*The following is the text of a report set out on pages I-1 to I-66, received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document.*

KPMG

## ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF FANGZHOU INC., CITIGROUP GLOBAL MARKETS ASIA LIMITED, UBS SECURITIES HONG KONG LIMITED AND ABCI CAPITAL LIMITED

### Introduction

We report on the historical financial information of Fangzhou Inc. ("the Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-66, which comprises the consolidated statements of financial position of the Group and the statements of financial position of the Company as at December 31, 2021, 2022 and 2023, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows, for each of the years ended December 31, 2021, 2022 and 2023 (the "Relevant Periods"), and a summary of material accounting policy information and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-66 forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [date] (the "Document") in connection with the [**REDACTED**] of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

### Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in note 1 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

### Reporting accountants' responsibility

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

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in note 1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

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

**Opinion**

In our opinion, the Historical Financial Information gives, for the purpose of the accountants' report, a true and fair view of the Company's and the Group's financial position as at December 31, 2021, 2022 and 2023 and of the Group's financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation and presentation set out in note 1 to the Historical Financial Information.

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

***Adjustments***

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

***Dividends***

We refer to note 26(e) to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Relevant Periods.

***No statutory financial statements for the Company***

No statutory financial statements have been prepared for the Company since its incorporation.

**KPMG**
*Certified Public Accountants*
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
[Date]

## HISTORICAL FINANCIAL INFORMATION

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

The consolidated financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by KPMG Huazhen LLP Guangzhou Branch under separate terms of engagement with the Company in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "Underlying Financial Statements").

## CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

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

| | | Year ended December 31, | | |
|---|---|---|---|---|
| | *Note* | **2021** | **2022** | **2023** |
| | | *RMB'000* | *RMB'000* | *RMB'000* |
| **Revenue** | *4* | 1,758,673 | 2,204,303 | 2,434,308 |
| Cost of sales | | (1,539,025) | (1,823,719) | (1,946,901) |
| **Gross profit** | | 219,648 | 380,584 | 487,407 |
| Other net income/(loss) | *5* | 33,005 | (134,188) | (23,915) |
| Selling and distribution expenses | | (309,291) | (330,248) | (343,770) |
| Administrative expenses | | (138,967) | (177,483) | (171,477) |
| Recognition of impairment losses | *6(c)* | (310) | (173) | (140) |
| **Loss from operations** | | (195,915) | (261,508) | (51,895) |
| Finance costs | *6(a)* | (108,035) | (121,781) | (144,816) |
| **Loss before taxation** | *6* | (303,950) | (383,289) | (196,711) |
| Income tax | *7* | (39) | (13) | (77) |
| **Loss and total comprehensive income for the year** | | (303,989) | (383,302) | (196,788) |
| **Attributable to:** | | | | |
| Equity shareholders of the Company | | (303,964) | (383,302) | (196,788) |
| Non-controlling interests | | (25) | – | – |
| **Loss and total comprehensive income for the year** | | (303,989) | (383,302) | (196,788) |
| **Loss per share** | | | | |
| Basic (in RMB) | *10* | N/A | N/A | N/A |
| Diluted (in RMB) | | N/A | N/A | N/A |

The accompanying notes form part of the Historical Financial Information.

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
*(Expressed in RMB)*

| | Note | As at December 31, 2021 | 2022 | 2023 |
|---|---|---|---|---|
| | | RMB'000 | RMB'000 | RMB'000 |
| **Non-current assets** | | | | |
| Property, plant and equipment | 11 | 23,376 | 31,260 | 51,639 |
| Intangible assets | 12 | 2,436 | 2,451 | 2,275 |
| Other non-current assets | 13 | 10,767 | 10,000 | 100 |
| | | 36,579 | 43,711 | 54,014 |
| **Current assets** | | | | |
| Inventories | 14 | 111,528 | 126,464 | 136,045 |
| Trade and other receivables | 15 | 48,321 | 86,411 | 101,142 |
| Other current assets | 16 | 23,808 | 26,357 | 34,761 |
| Prepayments | | 10,167 | 63,999 | 18,474 |
| Amounts due from related parties | 28(c) | 33,628 | 12,032 | – |
| Restricted bank deposits | 17 | – | 25,000 | 30,615 |
| Cash and cash equivalents | 18(a) | 84,658 | 134,907 | 146,317 |
| | | 312,110 | 475,170 | 467,354 |
| **Current liabilities** | | | | |
| Trade and other payables | 19 | 282,049 | 356,217 | 440,451 |
| Contract liabilities | 20 | 18,055 | 89,368 | 19,873 |
| Bank loans | 21 | – | 10,154 | 5,005 |
| Lease liabilities | 22 | 9,958 | 12,796 | 15,346 |
| Other current liabilities | | 1,799 | 8,502 | 1,252 |
| Current taxation | 24(a) | – | 12 | 15 |
| | | 311,861 | 477,049 | 481,942 |
| **Net current assets/(liabilities)** | | 249 | (1,879) | (14,588) |
| **Total assets less current liabilities** | | 36,828 | 41,832 | 39,426 |
| **Non-current liabilities** | | | | |
| Lease liabilities | 22 | 8,315 | 13,858 | 29,368 |
| Convertible redeemable preferred shares | 25 | 1,368,767 | 1,737,882 | 1,911,521 |
| | | 1,377,082 | 1,751,740 | 1,940,889 |
| **NET LIABILITIES** | | (1,340,254) | (1,709,908) | (1,901,463) |
| **CAPITAL AND RESERVES** | 26 | | | |
| Share capital | 26(c) | 86 | 86 | 86 |
| Reserves | | (1,340,340) | (1,709,994) | (1,901,549) |
| **TOTAL DEFICIT** | | (1,340,254) | (1,709,908) | (1,901,463) |

The accompanying notes form part of the Historical Financial Information.

## STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

*(Expressed in RMB)*

| | Note | As at December 31, 2021 | 2022 | 2023 |
|---|---|---|---|---|
| | | *RMB'000* | *RMB'000* | *RMB'000* |
| **Non-current assets** | | | | |
| Property, plant and equipment | | – | 662 | 331 |
| Investment in a subsidiary | *30(a)* | 664,140 | 675,623 | 680,094 |
| | | 664,140 | 676,285 | 680,425 |
| **Current assets** | | | | |
| Amount due from a subsidiary | *30(b)* | 267,135 | 333,597 | 364,737 |
| Amounts due from related parties | | 71 | 71 | – |
| Other current assets | *16* | 2,340 | 5,397 | 3,983 |
| Prepayments | | 4,474 | – | 29 |
| Cash and cash equivalents | *18(a)* | 1,076 | 59,439 | 1,021 |
| | | 275,096 | 398,504 | 369,770 |
| **Current liabilities** | | | | |
| Other payables | *19* | 2,498 | 9,878 | 10,149 |
| Lease liabilities | | – | 324 | 336 |
| | | 2,498 | 10,202 | 10,485 |
| **Net current assets** | | 272,598 | 388,302 | 359,285 |
| **Total assets less current liabilities** | | 936,738 | 1,064,587 | 1,039,710 |
| **Non-current liabilities** | | | | |
| Lease liabilities | | – | 336 | – |
| Convertible redeemable preferred shares | *25* | 1,368,767 | 1,737,882 | 1,911,521 |
| | | 1,368,767 | 1,738,218 | 1,911,521 |
| **NET LIABILITIES** | | (432,029) | (673,631) | (871,811) |
| **CAPITAL AND RESERVES** | *26* | | | |
| Share capital | *26(c)* | 86 | 86 | 86 |
| Reserves | | (432,115) | (673,717) | (871,897) |
| **TOTAL DEFICIT** | | (432,029) | (673,631) | (871,811) |

The accompanying notes form part of the Historical Financial Information.

