director of the Company on 15 April 2022.

(ii) Ms. Xiaoye Xu, Ms. Xiaohong Chen, Mr. Lei Fu, Mr. Fei Luo, Mr. Jiangwei Wang, Mr. Pengfei Wang and Ms. Yanhua Hu have been resigned from the director of the Company on 15 April 2022.

(iii) Mr. Frank Lin has been redesignated as non-executive director of the Company on 15 April 2022 and has been resigned from the director of the Company on 14 November 2023.

(iv) Mr. Fei Chen was appointed as the executive director of the Company on 15 April 2022 and was appointed as joint company secretary of the Company on 15 June 2022.

(v) Ms. Rong Shao, Mr. Sam Hanhui Sun, and Mr. Hongqiang Zhao were appointed as the independent non-executive directors of the Company on 15 April 2022, with their appointments becoming effective upon the Listing of the Company.

(vi) Mr. Ziyang Zhu was appointed as the director of the Company on 1 February 2021 and has been redesigned as non-executive director of the Company on 15 April 2022.

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group. The non-executive directors' emoluments shown above were for their services as directors of the Company and its subsidiaries. The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

The performance related bonus is determined by reference to the duties and responsibilities of the relevant individual within the Group and the Group's performance.

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

11. DIRECTORS' AND CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (CONTINUED)

Employees' emoluments

The five highest paid employees of the Group during the year included one (2022: three) director, details of whose remuneration are set out above. Details of the remuneration for the year of the remaining four (2022: two) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Salaries and allowances	**3,835**	2,201
Performance related bonus	**3,697**	1,600
Contributions to retirement benefits scheme	**51**	42
Equity-settled share-based payment expense	**11,766**	2,255
	19,349	6,098

The performance related bonus is determined by reference to the duties and responsibilities of the relevant individual within the Group and the Group's performance.

The number of the highest paid employees who are not the directors of the Company whose remuneration fell within the following bands is as follows:

	Number of employees Year ended 31 December	
	2023	2022
HK$2,000,001 to HK$2,500,000	**1**	–
HK$2,500,001 to HK$3,000,000	**–**	1
HK$4,000,001 to HK$4,500,000	**–**	1
HK$4,500,001 to HK$5,000,000	**2**	–
HK$9,500,001 to HK$10,000,000	**1**	–
	4	2

No emoluments were paid by the Group to the directors of the Company or the five highest paid individuals of the Group as an inducement to join or upon joining the Group or as compensation for loss of office during both years.

12. DIVIDENDS

No dividends were paid, declared or proposed for ordinary shareholders of the Company during 2023, nor has any dividend been proposed since the end of the reporting period (2022: nil).

13. LOSS PER SHARE

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Loss for the year attributable to the owners of the Company for the purpose of calculating basic and diluted loss per share	**(3,189,212)**	(1,488,688)

	No. of shares	
	2023	2022
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	**386,102,900**	125,316,184

The weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share has been determined on the assumption that the Share Subdivision (as defined and detailed in Note 28) had been effected since 1 January 2022.

The computation of diluted loss per share for the years ended 31 December 2023 and 2022 does not assume the vest of award shares, exercise of share options or the conversion of preferred shares since their assumed exercise or conversion would result in a decrease in loss per share.

The computation of diluted loss per share for the year ended 31 December 2023 does not assume the exercise of the over-allotment option since their assumed exercise would result in a decrease in loss per share. There was no over-allotment option for the year ended 31 December 2022.

14. PROPERTY, PLANT AND EQUIPMENT, NET

	Leasehold Improvement RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Construction in progress RMB'000	Total RMB'000
COST						
At 1 January 2022	122,896	30,833	2,050	28,810	–	184,589
Additions	12,925	14,941	2,776	5,592	2,614	38,848
Transfer	1,266	–	–	–	(1,266)	–
Disposals	(4,286)	(1,675)	(657)	(3,813)	–	(10,431)
Disposed on disposal of subsidiaries	(715)	(3)	–	–	–	(718)
At 31 December 2022	132,086	44,096	4,169	30,589	1,348	212,288
Additions	**3,895**	**1,436**	**3,026**	**3,654**	**5,194**	**17,205**
Transfer	**5,233**	**978**	**–**	**–**	**(6,211)**	**–**
Disposals	**(1,575)**	**(5,549)**	**(2,735)**	**(2,078)**	**–**	**(11,937)**
At 31 December 2023	**139,639**	**40,961**	**4,460**	**32,165**	**331**	**217,556**
ACCUMULATED DEPRECIATION						
At 1 January 2022	(52,823)	(9,479)	(943)	(14,219)	–	(77,464)
Provided for the year	(25,515)	(9,314)	(1,186)	(7,414)	–	(43,429)
Eliminated on disposals	2,692	1,101	621	2,369	–	6,783
Eliminated on disposal of subsidiaries	83	–	–	–	–	83
At 31 December 2022	(75,563)	(17,692)	(1,508)	(19,264)	–	(114,027)
Provided for the year	**(25,900)**	**(8,524)**	**(1,001)**	**(6,024)**	**–**	**(41,449)**
Eliminated on disposals	**1,468**	**3,698**	**446**	**1,894**	**–**	**7,506**
At 31 December 2023	**(99,995)**	**(22,518)**	**(2,063)**	**(23,394)**	**–**	**(147,970)**
CARRYING VALUES						
At 31 December 2023	**39,644**	**18,443**	**2,397**	**8,771**	**331**	**69,586**
At 31 December 2022	56,523	26,404	2,661	11,325	1,348	98,261

14. PROPERTY, PLANT AND EQUIPMENT, NET (CONTINUED)

Impairment assessment

Giving the continuous losses incurred in the Group's operation during the year, the management concluded there was indication for impairment and conducted impairment assessment on its property, plant and equipment, right-of-use assets and intangibles assets. As at 31 December 2023, management identified property, plant and equipment, right-of-use assets and intangibles assets of certain subsidiaries with impairment indicators at net book value amounted to approximately RMB80,898,000 (2022: RMB7,287,000).

The Group estimates the recoverable amount of the cash-generating unit to which the assets belong to when it is not possible to estimate the recoverable amount individually. Each subsidiary is determined as a cash-generating unit. In addition to property, plant and equipment, right-of-use assets and intangible assets, goodwill as set out in Note 17 have been allocated to two individual cash-generating units, comprising two subsidiaries, Guangdong Dihao Pharmaceutical Co., Ltd. ("Guangdong Dihao") and Guangdong Dongjian Pharmaceutical Co., Ltd. ("Guangdong Dongjian").

The recoverable amount of cash-generating unit has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by the management of the Group covering the following 5 years with pre-tax discount rates of 17% as at 31 December 2023 (2022: 16%). The pre-tax discount rate was derived from capital asset pricing model by considering different market data and company specific risk. The cash flows beyond the five-year period are extrapolated using 2% growth rate (2022: 3%). Management believes that the growth rate does not exceed the average long-term growth rate for the relevant industry. Another key assumption for the value in use calculated is the budgeted gross margin, which is determined based on the cash-generating units' past performance and management expectations for the market development. The growth rates and discount rate as at 31 December 2023 and 2022 have been reassessed taking into consideration a higher degree of estimation uncertainties in due to uncertainty on how the volatility or disruptions in energy, financial, foreign currency or commodity markets may progress and evolve.

Based on the result of the assessment, management of the Group determined that the recoverable amounts of all cash-generating units are higher than the corresponding carrying amounts as at 31 December 2023 and 2022. Therefore, no impairment loss was recognised for both years.

The Group performed sensitivity test by increasing 1% of pre-tax discount rate or decreasing 1% of long-term growth rate, which are the key assumptions determine the recoverable amount of the cash-generating unit, with all other variables held constant. Based on the sensitivity test performed, no material impairment issue was noted for both years. The headroom of each cash-generating unit that was subject to impairment assessment at the end of the reporting period is not less than 13% (2022: 16%).

Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amount of a cash-generating unit to exceed the recoverable amount of that cash-generating unit as at 31 December 2023 and 2022.

15. RIGHT-OF-USE ASSETS

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Carrying amounts:		
Leased properties	**140,130**	165,749

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Depreciation recognised in profit or loss:		
Leased properties	**78,685**	76,562

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Expense relating to short-term leases	**4,300**	5,418
Total cash outflow for leases	**94,297**	90,404
Additions to right-of-use assets	**53,066**	74,095

For both years, the Group leases various warehouses, offices and offline pharmacies for its operation. Lease contracts are entered into for fixed terms of 2 to 6 years with fixed payments. The Group does not have the option to purchase leased properties for a nominal amount at the end of the relevant lease terms or any extension/termination options that are solely at the Group's discretion. The Group determines the lease period to be the non-cancellable period based on the contractual terms of the contract.

In addition, the Group also entered into short-term leases for warehouses and office workplace. As at 31 December 2023 and 2022, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed above.

Lease liabilities of RMB152,153,000 are recognised with related right-of-use assets of RMB140,130,000 as at 31 December 2023 (2022: lease liabilities of RMB180,548,000 and related right-of-use assets of RMB165,749,000). The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purpose.

16. INTANGIBLE ASSETS

	Licences and franchise RMB'000 (Note (i))	Business relationship RMB'000 (Note (ii))	Office software RMB'000 (Note (iii))	Total RMB'000
COST				
At 1 January 2022	117,319	9,340	8,412	135,071
Additions	–	–	4,861	4,861
Disposed on disposal of a subsidiary	(5,300)	–	–	(5,300)
At 31 December 2022	112,019	9,340	13,273	134,632
Additions	**–**	**–**	**344**	**344**
At 31 December 2023	**112,019**	**9,340**	**13,617**	**134,976**
AMORTISATION				
At 1 January 2022	(15,608)	(3,683)	(3,213)	(22,504)
Charge for the year	(11,208)	(1,300)	(2,528)	(15,036)
Eliminated on disposal of a subsidiary	1,811	–	–	1,811
At 31 December 2022	(25,005)	(4,983)	(5,741)	(35,729)
Charge for the year	**(10,833)**	**(1,300)**	**(1,803)**	**(13,936)**
At 31 December 2023	**(35,838)**	**(6,283)**	**(7,544)**	**(49,665)**
CARRYING VALUES				
At 31 December 2023	**76,181**	**3,057**	**6,073**	**85,311**
At 31 December 2022	87,014	4,357	7,532	98,903

Notes:

i The licences and franchise acquired by the Group are for pharmaceutical distribution, health inspection and medical testing business. The directors of the Company determined the useful life of 10 years of the licenses and franchise with reference to the comparable transactions in the open market.

ii The business relationship was acquired through acquisition of a subsidiary, Guangdong Dongjian. With reference to experience in the industry, historical customer retention rate and the useful life of business relationships used by industry peers, the directors of the Company determined 10 years to be the useful life of the business relationship.

iii The directors of the Company determined the useful life of office software with reference to the term of outstanding contract.

17. GOODWILL

	Acquisition of Guangdong Dihao RMB'000	Acquisition of Guangdong Dongjian RMB'000	Total RMB'000
COST			
At 1 January 2022 and 31 December 2022 and 2023	3,924	5,328	9,252
CARRYING VALUES			
At 1 January 2022 and 31 December 2022 and 2023	3,924	5,328	9,252

For the purposes of impairment testing, goodwill have been allocated to two individual cash-generating units, comprising two subsidiaries, Guangdong Dihao and Guangdong Dongjian. The carrying amounts of goodwill allocated to these two subsidiaries as follows:

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Guangdong Dihao	**3,924**	3,924
Guangdong Dongjian	**5,328**	5,328
	9,252	9,252

In addition to goodwill above, property, plant and equipment, intangible assets and right-of-use assets (including allocation of corporate assets) that generate cash flows together with the related goodwill are also included in the respective cash-generating unit for the purpose of impairment assessment. Details of the recoverable amount calculation are disclosed in Note 14.

18. INVENTORIES

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Pharmaceutical and healthcare products	**1,484,477**	1,030,451
Less: impairment provision	**(14,184)**	(14,283)
	1,470,293	1,016,168

19. TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Trade receivables	**32,821**	139,215
Less: allowance for credit losses	**(1,059)**	(4,657)
	31,762	134,558
Note receivables	**7,306**	29,163
Total trade and note receivables	**39,068**	163,721
Advance to suppliers	**135,544**	112,651
Other tax recoverable	**5,688**	4,145
Prepaid expense	**10,798**	12,233
Deferred issue costs	**–**	5,854
Receivables in custodian (Note)	**176,196**	119,945
Other receivables	**76,772**	84,911
Receivables from exercise of share options	**13,649**	–
Total trade and other receivables	**457,715**	503,460

Note: The amounts represented the payments received from online customers of Self-operation business which would deposit in escrow account and subsequently withdraw by the Group upon the customers' acceptance of product delivery.

19. TRADE AND OTHER RECEIVABLES (CONTINUED)

Trade receivables

As at 1 January 2022, trade and note receivables from contracts with customers amounted to approximately RMB122,159,000.

The Group requires full payment in advance for its online product sales, certain offline product sales and retail sales. For other customers, the Group primarily allows a credit period from 15 to 30 days. Trade receivables are settled in accordance with the terms of the respective contracts. Aging analysis of trade receivables, net of allowance for credit losses, based on invoice date is as follows:

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Within 3 months	**28,005**	127,854
3 to 6 months	**778**	3,057
6 to 12 months	**195**	1,182
Over 12 months	**3,843**	7,122
	32,821	139,215
Less: allowance for credit losses	**(1,059)**	(4,657)
	31,762	134,558

Note receivables are trade receivables supported by bank acceptance notes and the average ageing is within 2 to 6 months based on the received date and have a maturity period of less than one year, which management believes that no impairment allowance is necessary as there is no significant change in credit quality and the balances are considered fully recoverable. As at 31 December 2023, the amounts of RMB5,993,000 (2022: RMB28,209,000) note receivables were endorsed to settle trade payables, which were not derecognised until the maturity date of the endorsed notes.

As at 31 December 2023, included in the Group's trade receivables balance are debtors with an aggregate carrying amount of RMB5,930,000 (2022: RMB19,519,000) which are past due as at the reporting date. Out of the past due balances approximately RMB4,340,000 (2022: RMB8,646,000) have been past due over 90 days or more and are not considered as in default as there has not been a significant change in credit quality and amounts are still considered as recoverable based on historical experience. The Group does not hold any collateral over these balances.

Details of impairment assessment are set out in Note 32.

20. FINANCIAL ASSETS AT FVTPL

As at 31 December 2023, the Group's financial assets at FVTPL represented wealth management products placed in banks in the PRC of approximately RMB598,042,000 (31 December 2022: RMB711,076,000), and notes and investment funds of approximately RMB267,451,000 (31 December 2022: nil). The return of these financial assets were determined by reference to the return of their underlying investments. The wealth management products and the notes can be redeemed any time at the Group's discretion and the investment funds can be redeemed any time at the Group's discretion or upon a fixed period of six months at the Group's request by giving a 60 business days notice.

Since the contractual cash flows of these financial assets do not represent solely the payments of principal and interest on the principal amount outstanding, the financial assets are measured at FVTPL. Details of the fair value measurement over the financial assets are disclosed in Note 32.

21. TIME DEPOSITS

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Time deposits with original maturity of three months or less	**71,819**	–
Time deposits with original maturity of more than three months	**257,854**	370,487
	329,673	370,487
Presented as:		
Current	**289,673**	320,487
Non-current	**40,000**	50,000
	329,673	370,487

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Time deposits denominated in foreign currency:		
US$	**213,473**	–

As at 31 December 2022, the Group's time deposits of approximately RMB290,487,000 were held in designated bank accounts for issuance of bank acceptance notes (2023: nil).

The Group's time deposits are bank deposits and redeemable on maturity. The weight-average interest rates of the time deposits were 4.96% per annum as at 31 December 2023 (2022: 4.01%).

Details of impairment assessment are set out in Note 32.

22. RESTRICTED BANK DEPOSITS/BANK BALANCES AND CASH

Restricted bank deposits represents deposits held in designated bank accounts for issuance of bank acceptance notes. The restricted bank deposits carry interest rate ranging from 0.25% to 2.00% per annum as at 31 December 2023 (2022: 0.25% to 2.50%).

Bank balances and cash consists of balance with banks and cash on hand. Bank balances carry interest at prevailing market rates.

Details of impairment assessment are set out in Note 32.

23. TRADE AND OTHER PAYABLES

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Trade payables	**1,474,431**	1,433,487
Note payables	**1,181,242**	448,797
Salary and welfare payables	**154,899**	168,824
Other tax payables	**17,215**	31,227
Other payables	**277,286**	299,622
Deposits received	**665**	1,069
Accrued issued costs and listing expenses	**–**	15,052
	3,105,738	2,398,078

Trade payables

The credit period of trade payables is ranging from 30 to 90 days. An ageing analysis of the trade payables based on the invoice date at the end of each reporting period is as follows:

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
0-30 days	**910,330**	998,860
30-90 days	**461,413**	253,227
Over 90 days	**102,688**	181,400
	1,474,431	1,433,487

Note payables

All note payables issued by the Group are with a maturity period of less than six months.