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
*(Expressed in RMB)*

| | | Attributable to equity shareholders of the Company | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | *Note* | Share capital | Share premium | Other reserves | Shares held for the RSU Incentive Plan | Share-based payments reserve | Accumulated losses | Total | Non-controlling interest | Total deficit |
| | | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000 Note 26(d)* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Balance at January 1, 2021** | | 86 | 18,130 | (783,509) | (11) | – | (276,865) | (1,042,169) | – | (1,042,169) |
| **Changes in equity for 2021:** | | | | | | | | | | |
| Loss and total comprehensive income for the year | | – | – | – | – | – | (303,964) | (303,964) | (25) | (303,989) |
| Capital injection by the non-controlling interest of a subsidiary | | – | – | – | – | – | – | – | 303 | 303 |
| Acquisition of additional interest in a subsidiary from its non-controlling interest | | – | – | 303 | – | – | (25) | 278 | (278) | – |
| Deemed distribution | *26(f)(ii)* | – | – | (2,303) | – | – | – | (2,303) | – | (2,303) |
| Equity settled share-based transactions | *26(f)(iii)* | – | – | – | – | 7,904 | – | 7,904 | – | 7,904 |
| Shares vested under the RSU Incentive Plan | *26(f)(i)* | – | 4,554 | – | 2 | (4,556) | – | – | – | – |
| **Balance at December 31, 2021** | | 86 | 22,684 | (785,509) | (9) | 3,348 | (580,854) | (1,340,254) | – | (1,340,254) |

| | Note | Attributable to equity shareholders of the Company | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | Share capital | Share premium | Other reserves | Shares held for the RSU Incentive Plan | Share-based payments reserve | Accumulated losses | Total deficit |
| | | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* *Note 26(d)* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Balance at January 1, 2022** | | 86 | 22,684 | (785,509) | (9) | 3,348 | (580,854) | (1,340,254) |
| **Changes in equity for 2022** | | | | | | | | |
| Loss and total comprehensive income for the year | | – | – | – | – | – | (383,302) | (383,302) |
| Equity settled share-based transactions | *26(f)(iii)* | – | – | – | – | 13,648 | – | 13,648 |
| Shares vested under the RSU Incentive Plan | *26(f)(i)* | – | 7,391 | – | 1 | (7,392) | – | – |
| **Balance at December 31, 2022** | | 86 | 30,075 | (785,509) | (8) | 9,604 | (964,156) | (1,709,908) |

| | Note | Attributable to equity shareholders of the Company | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | Share capital | Share premium | Other reserves | Shares held for the RSU Incentive Plan | Share-based payments reserve | Accumulated losses | Total deficit |
| | | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* *Note 26(d)* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Balance at January 1, 2023** | | 86 | 30,075 | (785,509) | (8) | 9,604 | (964,156) | (1,709,908) |
| **Changes in equity for 2023** | | | | | | | | |
| Loss and total comprehensive income for the year | | – | – | – | – | – | (196,788) | (196,788) |
| Equity settled share-based transactions | *26(f)(iii)* | – | – | – | – | 5,233 | – | 5,233 |
| Shares vested under the RSU Incentive Plan | *26(f)(i)* | – | 6,918 | – | – | (6,918) | – | – |
| **Balance at December 31, 2023** | | 86 | 36,993 | (785,509) | (8) | 7,919 | (1,160,944) | (1,901,463) |

The accompanying notes form part of the Historical Financial Information.

## CONSOLIDATED STATEMENTS OF CASH FLOWS
***(Expressed in RMB)***

| | Note | Year ended December 31, | | |
|---|---|---|---|---|
| | | **2021** | **2022** | **2023** |
| | | *RMB'000* | *RMB'000* | *RMB'000* |
| **Operating activities** | | | | |
| Cash (used in)/generated from operations | *18(b)* | (203,613) | (49,964) | 22,356 |
| Income tax paid | *24(a)* | (42) | (1) | (74) |
| **Net cash (used in)/generated from operating activities** | | (203,655) | (49,965) | 22,282 |
| **Investing activities** | | | | |
| Repayments of borrowings by related parties | *28(b)* | 46,006 | 21,596 | 12,032 |
| Payment for purchases of property, plant and equipment and intangible assets | | (5,515) | (5,281) | (5,648) |
| Payment for other non-current assets | *13* | (8,000) | – | – |
| Advance of borrowings to related parties | *28(b)* | (36,814) | – | – |
| Deemed distribution | | – | (2,000) | – |
| Proceeds from disposal of other non-current assets | *13* | – | – | 10,000 |
| Proceeds from sale of property, plant and equipment | | – | – | 34 |
| **Net cash (used in)/generated from investing activities** | | (4,323) | 14,315 | 16,418 |
| **Financing activities** | | | | |
| Proceed from the issuance of convertible redeemable preferred shares | *18(c)* | – | 110,175 | – |
| Proceed from bank loans | *18(c)* | – | 24,790 | 25,601 |
| Capital injection by the non-controlling interest of a subsidiary | | 303 | – | – |
| Payment for acquisition of additional interest in a subsidiary from its non-controlling interest | | (303) | – | – |
| Payment of restricted bank deposits | | – | (25,000) | (60,615) |
| Proceeds from maturity of restricted bank deposits | | – | – | 55,000 |
| Repayment of bank loans | *18(c)* | – | (14,790) | (30,601) |
| Capital element of lease rentals paid | *18(c)* | (10,592) | (11,929) | (16,904) |
| Interest element of lease rentals paid | *18(c)* | (815) | (752) | (1,377) |
| Interest paid | *18(c)* | – | (261) | (412) |
| **Net cash (used in)/generated from financing activities** | | (11,407) | 82,233 | (29,308) |

The accompanying notes form part of the Historical Financial Information.

| | | Year ended December 31, | | |
|---|---|---|---|---|
| | *Note* | **2021** | **2022** | **2023** |
| | | *RMB'000* | *RMB'000* | *RMB'000* |
| **Net (decrease)/increase in cash and cash equivalents** | | (219,385) | 46,583 | 9,392 |
| **Cash and cash equivalents at the beginning of the year** | | 307,817 | 84,658 | 134,907 |
| **Effect of foreign exchange rate changes** | | (3,774) | 3,666 | 2,018 |
| **Cash and cash equivalents at the end of the year** | *18(a)* | 84,658 | 134,907 | 146,317 |

## NOTES TO THE HISTORICAL FINANCIAL INFORMATION

*(Expressed in RMB unless otherwise indicated)*

### 1 BASIS OF PREPARATION AND PRESENTATION OF THE HISTORICAL FINANCIAL INFORMATION

### 1.1 General information

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on September 26, 2019. The Company is an investment holding company and has not carried on any business since the date of its incorporation save for the Group Reorganization (as defined below). The Company and its subsidiaries (collectively the "Group"), are principally engaged in online chronic disease management services (the "[**REDACTED**] Business") in the People's Republic of China (the "PRC"). The Group's principal operations and geographic markets are in the PRC.

Mr. Xie Fangmin and Mr. Zhou Feng (collectively the "Controlling Shareholders") collectively controlled the Company by entering into an acting-in-concert arrangement since the incorporation of the Company.

### 1.2 History, reorganization and basis of preparation and presentation of the Historical Financial Information

To rationalize the corporate structure in preparation of the [**REDACTED**] of the Company's shares on The Stock Exchange of Hong Kong Limited ("The Stock Exchange"), the Group underwent certain reorganization (the "Reorganization") in two distinct phases as following. Details of the Reorganization were set out in the section headed "History, Reorganization and Corporate Structure" in the Document.

***1.2.1 Acquisition of Fangzhan Technology and rationalization of shareholding structure***

Prior to the incorporation of the Company, the [**REDACTED**] Business was principally carried out by Guangdong Fangzhan Technology Co., Ltd. (廣東方展科技有限公司) ("Fangzhan Technology") and its subsidiary. Through the first phase of the Reorganization, the [**REDACTED**] Business was transferred to the Company and certain shareholding arrangements were rationalized.

The first phase of the Reorganization involved neither any business combination nor any substantive change in the ultimate control over the business and operations of the Group, and with a continuation of risks and benefits to the equity shareholders of the Group. As such, the related Historical Financial Information has been presented by applying a principle similar to that for a reverse acquisition, and the assets and liabilities of the relevant entities recognized and measured at their historical carrying amounts prior to the first phase of the Reorganization.

*1.2.1.1 Acquisition of Fangzhan Technology*

On December 14, 2020, the Company issued shares to the holders of Series A, Series A-1 and Series B Preferred Shares (all of them are preferred shares holders of Yunyi Inc.) at a par value of USD0.0001, the present value of which was amounted to RMB988,261,000 (see note 25).

On December 30, 2020, Fangzhou Limited, a wholly-owned subsidiary of the Company, acquired Fangzhan Technology at a consideration of USD94,700,000 (equivalent to RMB658,722,000) from the then equity owner, Yunyi Limited.

*1.2.1.2 Contractual Arrangements of Fangzhou Yunkang*

On April 28, 2020, Guangzhou Fangzhou Yunkang Information Technology Group Co., Ltd. (廣州方舟雲康信息科技集團有限公司) ("Fangzhou Yunkang") was incorporated. On the same date, Guangdong Fangfeng Technology Co., Ltd. (廣東方峰科技有限公司) ("Fangfeng Technology"), a wholly-owned subsidiary of the Company, entered into a series of contractual arrangements (the "Contractual Arrangements") with Fangzhou Yunkang and its nominee equity holders such that, Fangfeng Technology obtained the ability to exercise effective control over Fangzhou Yunkang and obtain substantially all of the economic benefits of Fangzhou Yunkang. Fangzhou Yunkang has not carried out any substantial business operations (including the [**REDACTED**] Business) since the date of incorporation.

*1.2.1.3 Acquisition of subsidiaries under nominee agreement arrangements*

To rationalize the shareholding structure, during April to June 2021, Fangzhou Yunkang acquired Guangzhou Fangzhou Medicine Co., Ltd. (廣州方舟醫藥有限公司) ("Fangzhou Medicine") from Mr. Xie Fangmin at nil consideration and Fangzhou Yunkang acquired other five insignificant subsidiaries from related parties, all of which were previously held on the Company's behalf under certain nominee arrangements.

Similarly, during April 2021, Guangzhou Fangzhou Information Technology Co., Ltd. (廣州方舟信息科技有限公司) ("Fangzhou Information") acquired Guangzhou Fangzhou Pharmaceutical Co., Ltd. (廣州方舟藥業有限公司) ("Fangzhou Pharmaceutical") from Guangzhou Fangming Investment Enterprise (Limited Partnership) (廣州市方明投資企業(有限合夥)) ("Fangming Investment") and Ms. Liu Xiukui at nil consideration and Fangzhou Information acquired another insignificant subsidiary from related parties, both of which were previously held on the Company's behalf under certain nominee arrangements:

***1.2.2 Acquisition of Jingtai Hospital***

As the second phase of the Reorganization, on April 19, 2021, Fangfeng Technology and Fangzhou Yunkang acquired 70% and 30% of nominee shares of Jingtai Hospital (景泰醫院) from the Controlling Shareholders, respectively. Jingtai Hospital was previously acquired by Ms. Liu Xiukui on behalf of the Controlling Shareholders on March 1, 2017 by way of a nominee arrangement.

The acquisition of Jingtai Hospital was a business combination under the common control of the Controlling Shareholders and, has therefore been accounted for using the pooling of interest method as if the acquisition had been completed since the date the entities came under the common control of the Controlling Shareholders. The assets and liabilities of Jingtai Hospital have been included using the existing book values from the Controlling Shareholders' perspective. No adjustments were made to reflect fair values, or recognize any new assets or liabilities as a result of such acquisition.

The consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for the Relevant Periods as set out in this report include the financial performance and cash flows of the companies now comprising the Group as if the current group structure had been in existence throughout the Relevant Periods. The consolidated statements of financial position of the Group as at December 31, 2021 as set out in this report have been prepared to present the financial position of the entities now comprising the Group as at those dates as if the current group structure had been in existence as at the respective dates, taking into account the respective dates of incorporation or establishment, where applicable. Intra-group balances, transactions and unrealized gains/losses on intra-group transactions are eliminated in full in preparing the Historical Financial Information.

Upon completion of the Reorganization, Fangzhou Inc. became the holding company of the entities now comprising the Group. Details of the Group's principal subsidiaries are set out below.

**1.3 Subsidiaries**

As at the date of this report, no statutory financial statements have been prepared for the Company, as it is an investment holding company which is not subject to statutory audit requirements under the relevant rules and regulations in the Cayman Islands.