24. CONTRACT LIABILITIES

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Receipts in advances from customers	**10,308**	24,434

As at 1 January 2022, contract liabilities amounted to approximately RMB9,373,000.

The Group generally requires advance payments from certain of its customers before delivery of goods. This will give rise to a contract liability at the beginning of a contract, until the revenue recognised on the relevant contract exceeds the amount received.

The following table shows how much of the revenue recognised for the years ended 31 December 2023 and 2022 relates to the contract liabilities at the beginning of the year:

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Revenue recognised during the year	**24,434**	9,373

25. LEASE LIABILITIES

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Lease liabilities payable		
Within one year	**62,550**	81,178
Within a period of more than one year but not more than two years	**48,147**	50,711
Within a period of more than two years but not more than five years	**41,456**	48,659
	152,153	180,548
Less: Amount due for settlement within 12 months shown under current liabilities	**(62,550)**	(81,178)
Amount due for settlement after 12 months shown under non-current liabilities	**89,603**	99,370

The weighted average incremental borrowing rates applied by the relevant group entities are 4.75% (2022: 4.75%) per annum.

26. BANK BORROWINGS

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Advance from banks on discounted note receivables with recourse repayable within one year (Note)	**57,508**	–
	57,508	–
Analysed as:		
Unsecured	**57,508**	–
	57,508	–
Carrying amounts repayable within one year and shown under current liabilities	**57,508**	–

Note: All note receivables discounted to banks as at 31 December 2023 were arising from intragroup transactions among members of the Group, which were eliminated in full on consolidation.

The effective interest rates (which was also equal to contracted interest rates) on the Group's bank borrowing are as follow:

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Effective interest rate:		
Advance from banks on discounted note receivables with recourse	**0.73% – 1.65%**	–

All of the borrowings are denominated in RMB which is the same as the functional currency of the corresponding group entities.

27. FINANCIAL LIABILITIES AT FVTPL

The Group issued a series of preferred shares (the "Preferred Shares") to finance its operation. Details of the movements of the fair value of the Preferred Shares issued are as follows:

	Financial liabilities at FVTPL RMB'000
At 1 January 2022	4,222,381
Issued during the year	350,161
Unrealised changes in fair value	1,299,500
At 31 December 2022	5,872,042
Unrealised changes in fair value	3,171,903
Automatic conversion of Preferred Shares upon the Listing (Note)	(9,043,945)
At 31 December 2023	**–**

Note: As at 28 June 2023, all Preferred Shares were automatically converted into 491,225,068 ordinary shares of the Company upon the Listing and the fair value of the Preferred Shares as at 28 June 2023 was measured with reference to the IPO offer price of HK$20 per share.

28. SHARE CAPITAL

	Number of shares	Share capital US$	Presented as RMB'000
Authorised:			
At 1 January 2022 and 31 December 2022	5,000,000,000	50,000	
Share subdivision (Note i)	15,000,000,000	–	
At 31 December 2023	**20,000,000,000**	**50,000**	
Issued and fully paid:			
At 1 January 2022 and 31 December 2022	31,329,046	313	2
Share subdivision (Note i)	93,987,138	–	–
Issue of shares pursuant to initial public offering (Note ii)	17,235,400	44	*
Automatic conversion of Preferred Shares upon the Listing (Note 27)	491,225,068	1,228	9
Exercise of share options (Note 29)	6,708,850	17	*
At 31 December 2023	**640,485,502**	**1,602**	**11**

* Amount is less than RMB1,000.

28. SHARE CAPITAL (CONTINUED)

Notes:

(i) On 28 June 2023, the authorised share capital of the Company of par value US$0.00001 each was subdivided into 4 shares of par value US$0.0000025 each (the "Share Subdivision"). Upon the Share Subdivision, the authorised share capital of the Company was changed from US$50,000 divided into 5,000,000,000 shares of a par value of US$0.00001 each to US$50,000 divided into 20,000,000,000 shares of a par value of US$0.0000025 each and the issued share capital of the Company became US$313 divided into 125,316,184 shares of a par value of US$0.0000025 each.

(ii) On 28 June 2023, the Company was successfully listed on the Main Board of the Stock Exchange following the completion of issuance of 15,808,800 new shares of US$0.0000025 each issued at an offer price of HK$20 per share.

On 25 July 2023, the Company issued and allotted ordinary shares of 1,426,600 shares to the public shareholders at an offer price of HK$20 per share pursuant to the partial exercise of the over-allotment option in the Listing.

(iii) During the year ended 31 December 2023, the Company purchased its own ordinary shares through a trust through the Stock Exchange as follows:

Month of repurchase	No. of ordinary shares	Price per share Highest HK$	Price per share Lowest HK$	Aggregate consideration paid HK$'000
11	**30,000**	**18.32**	**18.00**	**547**
11	**120,000**	**19.78**	**19.46**	**2,358**
11	**120,000**	**20.00**	**19.82**	**2,390**

The purchase of ordinary shares was held by a trust for the purpose of satisfying grants made under the 2023 Share Incentive Plan. Details are set out in Note 29.

Except for the purchase above, none of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

29. SHARE-BASED PAYMENT RESERVES

Equity-settled share option scheme of the Group

2017 Share Incentive Plan

Effective on 2 February 2017, Guangzhou Sudao adopted the "2017 Share Incentive Plan" pursuant to which the Group was authorised to grant share options, share appreciation rights and restricted share to employees and non-employees of Guangzhou Sudao. Share options were granted with an exercise price not less than the fair market value of the Guangzhou Sudao's ordinary shares at the date of grant, and have exercise terms of up to 10 years with vesting periods determined at the discretion of the board of directors of Guangzhou Sudao, and are subject to a continued service relationship. Effective on 1 January 2019, the Group terminated the 2017 Share Incentive Plan, meaning that, while no additional awards of share options, share appreciation rights, or restricted share were permitted thereunder, all outstanding awards continued to be governed by their existing terms.

29. SHARE-BASED PAYMENT RESERVES (CONTINUED)

Equity-settled share option scheme of the Group (Continued)

2019 Share Incentive Plan

Effective on 27 February 2019, the Company adopted the "2019 Share Incentive Plan" pursuant to which the Company is authorised to grant share options, share appreciation rights and restricted share to directors, officers and employees who provide services to the Company and its affiliates. Share options are to be granted with an exercise price not less than the fair market value of the Company's ordinary shares at the date of grant, and have exercise terms of up to 10 years with vesting periods determined at the discretion of the board of directors of the Company, and are subject generally to a continued service relationship.

Substitution of ordinary shares of Guangzhou Sudao to the Company's ordinary shares under 2017 Share Incentive Plan

On 7 December 2018, as part of the share exchange arrangement, Guangzhou Sudao would i) substitute 1 share of ordinary share of Guangzhou Sudao under the 2017 Share Incentive Plan and ii) assume on the same terms and conditions as the 2017 Share Incentive Plan, share appreciation rights, and restricted share under the 2019 Share Incentive Plan as defined and detailed below. The directors of the Company considered that the modification of terms of 2017 Share Incentive Plan have no material change in fair value of the share options at the date of modification.

Two share options can be converted into one ordinary share of the Company upon exercise. Following the Share Subdivision, each share option can be converted into two ordinary shares of the Company upon exercise.

29. SHARE-BASED PAYMENT RESERVES (CONTINUED)

Equity-settled share option scheme of the Group (Continued)

Substitution of ordinary shares of Guangzhou Sudao to the Company's ordinary shares under 2017 Share Incentive Plan (Continued)

The following table discloses movements of share options under 2017 Share Incentive Plan:

Options	Grant year	Vesting period (Note)	Expiry year	Exercise price US$	At 1 January 2022	Forfeited during the year	At 31 December 2022	**Forfeited during the year**	**Exercised during the year**	**At 31 December 2023**
Directors and employees										
Tranche 2017-7	2017	4 years	2027	0.30	1,808,394	(11,952)	1,796,442	**-**	**(691,687)**	**1,104,755**
Tranche 2017-7	2017	4 years	2027	0.30	185,261	–	185,261	**(15,537)**	**(85,300)**	**84,424**
Tranche 2018-1	2018	4 years	2028	0.30	179,286	–	179,286	**-**	**(10,000)**	**169,286**
Tranche 2018-2	2018	4 years	2028	0.30	555,982	–	555,982	**-**	**-**	**555,982**
Tranche 2018-12	2018	4 years	2028	1.05	847,659	–	847,659	**-**	**(193,900)**	**653,759**
					3,576,582	(11,952)	3,564,630	**(15,537)**	**(980,887)**	**2,568,206**
Exercisable at the end of the year							–			**2,568,206**
Weighted average exercise price (US$)					0.48	0.30	0.48	**0.30**	**0.45**	**0.49**

Note: One quarter of options become vested at the end of each year during the vesting period.