Upon completion of the Reorganization and as at the date of this report, the Company has direct and indirect interests in the following principal subsidiaries:

| Company name | Place and date of incorporation/ establishment | Registered capital | Issued capital | Proportion of ownership interest: Equity interest | Proportion of ownership interest: Held through Contractual arrangements | Principal activities | Name of auditor |
|---|---|---|---|---|---|---|---|
| | | | | | *Indirectly (iii)* | | |
| ***Direct held by the Company*** | | | | | | | |
| Fangzhou Limited | Hong Kong, October 24, 2019 | Hong Kong Dollar ("HKD") 10,000 | HKD 10,000 | 100.00% | – | Investment holding | (ii) |

| Company name | Place and date of incorporation/ establishment | Registered capital | Issued capital | Proportion of ownership interest: Equity interest | Proportion of ownership interest: Held through Contractual arrangements | Principal activities | Name of auditor |
|---|---|---|---|---|---|---|---|
| | | | | | *Indirectly (iii)* | | |
| ***Indirect held by the Company*** | | | | | | | |
| Fangzhou Pharmaceutical (i) | Mainland China, March 23, 2004 | RMB5,000,000 | RMB580,000 | 100.00% | – | Wholesale and supply chain | (ii) |
| Fangzhan Technology (i) | Mainland China, November 2, 2015 | USD100,000,000 | USD94,700,000 | 100.00% | – | Provision of internet and e-commerce services | (ii)(b) |
| Fangfeng Technology (i) | Mainland China, February 12, 2020 | USD100,000,000 | USD47,000,000 | 100.00% | – | Provision of internet and e-commerce services | (ii)(b) |
| Jingtai Hospital (i) | Mainland China, July 20, 2011 | RMB500,000 | RMB500,000 | 70.00% | 30.00% | Medical Service | (ii) |
| Fangzhou Medicine (i)(iii) | Mainland China, August 20, 2019 | RMB20,000,000 | RMB70,000 | – | 100.00% | Retail | (ii) |
| Guangdong Qishi Hospital Management Co., Ltd. (廣東啟石醫院管理有限公司) (i)(iii) | Mainland China, September 30, 2020 | RMB10,000,000 | RMB5,000,000 | – | 100.00% | Medical Service | (ii)(b) |

*Notes:*

(i) The English translation of these companies' names are for reference only. The official names of these companies are in Chinese. Except for Jingtai Hospital, which is a private non-enterprise hospital, other companies incorporated in Mainland China are registered as limited liability companies under PRC laws.

(ii) The financial statements of the following companies now comprising the Group for each of the years ended December 31, 2021, 2022 and 2023 were prepared in accordance with either HKFRSs issued by the HKICPA or the relevant accounting rules and regulations applicable to enterprises in the PRC and were audited by the respective auditors as indicated below:

| Name of company | Financial period | Auditors |
|---|---|---|
| Jingtai Hospital | Years ended December 31. 2021, 2022 and 2023 | Dongguan Tiho Certified Public Accountants LLP 東莞市泰合會計師事務所 (普通合夥) |
| Fangzhou Limited | Years ended December 31, 2021 and 2022 | Aston CPA And Associates Certified Public Accountants |
| Fangzhou Pharmaceutical | Year ended December 31, 2021 | Guangdong Zhongguangrun Certified Public Accountants LLP 廣東中廣潤會計師事務所 (普通合夥) |
| Fangzhou Pharmaceutical | Year ended December 31, 2022 | Guangzhou Suihe Accounting Firm (General Partnership) 廣州穗禾會計師事務所(普通合夥) |
| Fangzhou Medicine | Year ended December 31, 2021 | Guangdong Zhongguangrun Certified Public Accountants LLP 廣東中廣潤會計師事務所 (普通合夥) |
| Fangzhou Medicine | Year ended December 31, 2022 | Guangzhou Suihe Accounting Firm (General Partnership) 廣州穗禾會計師事務所(普通合夥) |
| Fangzhou Information | Year ended December 31, 2023 | Guangzhou Suihe Accounting Firm (General Partnership) 廣州穗禾會計師事務所(普通合夥) |

(a) All companies now comprising the Group have adopted December 31 as their financial year end date.

(b) During the Relevant Periods, no audited financial statements have been prepared for these companies.

(iii) Upon completion of the Reorganization disclosed in note 1.2, the equity interest of these entities was held directly by Fangzhou Yunkang, respectively.

The Historical Financial Information has been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Further details of the material accounting policy information adopted are set out in note 2.

The HKICPA has issued a number of new and revised HKFRSs. For the purpose of preparing this Historical Financial Information, the Group has consistently adopted all applicable new and revised HKFRSs that are effective during the Relevant Periods, except for any new standards or interpretations that are not yet effective for the Relevant Periods. The revised and new accounting standards and interpretations issued but not yet effective for the Relevant Periods are set out in note 32.

The Historical Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.The accounting policies set out below have been applied consistently to all periods presented in the Historical Financial Information.

**1.4 Going concern assessment**

The Group recorded net current liabilities of RMB14,588,000 and net liabilities of RMB1,901,463,000 as at December 31, 2023. The net liabilities position was primarily caused by the convertible redeemable preferred shares (see note 25) totaling RMB1,911,521,000 as at December 31, 2023. The Directors of the Company are of the opinion that no material uncertainty exists related to events or conditions which, individually or collectively, may cast significant doubt on the Group's ability to continue as a going concern, taking into account the following factors:

– the Group have unutilized banking facilities of RMB48,899,500 as at December 31, 2023, which can be utilized by the Group to fulfil its liquidity requirements when necessary;

– the Directors of the Company, based on the contract terms with the convertible redeemable preferred shares holders, do not expect the convertible redeemable preferred shares would be redeemed within the next twelve months from December 31, 2023; and

– the Directors have reviewed the Group's cash flow projections, which cover a period of at least twelve months from December 31, 2023 and are of the opinion that the Group will have sufficient working capital to meet its liabilities and obligations as and when they fall due and to sustain its operations for at least the next twelve months from December 31, 2023.

**2 MATERIAL ACCOUNTING POLICY INFORMATION**

**(a) Basis of measurement**

Item included in the Historical Financial Information of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to the entity (the "Functional Currency"). The Historical Financial Information is presented in RMB, rounded to the nearest thousand unless otherwise indicated.

The measurement basis used in the preparation of the Historical Financial Information is the historical cost basis.

**(b) Use of estimates and judgements**

The preparation of the Historical Financial Information in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized 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.

Judgements made by management in the application of HKFRSs that have significant effect on the Historical Financial Information and major sources of estimation uncertainty are discussed in note 3.

**(c) Consolidation**

***(i) Business combination involving entities under common control***

A business combination involving entities under common control is a business combination in which all of the combining entities are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. The assets acquired and liabilities assumed are measured based on their carrying amounts in the financial statements of the ultimate controlling party at the combination date. The difference between the carrying amounts of the net assets acquired and the consideration paid for the combination is adjusted to equity. Any costs directly attributable to the combination are recognized in profit or loss when incurred. The combination date is the date on which one combining entity obtains control of other combining entities.

***(ii) Business combination involving entities not under common control***

A business combination involving entities not under common control is a business combination in which all of the combining entities are not ultimately controlled by the same party or parties both before and after the business combination. Acquisition related costs are expensed when incurred. The acquiree's identifiable assets, liabilities and contingent liabilities, if the recognition criteria are met, are recognized by the Group at their acquisition date fair value. The acquisition date is the date on which the acquirer obtains control of the acquiree.

***(iii) Subsidiaries and non-controlling interests***

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the Historical Financial Information from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealized profits arising from intra-group transactions are eliminated in full in preparing the Historical Financial Information. Unrealized losses resulting from intra-group transactions are eliminated in the same way as unrealized gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the period between non-controlling interests and the equity shareholders of the Company.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognized.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognized in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognized at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture.

In the Company's statements of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2(i)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

***(iv) Subsidiaries controlled through Contractual Arrangements***

In order to comply with the PRC laws and regulations which prohibit or restrict foreign control of companies involved in provision of internet content and other restricted businesses, the Group operates its online consultation and e-prescription services, online retail pharmacy services and online academic community services in the PRC through certain PRC operating entities, whose equity interests are held by certain nominee shareholders (together "Nominee Shareholders"). The Group signed Contractual Arrangements with the PRC operating entities and the Nominee Shareholders. The Contractual Arrangements include exclusive consulting services agreements, exclusive purchase option agreement, equity pledge agreement and voting proxy agreements, which enable the Group to:

- govern the financial and operating policies of the PRC operating entities;
- exercise equity holder voting rights of the PRC operating entities;
- receive substantially all of the economic interest returns generated by the PRC operating entities in consideration for the technical support, consulting and other services provided exclusively by Fangzhan Technology and Fangfeng Technology, at the discretion of Fangzhan Technology and Fangfeng Technology;
- obtain an irrevocable and exclusive right to purchase part or all of the equity interests in the PRC operating entities at any time and from time to time, at the minimum consideration permitted by the relevant law in China at the time of transfer; and
- obtain a pledge over all of its equity interests from its respective Nominee Shareholders as collateral for all of the PRC entity's payments due to the Group to secure performance of entities' obligation under the Contractual Arrangements.

Accordingly, the Group has rights to control these PRC operating entities and accordingly account for them as entities controlled by the Group.

**(d) Joint ventures**

A joint venture is an arrangement whereby the Group and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in a joint venture is accounted for in the Historical Financial Information under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition date fair values of the investee's identifiable net assets over the cost of the investment (if any). The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the joint venture that forms part of the Group's equity investment. Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment. At each reporting date, the Group assesses whether there is any objective evidence that the investment is impaired. Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the period are recognized in the Group's profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognized in the Group's other comprehensive income.

When the Group's share of losses exceeds its interest in the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method, together with any other long-term interests that in substance form part of the Group's net investment in the joint venture, after applying the ECL model to such other long-term interests where applicable (see note 2(i)).

Unrealized profits and losses resulting from transactions between the Group and its joint venture are eliminated to the extent of the Group's interest in the investee, except where unrealized losses provide evidence of an impairment of the asset transferred, in which case they are recognized immediately in profit or loss.

In all other cases, when the Group ceases to have significant influence over a joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognized in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognized at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

**(e) Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 2(i)).

Cost includes expenditures that are directly attributable to the acquisition of an asset.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognized in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

| | **Useful life** |
|---|---|
| Machinery and equipment | 3 - 10 years |
| Motor vehicles | 4 years |
| Furniture, fixtures and other equipment | 3 - 5 years |
| Leasehold improvement | Shorter of the lease term and estimated useful lives |

Where parts of an item of property, plant and equipment have different useful lives, the cost is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

**(f) Research and development costs**

Research and development costs comprise all costs that are directly attributable to research and development activities or that can be allocated on a reasonable basis to such activities. Because of the nature of the Group's research and development activities, the criteria for the recognition of such costs as an asset are generally not met until late in the development stage of the project when the remaining development costs are immaterial. Hence both research costs and development costs are generally recognized as expenses in the period in which they are incurred.

**(g) Intangible assets**

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortization and any accumulated impairment losses (see note 2(i)).

Amortization of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortized from the date they are available for use and their estimated useful lives are as follows:

| | **Useful life** |
|---|---|
| Computer software | 5 years |
| License | 5 years |
| Trademark | 10 years |

Both the period and method of amortization are reviewed annually.

**(h) Leased assets**

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

***As a lessee***

At the lease commencement date, the Group recognizes a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalize the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalized are recognized as an expense on a systematic basis is over the lease term.

Where the lease is capitalized, the lease liability is initially recognized at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate.

After initial recognition, the lease liability is measured at amortized cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognized when a lease is capitalized is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see note 2(i)).

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are rent concessions that occurred as a direct consequence of the COVID-19 pandemic and met the conditions set out in paragraph 46B of HKFRS 16 *Leases*. In such cases, the Group has taken advantage of the practical expedient not to assess whether the rent concessions are lease modifications, and recognized the change in consideration as negative variable lease payments in profit or loss in the period in which the event or condition that triggers the rent concessions occurred.

In the consolidated statements of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

The Group presents right-of-use assets and presents lease liabilities separately in the consolidated statements of financial position.

**(i) Credit losses and impairment of assets**

***(i) Credit losses from financial instruments***

The Group recognizes a loss allowance for expected credit losses ("ECLs") on financial assets measured at amortized cost (including cash and cash equivalents, restricted bank deposits, trade and other receivables and amounts due from related parties).

Financial assets measured at fair value are not subject to the ECLs assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

– trade and other receivables and amounts due from related parties: effective interest rate determined at initial recognition or an approximation thereof.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognizes a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held); or (ii) the financial asset is 90 days past due. 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 since initial recognition:

– failure to make payments of principal or interest on their contractually due dates;

– an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

– an actual or expected significant deterioration in the operating results of the debtor; and

– existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognized as an impairment gain or loss in profit or loss. The Group recognizes an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Basis of calculation of interest income

Interest income recognized in accordance with note 2(s)(vi) 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 the amortized cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or past due event;

– it becoming probable that the borrower will enter into bankruptcy or other financial reorganization;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

– the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognized as a reversal of impairment in profit or loss in the period in which the recovery occurs.

***(ii) Credit losses from financial guarantees issued***

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees issued are initially recognized within "trade and other payables" at fair value, which is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognized in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognized in profit or loss.