Except for the forfeited or exercised options disclosed above, no other options were exercised, forfeited or expired during the year. As at 31 December 2023, the weighted average exercise price of exercisable share options was RMB2.88 (2022: nil share options was exercisable as at 31 December 2022).

29. SHARE-BASED PAYMENT RESERVES (CONTINUED)

Equity-settled share option scheme of the Group (Continued)

Substitution of ordinary shares of Guangzhou Sudao to the Company's ordinary shares under 2017 Share Incentive Plan (Continued)

The following table discloses movements of share options under 2019 Share Incentive Plan:

Options	Grant year	Vesting period (Note i)	Expiry year	Exercise price US$	At 1 January 2022	Granted during the year	Forfeited during the year	At 31 December 2022	**Granted during the year**	**Forfeited during the year**	**Exercised during the year**	**At 31 December 2023**
Directors and employees												
Tranche 2019-3	2019	4 years	2029	1.05	65,000	–	–	65,000	**–**	**–**	**(13,300)**	**51,700**
Tranche 2019-4	2019	4 years	2029	1.05	40,000	–	–	40,000	**–**	**–**	**(40,000)**	**–**
Tranche 2019-10	2019	4 years	2029	0.94	2,251,000	–	(25,000)	2,226,000	**–**	**(27,500)**	**(494,500)**	**1,704,000**
Tranche 2019-11	2019	4 years	2029	2.00	50,000	–	–	50,000	**–**	**–**	**(44,900)**	**5,100**
Tranche 2020-1	2020	4 years	2030	1.05	120,000	–	–	120,000	**–**	**–**	**(82,500)**	**37,500**
Tranche 2020-4	2020	4 years	2030	1.05	270,000	–	(25,000)	245,000	**–**	**(17,000)**	**(36,200)**	**191,800**
Tranche 2021-1	2021	4 years	2031	1.60	1,066,465	–	(799,849)	266,616	**–**	**–**	**(266,600)**	**16**
Tranche 2021-2	2021	4 years	2031	2.00	1,001,500	–	(81,750)	919,750	**–**	**(20,000)**	**(192,750)**	**707,000**
Tranche 2021-7	2021	4 years	2031	2.00	30,000	–	(30,000)	–	**–**	**–**	**–**	**–**
Tranche 2021-11	2021	4 years	2031	2.00	5,220,071	–	(507,071)	4,713,000	**–**	**(267,000)**	**(420,597)**	**4,025,403**
Tranche 2021-12	2021	4 years	2031	2.00	450,000	–	–	450,000	**–**	**–**	**(50,500)**	**399,500**
Tranche 2022-2	2022	4 years	2032	2.00	–	1,099,000	(132,000)	967,000	**–**	**(111,000)**	**(94,450)**	**761,550**
Tranche 2022-5-1	2022	4 years	2032	2.00	–	20,000	–	20,000	**–**	**–**	**(2,000)**	**18,000**
Tranche 2022-5-2	2022	4 years	2032	0.80	–	2,660,000	–	2,660,000	**–**	**–**	**(340,000)**	**2,320,000**
Tranche 2022-5-3	2022	Immediate After IPO (Note ii)	2032	0.80	–	1,330,000	–	1,330,000	**–**	**–**	**–**	**1,330,000**
Tranche 2022-7-1	2022	4 years	2032	2.00	–	740,000	(80,000)	660,000	**–**	**(50,000)**	**(55,000)**	**555,000**
Tranche 2023-1-1	2023	4 years	2033	2.00	–	–	–	–	**200,000**	**–**	**–**	**200,000**
Tranche 2023-1-1	2023	Immediate	2033	0.00	–	–	–	–	**280,000**	**–**	**(230,000)**	**50,000**
Tranche 2023-1-5	2023	4 years	2033	2.00	–	–	–	–	**43,000**	**–**	**(10,241)**	**32,759**
Tranche 2023-3-2	2023	4 years	2033	2.00	–	–	–	–	**20,000**	**–**	**–**	**20,000**
Tranche 2023-6-10	2023	4 years	2033	2.00	–	–	–	–	**2,466,000**	**(28,000)**	**–**	**2,438,000**
					10,564,036	5,849,000	(1,680,670)	14,732,366	**3,009,000**	**(520,500)**	**(2,373,538)**	**14,847,328**
Exercisable at the end of the year								–				**6,110,828**
Weighted average exercise price (US$)					1.69	1.18	1.78	1.48	**1.81**	**1.91**	**1.30**	**1.56**

29. SHARE-BASED PAYMENT RESERVES (CONTINUED)

Equity-settled share option scheme of the Group (Continued)

Substitution of ordinary shares of Guangzhou Sudao to the Company's ordinary shares under 2017 Share Incentive Plan (Continued)

Notes:

i) For the options with vesting period of 4 years, one quarter of options become vested at the end of each year during the vesting period.

ii) In May 2022, the Company granted 1,330,000 share options to Mr. Fei Chen, an executive director of the Company. These options are vested on the date when the Company's shares are listed on the Main Board of the Stock Exchange.

Except for the forfeited or exercised options disclosed above, no other options were exercised, forfeited or expired during the year. As at 31 December 2023, the weighted average exercise price of exercisable share options was RMB8.28 (2022: nil share options was exercisable as at 31 December 2022).

These fair values were calculated using the binomial method. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate with reference to valuation reports carried out by an independent qualified professional valuer. The value of an option varies with different variables of certain subjective assumptions. The inputs into the model were as follows:

	2023	2022
Weighted average share price	**US$2.90 – US$4.33**	US$2.10 – US$2.40
Exercise price	**US$0.00 – US$2.00**	US$0.80 – US$2.00
Expected volatility	**60.60% – 61.60%**	60.22% – 61.47%
Expected life (years)	**10**	10
Risk-free rate	**3.03% – 4.10%**	1.96% – 3.14%
Expected dividend yield	**0%**	0%

Expected volatility was determined by using the historical volatility of the share prices of comparable companies over the previous 10 years. The expected life used in the model has been adjusted, based on the directors' best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

During the year ended 31 December 2023, the Group recognised the total expense of approximately RMB83,657,000 (2022: RMB38,817,000) in relation to share options granted by the Group.

Equity-settled award shares of the Group

2023 Share Incentive Plan

The 2023 Share Incentive Plan was first adopted by the Board on 12 June 2023 and took effect immediately upon the Listing. Since the Listing, the 2023 Share Incentive Plan is subject to Chapter 17 of the Listing Rules. Under the 2023 Share Incentive Plan, a maximum number of 63,235,005 ordinary shares of the Company can be issued to employee participants, related party participant and service provider participant. Award shares have exercise terms of up to 10 years with vesting periods determined at the discretion of the board of directors of the Company, and are subject to performance targets and other condition on case by case basis.

29. SHARE-BASED PAYMENT RESERVES (CONTINUED)

Equity-settled award shares of the Group (Continued)

2023 Share Incentive Plan (Continued)

The following table discloses movements of award shares under 2023 Share Incentive Plan:

Award shares	Grant year	Vesting period (Note)	Expiry year	At 1 January 2023	**Granted during the year**	**Forfeited during the year**	**At 31 December 2023**
Employees							
Tranche 2023-9-4	2023	2 years	2033	–	**627,900**	**(17,000)**	**610,900**
Tranche 2023-9-4	2023	4 years	2033	–	**3,190,100**	**(82,000)**	**3,108,100**
					3,818,000	**(99,000)**	**3,719,000**
Exercisable at the end of the year							**–**

Note: For award shares with vesting period of 2 and 4 years, half and one quarter of award shares become vested at the end of each year during the vesting period, respectively.

Except for the forfeited award shares disclosed above, no other award shares were vested, forfeited or expired during the year.

These fair values of award shares were determined by the share price of the Company at grant date.

During the year ended 31 December 2023, the Group recognised the total expense of approximately RMB34,621,000 (2022: nil) in relation to award shares granted by the Group.

30. RETIREMENT BENEFIT PLAN

The eligible employees of the Company's subsidiaries in PRC are members of pension schemes operated by local government of the PRC. The subsidiaries in the PRC are required to contribute a certain percentage of the relevant cost of payroll of these employees to the pension schemes to fund the benefits.

The contributions to the retirement benefits schemes for employees of the Group and directors of the Company during the year are disclosed in Notes 10 and 11, respectively.

31. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debts, which include lease liabilities as disclosed in Note 25 and bank borrowings as disclosed in Note 26, net of bank balances and cash, and time deposits with original maturity of three months or less and equity attributable to owners of the Company, comprising issued share capital and reserves.