The Group monitors the risk that the specified debtor will default on the contract and recognizes a provision when ECLs on the financial guarantees are determined to be higher than the amount carried in "trade and other payables" in respect of the guarantees (i.e. the amount initially recognized, less accumulated amortization).

To determine ECLs, the Group considers changes in the risk of default of the specified debtor since the issuance of the guarantee. A 12-month ECL is measured unless the risk that the specified debtor will default has increased significantly since the guarantee is issued, in which case a lifetime ECL is measured. The same definition of default and the same assessment of significant increase in credit risk as described in note 2(i)(i) apply.

***(iii) Impairment of other non-current assets***

Internal and external sources of information are reviewed at the end of reporting period to identify indications that the following assets may be impaired or an impairment loss previously recognized no longer exists or may have decreased:

– property, plant and equipment;

– right-of-use assets;

– intangible assets;

– other non-current assets; and

– investment in a subsidiary in the Company's statements of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its 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. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit ("CGU")).

– Recognition of impairment losses

An impairment loss is recognized in profit or loss if the carrying amount of an asset, or the CGU to which it belongs, exceeds its recoverable amount. Impairment losses recognized in respect of CGU are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognized in prior periods. Reversals of impairment losses are credited to profit or loss in the period in which the reversals are recognized.

**(j) Inventories**

Inventories are assets which are held for sale in the ordinary course of business.

Inventories are carried at the lower of cost and net realizable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognized as an expense in the period in which the related revenue is recognized.

The amount of any write-down of inventories to net realizable value and all losses of inventories are recognized as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

A right to recover returned goods is recognized for the right to recover products from customers sold with a right of return.

**(k) Contract liabilities**

A contract liability is recognized when the customer pays non-refundable consideration before the Group recognizes the related revenue (see note 2(s)). A contract liability would also be recognized if the Group has an unconditional right to receive non-refundable consideration before the Group recognizes the related revenue. In such cases, a corresponding receivable would also be recognized (see note 2(l)).

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see note 2(s)).

**(l) Trade and other receivables**

A receivable is recognized when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognized before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset.

Receivables are stated at amortized cost, using the effective interest method less allowance for credit losses (see note 2(i)).

**(m) Cash and cash equivalents**

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for ECLs in accordance with the policy set out in note 2(i).

**(n) Trade and other payables**

Trade and other payables are initially recognized at fair value. Subsequent to initial recognition, trade and other payables are stated at amortized cost unless the effect of discounting would be immaterial, in which case they are stated at invoice amounts.

**(o) Convertible redeemable preferred shares**

Convertible redeemable preferred shares give rise to financial liabilities if they are redeemable in case of occurrence of triggering events which are beyond the control of both the Group and the preferred shareholders. The conversion feature is recognized as a derivative liability if it will or may be settled other than by the Group exchanging a fixed amount of cash or another financial asset for a fixed number of the Group's own equity instruments.

At initial recognition, the redemption liabilities resulting from the convertible redeemable preferred shares are measured at the present value of the redemption amount. Subsequent changes in the carrying amount of the redemption liabilities are recognized in profit or loss.

If the preferred shares are converted into ordinary shares, the carrying amount of the financial liabilities is transferred to share capital and capital reserve.

**(p) Employee benefits**

***(i) Short-term employee benefits and contributions to defined contribution retirement plans***

Salaries, annual bonuses, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the period in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

***(ii) Share-based payments***

The fair value of shares granted to directors, employees, advisers and other persons (collectively, "eligible persons") is recognized as an expense with a corresponding increase in share-based payments reserve within equity. The fair value is measured at grant date using the equity allocation method or discounted cash flow method, taking into account the terms and conditions upon which the shares were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the shares, the total estimated fair value of the shares is spread over the vesting period, taking into account the probability that the shares will vest.

During the vesting period, the number of shares that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognized in prior periods is charged/credited to the profit or loss for the period of the review, with a corresponding adjustment to the share-based payments reserve. On vesting date, the amount recognized as an expense is adjusted to reflect the actual number of shares that vest (with a corresponding adjustment to the share-based payments reserve). The equity amount is recognized in the share-based payments reserve until the shares are vested (when it is included in the amount recognized in share premium).

***(iii) Termination benefits***

Termination benefits are recognized at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognizes restructuring costs involving the payment of termination benefits.

**(q) Income tax**

Income tax for the period comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognized in profit or loss except to the extent that they relate to items recognized in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognized in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the end of each reporting period during the Relevant Periods, and any adjustment to tax payable in respect of previous periods.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilized, are recognized. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilized.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognized is measured based on the expected manner of realization or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of reporting period during the Relevant Periods. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of reporting period during the Relevant Periods and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilized. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognized when the liability to pay the related dividends is recognized.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously; or

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

- the same taxable entity; or

- different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realize the current tax assets and settle the current tax liabilities on a net basis or realize and settle simultaneously.

**(r) Provisions and contingent liabilities**

Provisions are recognized when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

**(s) Revenue and other income**

Income is classified by the Group as revenue when it arises from the sale of goods and provision of services in the ordinary course of the Group's business.

The Group is the principal for its revenue transactions and recognizes revenue on a gross basis. In determining whether the Group acts as a principal or as an agent, it considers whether it obtains control of the products or services before they are transferred to the customers. Control refers to the Group's ability to direct the use of and obtain substantially all of the remaining benefits from the products or services.

The Group's revenue and other income recognition policies are as follows:

***(i) Online retail pharmacy services***

Revenue from online retail pharmacy services is principally sales of pharmaceutical and healthcare products to individual customers on the Group's online retail pharmacy service platform, third party platforms and retail pharmacies, along which the Group provides online consulting services and after-sales consulting services.

The revenue from online retail pharmacy services is recognized at the point in time when control of pharmaceutical and healthcare products is transferred to the customers.

***(ii) Comprehensive medical services***

Revenue from comprehensive medical services is principally comprised 1) online consultation services, e-prescription services and sales of pharmaceutical and other products on the Group's comprehensive medical service platform to individual customers; and 2) physician consultation services, physical examination services, surgery services and sales of pharmaceutical products by the Group's hospital to individual patients.

The revenue from the sales of pharmaceutical and healthcare products through comprehensive medical service platform and hospital is recognized at the point in time when control of pharmaceutical and healthcare products is transferred to the customers.

Online consultation services, e-prescription services, physician consultation services, physical examination services and surgery service are generally rendered in a short period of time and revenue is recognized at a point in time on completion of the related services when the services are rendered and completed.

***(iii) Customized content and marketing solutions***

Revenue from customized content and marketing solutions is principally comprised content and marketing solutions to pharmaceutical and healthcare products suppliers and third parties. The Group performs the services stipulated in the contracts during the continuous transfer of control of the services to the customers and recognizes revenue over time.

***(iv) Pharmaceutical distribution***

Revenue from pharmaceutical distribution is recognized at the point in time when control of pharmaceutical and healthcare products is transferred to the customers.