The management of the Group reviews the capital structure on a regular basis. As a part of this review, the management considers the cost of capital and the risks associated with each class of items in the context of capital structure, and takes appropriate actions to adjust the Group's capital structure. Based on recommendations of the management, the Group will balance its overall capital structure through the repayment of existing debts and continuity of funding of cash flows from operating activities and new shares issue.

32. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Financial assets		
Time deposits	**329,673**	370,487
Restricted bank deposits	**1,105,992**	298,404
Bank balances and cash	**673,874**	835,394
Trade and other receivables	**305,685**	368,577
Amount due from a shareholder	**–**	2
Financial assets at amortised cost	**2,415,224**	1,872,864
Financial assets at FVTPL	**865,493**	711,076
Financial liabilities		
Trade and other payables	**2,933,624**	2,323,375
Bank borrowings	**57,508**	–
Financial liabilities at amortised cost	**2,991,132**	2,323,375
Financial liabilities at FVTPL	**–**	5,872,042

32. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies

The Group's financial instruments include trade and other receivables, financial assets at FVTPL, time deposits, restricted bank deposits, bank balances and cash, trade and other payables, bank borrowings, financial liabilities at FVTPL, lease liabilities and amount due from a shareholder. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments mainly include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Currency risk

Certain bank balances, time deposits, financial assets at FVTPL and financial liabilities at FVTPL denominated in foreign currency of respective group entities expose the Group to foreign currency risk. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise. The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the end of both years are mainly as follows:

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Assets		
US$	**520,093**	87,471
Liabilities		
US$	**–**	4,164,994

Sensitivity analysis

The following details the Group's sensitivity to a 5% (2022: 5%) increase and decrease in RMB against US$. 5% (2022: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% (2022: 5%) change in foreign currency rates. For a 5% (2022: 5%) weakening/strengthening of RMB against US$, the Group's post-tax loss for the year ended 31 December 2023 would decrease/increase by approximately RMB19,503,000 (2022: post-tax loss would increase/decrease by approximately RMB152,907,000).

32. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

Market risk (Continued)

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to lease liabilities as disclosed in Note 25 and bank borrowings as disclosed in Note 26.

The Group is also exposed to cash flow interest rate risk in relation to variable-rate restricted bank deposits and bank balances as disclosed in Notes 21 and 22 respectively. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on restricted bank deposits, and bank balances.

The Group currently does not have an interest rate hedging policy. The management of the Group consider the Group's exposure of the restricted bank deposits and bank balances to interest rate risk is insignificant as the fluctuation of market interest rate and PRC prime rate is not expected to be significant, no sensitivity analysis is presented accordingly.

Credit risk and impairment assessment

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. The Group's credit risk exposures are primarily attributable to trade and note receivables, other receivable, time deposits, restricted bank deposits, bank balances and amount due from a shareholder. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

The Group performed impairment assessment for financial assets under ECL model. Information about the Group's credit risk management, maximum credit risk exposures and the related impairment assessment, if applicable, are summarised as below:

Trade and note receivables arising from contracts with customers

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual significant trade debt at the end of the reporting period to ensure that adequate impairment loss is recognised for irrecoverable amount. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

32. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Trade and note receivables arising from contracts with customers (Continued)

In addition, the Group performs impairment assessment under ECL model on a collective basis. Trade and note receivables are grouped by internal credit rating based on shared credit risk characteristics by reference to past due exposure for the customers. During the year ended 31 December 2023, the Group reversed credit loss allowance of approximately RMB2,540,000 (2022: recognised RMB2,300,000) for trade receivables based on collective assessment. Impairment allowance for note receivables as at 31 December 2023 and 2022 was not material.

The Group's concentration of credit risk by geographical locations is mainly in the PRC, which accounted for 100% of the total trade receivables as at 31 December 2023 and 2022.

Other receivables

The Group assessed the loss allowance for other receivables on 12m ECL basis as the Group has considered that credit risks on these financial assets have not increased significantly since initial recognition. In determining the ECL, the Group has taken into account the historical default experience and forward looking information as appropriate. The Group has considered the consistently low historical default rate in connection with payments and the Group also actively monitors the outstanding amounts owed by each debtor and identifies any credit risks in a timely manner in order to reduce the risk of a credit related loss. For the year ended 31 December 2023 and 2022, management of the Group assessed the ECL for other receivables was insignificant and thus no loss allowance was recognised.

Time deposits, restricted bank deposits and bank balances

The credit risks on time deposits, restricted bank deposits and bank balances are limited because the counterparties are authorised banks in the PRC with high credit ratings assigned by external credit-rating agencies.

Other than the concentration of credit risk on liquid funds which are placed with several banks, the Group does not have any other significant concentration of credit risk.

The Group assessed 12m ECL for time deposits, restricted bank deposits and bank balances by reference to information relating to probability of default and loss given default of the respective credit rating grades published by external credit rating agencies. Based on the average loss rates, the 12m ECL on time deposits, restricted bank deposits and bank balances is considered to be insignificant and therefore no loss allowance was recognised.

32. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Time deposits, restricted bank deposits and bank balances (Continued)

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade and note receivables	Other financial assets
Low risk	The counterparty has a low risk of default and does not have material past-due amounts	Lifetime ECL – not credit-impaired	12m ECL
Watch list	Debtor frequently repays after due date but usually settle in full	Lifetime ECL – not credit-impaired	12m ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group and the Company has no realistic prospect of recovery	Amount is written off	Amount is written of

32. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Time deposits, restricted bank deposits and bank balances (Continued)

The table below details the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

	Notes	Internal credit rating	12m or lifetime ECL	Gross carrying amount At 31 December 2023 RMB'000	At 31 December 2022 RMB'000
Financial assets at amortised cost					
Trade receivables	19	(Note 1)	Lifetime ECL – not credit-impaired (collective assessment)	**32,821**	139,215
Note receivables	19	(Note 1)	Lifetime ECL – not credit-impaired (collective assessment)	**7,306**	29,163
Other receivables	19	(Note 2)	12m ECL	**266,617**	204,856
Amount due from a shareholder	36	(Note 2)	12m ECL	**–**	2
Time deposits	21	(Note 2)	12m ECL	**329,673**	370,487
Restricted bank deposits	22	(Note 2)	12m ECL	**1,105,992**	298,404
Bank balances	22	(Note 2)	12m ECL	**673,874**	835,394
				2,416,283	1,877,521

32. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Time deposits, restricted bank deposits and bank balances (Continued)

Notes:

1. For not credit-impaired trade and note receivables, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL on a collective basis, grouped by internal credit rating and past due status of respective receivable.

   Internal credit rating

   As part of the Group's credit risk management, the Group applies internal credit rating for its customers. The following table provides information about the exposure to credit risk for trade receivables which are assessed collectively as at 31 December 2023 and 2022 within lifetime ECL (not credit-impaired). Impairment allowance for note receivables as at 31 December 2023 and 2022 was not material as the notes receivables are issued by authorised banks in the PRC with high credit ratings assigned by external credit-rating agencies.

   Gross carrying amount

	As at 31 December			
	2023		2022	
	Average loss rate	**Trade receivables RMB'000**	Average loss rate	Trade receivables RMB'000
Low risk	**3.2%**	**32,821**	3.3%	139,215

   The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

   During the year ended 31 December 2023, the Group reversed credit losses allowance of approximately RMB2,540,000 (2022: recognised credit losses allowance of approximately RMB2,300,000) for trade receivables.

32. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Time deposits, restricted bank deposits and bank balances (Continued)

Notes: (Continued)

1. (Continued)

Gross carrying amount (Continued)

The following tables show the movement in lifetime ECL that has been recognised for trade receivables under the simplified approach:

Trade receivables	**Lifetime ECL – collective assessment (not credit-impaired)** RMB'000
As at 1 January 2022	6,385
– impairment losses recognised	2,300
– Write-offs	(4,028)
As at 31 December 2022	4,657
– impairment losses reversed	(2,540)
– Write-offs	(1,058)
As at 31 December 2023	**1,059**

The Group writes off trade and note receivables when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade and note receivables are over two years past due, whichever occurs earlier. None of the trade and note receivables that have been written off and is subject to enforcement activities.

2. For the purposes of internal credit risk management, the Group has applied the general approach in IFRS 9 to measure the loss allowance at 12m ECL as there is no significant increase in credit risk since initial recognition. The Group determines the expected credit losses for other receivables, amount due from a shareholder, time deposits, restricted bank deposits and bank balances by assessment of probability of default. During the year ended 31 December 2023 and 2022, in view of the nature of the balance and historical default rate and forward looking information, the Group considers the provision of impairment allowance for these balances are insignificant.

32. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

Liquidity risk

In the management of liquidity risk, the Group's management monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The following tables detail the Group's remaining contractual maturity for its financial liabilities based on the agreed repayment terms. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are at variable rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

	Weighted average interest rate	Carrying amount	On demand or less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2023							
Trade and other payables	**N/A**	**2,933,624**	**2,933,624**	**–**	**–**	**–**	**2,933,624**
Bank borrowings	**1.50**	**57,508**	**57,508**	**–**	**–**	**–**	**57,508**
Lease liabilities	**4.75**	**152,153**	**68,084**	**51,165**	**42,831**	**–**	**162,080**
		3,143,285	**3,059,216**	**51,165**	**42,831**	**–**	**3,153,212**
As at 31 December 2022							
Trade and other payables	N/A	2,323,375	2,323,375	–	–	–	2,323,375
Financial liabilities at FVTPL	N/A	5,872,042	5,872,042	–	–	–	5,872,042
Lease liabilities	4.75	180,548	87,829	54,096	50,660	–	192,585
		8,375,965	8,283,246	54,096	50,660	–	8,388,002

32. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

Fair value measurement of financial instruments

Fair values of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Certain of the Group's financial assets and financial liabilities are measured at fair value at the end of the reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

	As at 31 December			
	2023 RMB'000	2022 RMB'000	**Fair value hierarchy**	**Valuation technique and key input**
Financial assets				
Financial assets at FVTPL	**865,493**	711,076	Level 2	Quoted value from banks and financial institutions based on expected return with reference to underlying investment
Financial liabilities				
Financial liabilities at FVTPL	**–**	5,872,042	Level 3	Back-solve method (Note)

Note:

A 5% increase/decrease in the fair value of the total equity value of the Company, while all other variables keep constant, would increase the carrying amount of financial liabilities at FVTPL as at 31 December 2022 by approximately RMB281,541,000 or decrease the carrying amount as at 31 December 2022 by approximately RMB281,742,000.

A 5% increase/decrease in the probability of an IPO, while all other variables keep constant, would increase/decrease the carrying amount of financial liabilities at FVTPL as at 31 December 2022 by approximately RMB16,681,000.

There were no transfer between Level 1 and 2 during both years.

32. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

Fair value measurement of financial instruments (Continued)

Fair values of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

Reconciliation of Level 3 fair value measurements

	Financial liabilities at FVTPL RMB'000
As at 1 January 2022	4,222,381
– issued during the year	350,161
– changes in fair value	1,299,500
As at 31 December 2022	5,872,042
– changes in fair value	3,171,903
– automatic conversion of Preferred Shares upon the Listing	(9,043,945)
As at 31 December 2023	–

The fair value of financial assets and financial liabilities is determined in accordance with generally accepted pricing model based on discounted cash flow analysis.

The management of the Group considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their fair values.

33. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Convertible preferred shares RMB'000	Lease liabilities RMB'000	Bank borrowings RMB'000	Accrued issue cost RMB'000	Total RMB'000
At 1 January 2022	4,222,381	181,729	–	705	4,404,815
Financing cash flow	350,161	(84,986)	(521)	(2,727)	261,927
New leases entered	–	74,095	–	–	74,095
Issue cost accruals	–	–	–	4,403	4,403
Fair value change	1,299,500	–	–	–	1,299,500
Finance costs	–	9,710	521	–	10,231
As at 31 December 2022	5,872,042	180,548	–	2,381	6,054,971
Financing cash flow	**–**	**(89,997)**	**56,012**	**(33,798)**	**(67,783)**
New leases entered	**–**	**53,066**	**–**	**–**	**53,066**
Issue cost accruals	**–**	**–**	**–**	**31,417**	**31,417**
Fair value change	**3,171,903**	**–**	**–**	**–**	**3,171,903**
Finance costs	**–**	**8,536**	**1,496**	**–**	**10,032**
Automatic conversion of preferred shares upon the IPO	**(9,043,945)**	**–**	**–**	**–**	**(9,043,945)**
As at 31 December 2023	**–**	**152,153**	**57,508**	**–**	**209,661**

34. TRANSFER OF FINANCIAL ASSETS

The following were the Group's financial assets as at 31 December 2023 and 2022 that were transferred to suppliers by endorsing those note receivables on a full recourse basis. As the Group has not transferred the significant risks and rewards relating to these receivables, it continues to recognise the full carrying amount of the note receivables (see Note 19) and the full carrying amount of the trade payables (see Note 23) for endorsed notes receivables. These financial assets are carried at amortised cost in the Group's consolidated statement of financial position.

As at 31 December 2023

	Note receivables endorsed to suppliers with full recourse RMB'000
Carrying amount of transferred financial assets	**5,993**
Carrying amount of associated liabilities	**(5,993)**
	–

As at 31 December 2022

	Note receivables endorsed to suppliers with full recourse RMB'000
Carrying amount of transferred financial assets	28,209
Carrying amount of associated liabilities	(28,209)
	–

35. CAPITAL COMMITMENTS

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**3,591**	3,788

36. RELATED PARTY TRANSACTIONS

Amount due from a shareholder

The balance as at 31 December 2022 was interest-free, non-trade related, unsecured and was fully repaid during the year ended 31 December 2023.

Compensation of key management personnel

The remuneration of directors who are also the key management personnel during the years ended 31 December 2023 and 2022 is set out in Note 11.

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES AND CONSOLIDATED AFFILIATED ENTITIES

Details of the principal subsidiaries directly and indirectly held by the Company are set out below:

Name of subsidiaries	Place of incorporation/ registration/ operations	Paid up/ issued capital	Registered capital	Proportion ownership interest attributable by the Company As at 31 December 2023	2022	Principal activities
Guangzhou Leyao Information Technology Co., Ltd. 廣州樂藥科技集團有限公司 (wholly-owned domestic enterprise)	The PRC	USD256,000,000	USD256,000,000	**100%**	100%	Investment holding
Guangdong Dihao 廣東帝豪藥業有限公司 (wholly-owned domestic enterprise)	The PRC	RMB105,000,000	RMB105,000,000	**100%**	100%	Wholesale of pharmaceutical and healthcare products
Hubei Chengweishang Pharmaceutical Co., Ltd. 湖北誠為上醫藥有限公司 (wholly-owned domestic enterprise)	The PRC	RMB43,500,000	RMB43,500,000	**100%**	100%	Wholesale of pharmaceutical and healthcare products
Chengdu Beilebang Pharmaceutical Co., Ltd. 成都北樂幫醫藥有限公司 (wholly-owned domestic enterprise)	The PRC	RMB81,000,000	RMB81,000,000	**100%**	100%	Wholesale of pharmaceutical and healthcare products
Jiangsu Jinshi Pharmaceutical Co., Ltd. 江蘇金石醫藥有限公司 (wholly-owned domestic enterprise)	The PRC	RMB91,000,000	RMB91,000,000	**100%**	100%	Wholesale of pharmaceutical
Guangdong Dongjian 廣東東健醫藥有限公司 (wholly-owned domestic enterprise)	The PRC	RMB146,000,000	RMB146,000,000	**100%**	100%	Wholesale of pharmaceutical and healthcare products
Anhui Leyao Pharmaceutical Co., Ltd. 安徽樂藥醫藥有限公司 (wholly-owned domestic enterprise)	The PRC	RMB76,000,000	RMB76,000,000	**100%**	100%	Wholesale of pharmaceutical and healthcare products
Guangdong Jiuzhang Pharmaceutical Co., Ltd. 廣東九章醫藥有限公司 (wholly-owned domestic enterprise)	The PRC	RMB10,000,000	RMB10,000,000	**100%**	100%	Retail of pharmaceutical and healthcare products

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES AND CONSOLIDATED AFFILIATED ENTITIES (CONTINUED)

Details of the principal subsidiaries directly and indirectly held by the Company are set out below: (Continued)