***(v) Discount vouchers***

From time to time, the Group offers its customers discount vouchers for free of charge through various promotional and advertising activities, and the discount vouchers can only be utilized when future purchases are made by the customers on certain specified pharmaceutical and healthcare products of the Group. The Group recognizes the discount vouchers as a reduction in revenue when the customers apply the discount vouchers in future purchases.

***(vi) Interest income***

Interest income is recognized as it accrues using the effective interest method. For financial assets measured at amortized cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortized cost (i.e. gross carrying amount net of loss allowance) of the asset.

***(vii) Government grants***

Government grants are recognized in the consolidated statements of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognized as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred.

**(t) Translation of foreign currencies**

Foreign currency transactions during the period are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of each reporting period during the Relevant Periods. Exchange gains and losses are recognized in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the Group initially recognizes such non-monetary assets or liabilities. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

**(u) Related parties**

(a) A person, or a close member of that person's family, is related to the Group if that person:

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

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

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

(vi) The entity is controlled or jointly controlled by a person identified in (a).

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

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

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

**(v) Segment reporting**

Operating segments, and the amounts of each segment item reported in the Historical Financial Information, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

**(w) Borrowing costs**

Borrowing costs are expensed in the period in which they are incurred.

## 3 ACCOUNTING JUDGEMENT AND ESTIMATES

**Key sources of estimation uncertainty**

Note 23(a) contains information about the assumptions and their risk factors relating to fair value of shares granted. Other key sources of estimation uncertainty in the process of applying the Group's accounting policies are as follows:

***(a) Recognition of deferred tax assets***

Deferred tax assets in respect of tax losses carried forward and deductible temporary differences are recognized and measured based on the expected manner of realization or settlement of the carrying amount of the relevant assets and liabilities, using tax rates enacted or substantively enacted at the end of each reporting date. In determining a number of assumptions relating to the operating environment of the Group and require a significant level of judgement exercised by the directors. Any change in such assumptions and judgement would affect the carrying amounts of deferred tax assets to be recognized and hence the net profit or loss in future years.

***(b) Provision for diminution in value of inventories***

Management reviews the ageing and expiry dates of inventories of the Group at the end of each reporting period, and makes provision on obsolete and slow-moving inventory items identified that are no longer suitable for sale. Management estimates the net realizable value for such inventories based primarily current market condition and historical experience on similar inventories. Any change in the assumptions would increase or decrease the amount of inventories write-down or the related reversals of write-down and affect the Group's consolidated financial position.

***(c) Assessment on control over a private non-enterprise hospital***

As set out in note 1.3, the Group operated a private non-enterprise hospital during the Relevant Periods. The Group has entered into agreements with the hospital, pursuant to which the Group obtains contractual rights to provide management services to the hospital and is entitled to receive income-based management fees. All the three directors of the council of the private non-enterprise hospital are appointed by the Group.

The Group has exercised significant judgements in determining whether the Group has control over the hospital. In exercising such judgement, the Group considers:

(i) the purpose and plan of the hospital;

(ii) what the relevant activities are and how decisions about those activities are made;

(iii) whether the rights of the Group give the current ability to direct the relevant activities;

(iv) whether rights exercisable by other parties as internal governance body members are substantive;

(v) whether the Group is exposed, or has rights, to variable returns from its involvement with the hospital, and

(vi) whether the Group has the ability to use its power over the hospital to affect the amount of returns.

Based on the assessment, the Group concluded that the Group has the decision-making power over the internal governance body of the hospital to direct the relevant activities of the hospital, so the Group has control over and thus has consolidated the hospital during the Relevant Periods.

***(d) Provision for expected credit losses on trade receivables***

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on aging of trade receivables. The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information.

The assessment of the correlation among historical observed default rates and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

## 4 REVENUE AND SEGMENT REPORTING

### (a) Revenue

The principal activities of the Group are online retail pharmacy services, comprehensive medical services and customized content and marketing solutions.

***Disaggregation of revenue***

Disaggregation of revenue from contracts with customers by major products or service lines is as follows:

| | Year ended December 31, | | |
|---|---|---|---|
| | **2021** | **2022** | **2023** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| **Revenue from contracts with customers within the scope of HKFRS 15** | | | |
| Online retail pharmacy services | 1,011,427 | 1,252,123 | 1,297,106 |
| Comprehensive medical services | 719,693 | 868,171 | 983,654 |
| Customized content and marketing solutions | 27,553 | 60,254 | 87,046 |
| Others | – | 23,755 | 66,502 |
| | 1,758,673 | 2,204,303 | 2,434,308 |

Disaggregation of revenue from contracts with customers by the timing of revenue recognition is set out as below:

| | Year ended December 31, | | |
|---|---|---|---|
| | 2021 | 2022 | 2023 |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| **Disaggregated by timing of revenue recognition** | | | |
| - Point in time | 1,731,120 | 2,144,049 | 2,312,533 |
| - Over time | 27,553 | 60,254 | 121,775 |
| | 1,758,673 | 2,204,303 | 2,434,308 |

No revenue from individual customer contributes over 10% of total revenue of the Group for the Relevant Periods.

The Group applies the practical expedient in paragraph 121 of HKFRS 15 of not disclosing the transaction price allocated to the remaining performance obligation as the original expected duration of all the contracts of the Group are within one year or less.

**(b) Segment Reporting**

The Group manages its businesses by divisions. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented three reportable segments. The measure used for reporting segment profit is gross profit. The Group's senior executive management is provided with segment information concerning segment revenue and profit. Segment assets and liabilities are not reported to the Group's senior executive management regularly.

***(i) Segment results***

| | Year ended December 31, | | |
|---|---|---|---|
| | 2021 | 2022 | 2023 |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| **Disaggregated by segment** | | | |
| **Online retail pharmacy services** | | | |
| Revenue | 1,011,427 | 1,252,123 | 1,297,106 |
| Gross profit | 155,000 | 206,693 | 263,191 |
| **Comprehensive medical services** | | | |
| Revenue | 719,693 | 868,171 | 983,654 |
| Gross profit | 40,543 | 122,078 | 149,738 |
| **Customized content and marketing solutions** | | | |
| Revenue | 27,553 | 60,254 | 87,046 |
| Gross profit | 24,105 | 51,483 | 72,277 |
| **Others** | | | |
| Revenue | – | 23,755 | 66,502 |
| Gross profit | – | 330 | 2,201 |
| **Reportable segment gross profit derived from the Group's external customers** | 219,648 | 380,584 | 487,407 |

***(ii) Reconciliations of reportable segment profit***

| | Year ended December 31, | | |
|---|---|---|---|
| | **2021** | **2022** | **2023** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| **Disaggregated by segment** | | | |
| Reportable segment profit derived from the Group's external customers | 219,648 | 380,584 | 487,407 |
| Other net income/(loss) | 33,005 | (134,188) | (23,915) |
| Selling and distribution expenses | (309,291) | (330,248) | (343,770) |
| Administrative expenses | (138,967) | (177,483) | (171,477) |
| Recognition of impairment losses | (310) | (173) | (140) |
| Finance costs | (108,035) | (121,781) | (144,816) |
| Loss before taxation | (303,950) | (383,289) | (196,711) |

***(iii) Geographic information***

Analysis of the Group's revenue and results as well as analysis of the Group's carrying amount of segment assets and additions to property, plant and equipment by geographical market has not been presented as over 99% of the Group's loss from operations for the years ended December 31, 2021, 2022 and 2023 are generated from the PRC market.