Name of subsidiaries	Place of incorporation/ registration/ operations	Paid up/ issued capital	Registered capital	Proportion ownership interest attributable by the Company As at 31 December 2023	2022	Principal activities
Chongqing Yangtuo Pharmaceutical Co., Ltd. 重慶央拓醫藥有限公司 (wholly-owned domestic enterprise)	The PRC	RMB55,000,000	RMB55,000,000	**100%**	100%	Wholesale of pharmaceutical and healthcare products
Donghua Yutai Pharmaceutical Co., Ltd. 東華宇泰(福建)醫藥有限公司 (wholly-owned domestic enterprise)	The PRC	RMB56,000,000	RMB56,000,000	**100%**	100%	Wholesale of pharmaceutical and healthcare products
Jilin Zhongxin Pharmaceutical Co., Ltd. 吉林省眾鑫藥業有限公司 (wholly-owned domestic enterprise)	The PRC	RMB60,000,000	RMB60,000,000	**100%**	100%	Wholesale of pharmaceutical and healthcare products
Beijing Huisheng Pharmaceutical Co., Ltd. 北京惠生醫藥有限責任公司 (wholly-owned domestic enterprise)	The PRC	RMB42,800,000	RMB42,800,000	**100%**	100%	Wholesale of pharmaceutical and healthcare products
Jinan Gonghao Pharmaceutical Co., Ltd. 濟南共好醫藥有限公司 (wholly-owned domestic enterprise)	The PRC	RMB41,000,000	RMB41,000,000	**100%**	100%	Wholesale of pharmaceutical and healthcare products
Heilongjiang Changle Pharmaceutical Co., Ltd. 黑龍江常樂醫藥有限公司 (wholly-owned domestic enterprise)	The PRC	RMB57,000,000	RMB57,000,000	**100%**	100%	Wholesale of pharmaceutical and healthcare products
Zhejiang Lecheng Pharmaceutical Co., Ltd. 浙江樂成醫藥有限公司 (wholly-owned domestic enterprise)	The PRC	RMB52,000,000	RMB52,000,000	**100%**	100%	Wholesale of pharmaceutical and healthcare products
Shaanxi Leying Pharmaceutical Co., Ltd. 陝西樂盈醫藥有限公司 (wholly-owned domestic enterprise)	The PRC	RMB28,000,000	RMB28,000,000	**100%**	100%	Wholesale of pharmaceutical and healthcare products

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES AND CONSOLIDATED AFFILIATED ENTITIES (CONTINUED)

Details of the principal subsidiaries directly and indirectly held by the Company are set out below: (Continued)

Name of subsidiaries	Place of incorporation/ registration/ operations	Paid up/ issued capital	Registered capital	Proportion ownership interest attributable by the Company As at 31 December 2023	2022	Principal activities
Shanxi Lejin Pharmaceutical Co., Ltd. 山西樂進醫藥有限公司 (wholly-owned domestic enterprise)	The PRC	RMB23,000,000	RMB23,000,000	**100%**	100%	Wholesale of pharmaceutical and healthcare products
Liaoning Lexing Pharmaceutical Co., Ltd. 遼寧樂興醫藥有限公司 (wholly-owned domestic enterprise)	The PRC	RMB61,000,000	RMB61,000,000	**100%**	100%	Wholesale of pharmaceutical and healthcare products
Guangzhou Junhe Huilian Supply Chain Management Co., Ltd. 廣州君合慧聯供應鏈管理有限公司 (wholly-owned domestic enterprise)	The PRC	RMB523,398,631	RMB524,000,000	**100%**	100%	Investment holding
Xi'an Leying Zhongkang pharmaceutical chain Co., Ltd. 西安樂盈眾康醫藥連鎖有限公司 (wholly-owned domestic enterprise)	The PRC	RMB28,000,000	RMB28,000,000	**100%**	100%	Wholesale of pharmaceutical and healthcare products
YSB Investment Limited	Hong Kong	USD166,299,980	N/A	**100%**	100%	Investment holding
Guangzhou Sudaoyi 廣州速道易信息科技有限公司 (wholly-owned domestic enterprise)	The PRC	RMB1,120,246,702	RMB1,122,890,000	**100%**	100%	Platform and software service
Guangzhou Sudaoyi Business Service Co., Ltd. 廣州速道易商務服務有限公司 (wholly-owned domestic enterprise)	The PRC	nil	RMB1,000,000	**100%**	100%	Platform and software service
Henan Subiao Information Technology Co., Ltd. 河南速標信息科技有限公司 (wholly-owned domestic enterprise)	The PRC	nil	RMB1,000,000	**100%**	100%	Platform and software service

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES AND CONSOLIDATED AFFILIATED ENTITIES (CONTINUED)

Details of the principal subsidiaries directly and indirectly held by the Company are set out below: (Continued)

Name of subsidiaries	Place of incorporation/ registration/ operations	Paid up/ issued capital	Registered capital	Proportion ownership interest attributable by the Company As at 31 December 2023	2022	Principal activities
Leyou Investment Limited	Hong Kong	USD204,830,000	N/A	**100%**	100%	Investment holding
Guangzhou Yaobang* 廣州藥幫信息科技有限公司	The PRC	nil	RMB1,000,000	**0%**	0%	Platform and software service
Guangzhou Sudao* 廣州速道信息科技有限公司	The PRC	RMB9,818,877	RMB9,818,877	**0%**	0%	Platform and software service
Hebei Zeyi Pharmaceutical Co., Ltd. 河北澤怡醫藥有限公司 (wholly-owned domestic enterprise)	The PRC	RMB30,000,000	RMB40,000,000	**100%**	100%	Wholesale of pharmaceutical and healthcare products
Zhejiang Leyao Pharmaceutical Co., Ltd. 浙江樂藥醫藥有限公司 (wholly-owned domestic enterprise)	The PRC	RMB45,000,000	RMB45,000,000	**100%**	100%	Wholesale of pharmaceutical and healthcare products
Hunan Leyao Pharmaceutical Co., Ltd. 湖南樂藥醫藥有限公司 (wholly-owned domestic enterprise)	The PRC	RMB25,000,000	RMB25,000,000	**100%**	100%	Wholesale of pharmaceutical and healthcare products
Henan Huiying Pharmaceutical Co., Ltd. 河南惠盈醫藥有限公司 (wholly-owned domestic enterprise)	The PRC	RMB70,000,000	RMB70,000,000	**100%**	100%	Wholesale of pharmaceutical and healthcare products
YSB Technology Limited	BVI	nil	N/A	**100%**	100%	Investment holding
YSB Technology (Hong Kong) Limited	Hong Kong	nil	N/A	**100%**	100%	Investment holding
YSB Health Limited	Hong Kong	nil	N/A	**100%**	100%	Investment holding
Guangzhou Yuewei Medical Laboratory Co., Ltd. 廣州閱微醫學檢驗所有限公司 (wholly-owned domestic enterprise)	The PRC	RMB7,000,000	RMB10,000,000	**100%**	100%	Medical testing services

* The Group obtained control over these entities through Contractual Arrangements as set out in Note 4.

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES AND CONSOLIDATED AFFILIATED ENTITIES (CONTINUED)

Details of the principal subsidiaries directly and indirectly held by the Company are set out below: (Continued)

Name of subsidiaries	Place of incorporation/ registration/ operations	Paid up/ issued capital	Registered capital	Proportion ownership interest attributable by the Company As at 31 December 2023	2022	Principal activities
Guangzhou Xiaoweicang Smart Drug Store Technology Co., Ltd. 廣州小微倉智能藥店科技有限公司 (Incorporated domestic enterprise)	The PRC	nil	RMB1,000,000	**70%**	70%	Intelligent Pharmacy services
Guangzhou Linyaohui Information Technology Co., Ltd. 廣州鄰藥匯信息科技有限公司 (wholly-owned domestic enterprise)	The PRC	nil	USD1,000,000	**100%**	100%	Investment holding
Guangzhou Spectrum Health Technology Co., Ltd. 廣州光譜健康科技有限公司 (Incorporated domestic enterprise)	The PRC	nil	RMB1,000,000	**70%**	70%	Medical testing services
Guangzhou Sudaoyi Project Management Consulting Co., Ltd. 廣州速道易項目管理顧問有限公司 (wholly-owned domestic enterprise)	The PRC	nil	RMB100,000	**100%**	100%	Investment holding
Guangzhou Sudaoyi Enterprise Management Consulting Co, Ltd. 廣州速道易企業管理顧問有限公司 (wholly-owned domestic enterprise)	The PRC	nil	RMB100,000	**100%**	100%	Investment holding
Guangzhou Sudao Business Consulting Co., Ltd. 廣州速道商務諮詢有限公司 (wholly-owned domestic enterprise)	The PRC	nil	USD50,000	**100%**	100%	Investment holding
Jiangxi Leyao Pharmaceutical Co., Ltd. 江西樂藥醫藥有限公司 (wholly-owned domestic enterprise)	The PRC	RMB10,000,000	RMB10,000,000	**100%**	100%	Wholesale of pharmaceutical and healthcare products

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES AND CONSOLIDATED AFFILIATED ENTITIES (CONTINUED)

The above table lists the subsidiaries and consolidated affiliated entities of the Company that the directors of the Company believe to principally affect the results or assets of the Group. In the opinion of the directors of the Company, to give details of other subsidiaries would, result in particulars of excessive length.

The voting power of the subsidiaries held by the Company are same with the ownership interest held by the Company.

None of the subsidiaries and consolidated affiliated entities had issued any debt securities at the end of the year.

38. STATEMENT OF FINANCIAL POSITION AND RESERVES (DEFICITS) OF THE COMPANY

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Non-current asset		
Investments in subsidiaries	**3,049,288**	2,950,495
Current assets		
Other receivables	**16,533**	6,421
Amount due from a shareholder	**–**	2
Amount due from a subsidiary	**310,541**	–
Financial assets at FVTPL	**–**	60,654
Time deposits	**239,673**	–
Bank balances and cash	**28,346**	6,904
	595,093	73,981
Current liabilities		
Other payables	**(4,771)**	(15,455)
Amount due to a subsidiary	**(272,323)**	–
Financial liabilities at FVTPL	**–**	(5,872,042)
	(277,094)	(5,887,497)
Net current assets (liabilities)	**317,999**	(5,813,516)
Net assets (liabilities)	**3,367,287**	(2,863,021)
Capital and reserves		
Share capital	**11**	2
Reserves (deficits)	**3,367,276**	(2,863,023)
Total equities (deficits)	**3,367,287**	(2,863,021)

38. STATEMENT OF FINANCIAL POSITION AND RESERVES (DEFICITS) OF THE COMPANY (CONTINUED)

Movement in the Company's reserves (deficits) is as follows:

	Share premium RMB'000	Share-based payments reserves RMB'000	Treasury Shares RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2022	–	24,040	–	(1,557,205)	(1,533,165)
Loss and other comprehensive expense for the year	–	–	–	(1,368,675)	(1,368,675)
Recognition of equity-settled share-based payments	–	38,817	–	–	38,817
Transfer forfeited equity-settled share-based payments to accumulated losses	–	(3,683)	–	3,683	–
At 31 December 2022	–	59,174	–	(2,922,197)	(2,863,023)
Loss and other comprehensive expense for the year	**–**	**–**	**–**	**(3,229,447)**	**(3,229,447)**
Issue of new shares upon the IPO	**317,132**	**–**	**–**	**–**	**317,132**
Transaction costs attributable to issue of new shares	**(39,243)**	**–**	**–**	**–**	**(39,243)**
Automatic conversion of Preferred Shares upon the IPO	**9,043,936**	**–**	**–**	**–**	**9,043,936**
Recognition of equity-settled share-based payments	**–**	**118,278**	**–**	**–**	**118,278**
Purchase of shares for the award share scheme	**–**	**–**	**(4,829)**	**–**	**(4,829)**
Transfer forfeited equity-settled share-based payments to accumulated losses	**–**	**(2,825)**	**–**	**2,825**	**–**
Exercise of share options	**48,605**	**(24,133)**	**–**	**–**	**24,472**
At 31 December 2023	**9,370,430**	**150,494**	**(4,829)**	**(6,148,819)**	**3,367,276**

39. SUBSEQUENT EVENTS

There have been no material subsequent events identified subsequent to 31 December 2023.

Financial Summary

CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

A summary of the results and of the assets and liabilities of the Group for the last four financial years(Note) is set out below:

	Year Ended 31 December			
	2020 RMB'000	2021 RMB'000	2022 RMB'000	**2023** **RMB'000**
Revenue	6,064,907	10,093,538	14,274,810	**16,972,276**
Gross profit	608,789	913,830	1,434,717	**1,740,923**
Loss before tax	(576,272)	(503,074)	(1,496,867)	**(3,210,197)**
Income tax credit (expense)	4,561	1,454	(3,171)	**3,690**
Loss for the year	(571,711)	(501,620)	(1,500,038)	**(3,206,507)**
Loss and total comprehensive expense for the year attributable to:				
Owners of the Company	(571,711)	(494,041)	(1,488,688)	**(3,189,212)**
Non-controlling interests	–	(7,579)	(11,350)	**(17,295)**
Loss and total comprehensive expense for the year	(571,711)	(501,620)	(1,500,038)	**(3,206,507)**
Loss per share (basic and diluted, RMB)	(4.56)	(3.94)	(11.88)	**(8.26)**

Note: The Shares of the Company were listed on the Main Board of the Stock Exchange on 28 June 2023.

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	As at 31 December			
	2020 RMB'000	2021 RMB'000	2022 RMB'000	**2023** **RMB'000**
Assets				
Non-current assets	797,876	863,865	423,749	**348,803**
Current assets	1,792,858	2,572,700	3,684,991	**4,863,040**
Total assets	2,590,734	3,436,565	4,108,740	**5,211,843**
Liabilities				
Non-current liabilities	105,075	119,529	102,718	**92,201**
Current liabilities	4,947,815	6,225,525	8,375,732	**3,236,104**
Total liabilities	5,052,890	6,345,054	8,478,450	**3,328,305**
Equities				
(Deficits)/equities attributable to owners of the Company	(2,462,156)	(2,900,910)	(4,350,781)	**1,919,762**
Non-controlling interests	–	(7,579)	(18,929)	**(36,224)**
Total (deficits) equities	(2,462,156)	(2,908,489)	(4,369,710)	**1,883,538**
Total equities and liabilities	2,590,734	3,436,565	4,108,740	**5,211,843**

Definitions

"Audit Committee"	the audit committee of the Company
"Award Shares"	the Shares underlying an award granted under the 2023 Share Incentive Plan, which includes new Shares or existing Shares
"Board"	the board of Directors
"CG Code"	the Corporate Governance Code set out in Appendix C1 to the Listing Rules (as amended from time to time)
"China" or the "PRC"	the People's Republic of China, and for the purpose of this annual report only, except where the context requires otherwise, excluding Hong Kong, the Macau Special Administrative Region and Taiwan
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company", "our Company" or "the Company"	YSB Inc. (藥師幫股份有限公司), (formerly known as YSB Capital Limited), a limited liability company incorporated under the Laws of the Cayman Islands on 27 August 2018, the shares of which are listed on the Main Board of the Stock Exchange under the stock code "9885"
"Consolidated Affiliated Entity(ies)"	Guangzhou Sudao, Guangzhou Yaobang and their subsidiaries and affiliated entities, the financial accounts of which have been consolidated and accounted for as if they were subsidiaries of our Company by virtue of contractual arrangements
"Director(s)"	the director(s) of the Company
"Environmental, Social and Corporate Governance Committee"	the environmental, social and corporate governance committee of the Company
"FY"	financial year ended 31 December
"Global Offering"	the Hong Kong Public Offering and the International Offering
"Group", "we", "us" or "our"	the Company and its subsidiaries and Consolidated Affiliated Entities from time to time, and where the context requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time
"Guangzhou Sudao"	Guangzhou Sudao Information Technology Co., Ltd. (廣州速道信息科技有限公司)
"Guangzhou Yaobang"	Guangzhou Yaobang Information Technology Co., Ltd. (廣州藥幫信息科技有限公司)

"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Public Offering"	has the meaning ascribed to it in the Prospectus
"IFRS"	International Financial Reporting Standards, as issued from time to time by the International Accounting Standards Board
"International Offering"	has the meaning ascribed to it in the Prospectus
"Listing"	the listing of our shares on the Main Board of the Stock Exchange
"Listing Date"	28 June 2023, the date on which our shares were listed and on which dealings in our 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
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with Growth Enterprise Market of the Stock Exchange
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 to the Listing Rules
"Mr. Zhang"	Mr. Zhang Buzhen (張步鎮), the founder, executive Director, Chairman of the Board and Chief Executive Officer of our Group
"Nomination Committee"	the nomination committee of the Company
"PRC Legal Advisor"	Fangda Partners, our legal advisor on PRC law
"Prospectus"	the Company's prospectus dated 15 June 2023, a copy of which is available on the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk
"Remuneration Committee"	the remuneration committee of the Company
"Reporting Period"	the financial year ended 31 December 2023
"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

Definitions

"Share(s)"	ordinary share(s) in the share capital of our Company with a par value of US$0.0000025 each
"Shareholder(s)"	holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary" or "subsidiaries"	has the meaning ascribed to it thereto in section 15 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), and includes our consolidated affiliated entities and any other entity the financials of which are consolidated into the accounts of the Company
"substantial shareholder"	has the meaning ascribed to it in the Listing Rules
"U.S. dollars" or "US$"	United States dollars, the lawful currency of the United States
"United States" or "US"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"2019 Share Incentive Plan"	the share incentive plan approved and adopted by our Company and effective since 1 January 2019 (as amended from time to time), the principal terms of which are set out in "Statutory and general information – Share Incentive Plans" in Appendix IV of the Prospectus
"2023 Share Incentive Plan"	the share incentive plan approved and adopted by our Company and effective upon Listing, which constitutes a share scheme under Chapter 17 of the Listing Rules, the principal terms of which are set out in "Statutory and general information – Share Incentive Plans" in Appendix IV of the Prospectus
"%"	per cent