## 5 OTHER NET INCOME/(LOSS)

| | Year ended December 31, | | |
|---|---|---|---|
| | **2021** | **2022** | **2023** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Government grants *(i)* | 4,442 | 526 | 1,026 |
| Foreign exchange gain/(loss) *(ii)* | 27,635 | (134,660) | (28,444) |
| Other gain/(loss) | 928 | (54) | 3,503 |
| | 33,005 | (134,188) | (23,915) |

*Notes:*

(i) Government grants represent various forms of incentives and subsidies granted to the Group by the local government authorities in the PRC.

(ii) The foreign exchange gain or loss primarily resulted from the translation of the preferred shares which denominated in USD as disclosed in note 25.

## 6 LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

| | Year ended December 31, | | |
|---|---|---|---|
| | 2021 | 2022 | 2023 |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| **(a) Finance costs** | | | |
| Interest on lease liabilities *(note 11(b))* | 815 | 752 | 1,377 |
| Interest on bank loans | – | 415 | 263 |
| Changes in the carrying amount of preferred shares liability *(note 25)* | 107,220 | 120,614 | 143,176 |
| | 108,035 | 121,781 | 144,816 |
| **(b) Staff costs (including directors' emoluments)** | | | |
| Salaries, wages and other benefits | 102,038 | 136,459 | 132,169 |
| Equity settled share-based transactions *(note 23)* | 7,904 | 13,648 | 5,233 |
| Contributions to defined contribution retirement plan *(i)* | 10,411 | 14,810 | 9,643 |
| | 120,353 | 164,917 | 147,045 |

*Notes:*

(i) Pursuant to the relevant labour rules and regulations in the PRC, the Group's entities in the PRC participate in defined contribution retirement benefit schemes (the "Schemes") organized by the local government authorities whereby the Group's entities in the PRC are required to make contributions to the Schemes based on certain percentages of the eligible employee's salaries. The local government authorities are responsible for the entire pension obligations payable to the retired employees.

The Group also operates a Mandatory Provident Fund Scheme ("the MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance and not previously covered by the defined benefit retirement plan.

The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000. Contributions to the plan vest immediately, there is no forfeited contributions that may be used by the Group to reduce the existing level of contribution.

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

(ii) Staff costs includes remuneration of directors and senior management (notes 8 and 28(a)).

| | Year ended December 31, | | |
|---|---|---|---|
| | **2021** | **2022** | **2023** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| **(c) Other items** | | | |
| Amortization | | | |
| – intangible assets *(note 12)* | 656 | 722 | 795 |
| Depreciation *(note 11)* | | | |
| – property, plant and equipment | 2,270 | 3,224 | 3,591 |
| – right-of-use assets | 10,210 | 13,490 | 15,929 |
| | 12,480 | 16,714 | 19,520 |
| Recognition of impairment losses | | | |
| – trade debtors *(note 27(a))* | 310 | 173 | 140 |
| Research and development costs | 45,950 | 61,783 | 41,532 |
| [**REDACTED**] expense | 13,453 | 21,273 | 25,081 |
| Cost of inventories *(note 14(b))* | 1,517,478 | 1,796,427 | 1,955,804 |

During the years ended December 31, 2021, 2022 and 2023, research and development costs includes staff costs, depreciation and amortization of RMB44,065,000, RMB60,485,000 and RMB41,180,000 respectively, which amounts are also included in the respective total amounts disclosed separately above or in note 6(b) for each of these types of expenses.

## 7 Income tax in the consolidated statements of profit or loss and other comprehensive income

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

### (a) Taxation in the consolidated statements of profit or loss and other comprehensive income represents:

| | Year ended December 31, | | |
|---|---|---|---|
| | **2021** | **2022** | **2023** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| **Current tax** | | | |
| Provision for the year | 39 | 13 | 77 |

***(i) The Cayman Islands income tax***

Pursuant to the rules and regulations of the Cayman Islands, the Company is not subject to any income tax in the Cayman Islands.

***(ii) Hong Kong income tax***

For the subsidiary in Hong Kong, the first HKD2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. No Hong Kong profits tax on the subsidiary has been provided as there was no assessable profit arising in Hong Kong during the Relevant Periods.

***(iii) The PRC corporate income tax***

The provision for current income tax in Mainland China is based on a statutory tax rate of 25% of the assessable profits of the PRC subsidiaries of the Group as determined in accordance with the Corporate Income Tax Law of the PRC and the respective regulations except for Fangzhou Information and Guangzhou Fangzhou Media Co., Ltd. ("Fangzhou Media"). Fangzhou Information was certified as "High and New Technology Enterprises" ("HNTE") and entitled to the preferential income tax rate of 15% for the three calendar years since December 31, 2022.

Fangzhou Media was eligible as a small low-profit enterprise and entitled to a tax relief policy. The portion of annual taxable income amount of a small low-profit enterprise, which does not exceed RMB1 million, shall be computed at a reduced rate of 25% as taxable income amount, and be subject to enterprise income tax at 20% tax rate.

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

| | Year ended December 31, | | |
|---|---|---|---|
| | **2021** | **2022** | **2023** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Loss before taxation | (303,950) | (383,289) | (196,711) |
| Notional tax on loss before taxation, calculated at the rates applicable to loss in the jurisdictions concerned | (51,477) | (26,688) | 2,617 |
| Tax concessions | – | 415 | (770) |
| Tax effect of non-deductible expenses | 1,133 | 1,720 | 1,026 |
| Tax effect of temporary differences and tax losses not recognized in current year (net) | 50,383 | 27,041 | (930) |
| Additional deduction of qualified research and development costs *(i)* | – | (2,475) | (1,866) |
| Actual tax expenses | 39 | 13 | 77 |

*(i)* According to the relevant laws and regulations promulgated by the State Administration of Taxation of the PRC, an additional 75% of qualified research and development costs incurred is allowed to be deducted from taxable income.

## 8 DIRECTORS' EMOLUMENTS

Details of directors' emoluments during the Relevant Periods are as follows:

| | | Year ended December 31, 2021 | | | | | |
|---|---|---|---|---|---|---|---|
| | *Note* | **Directors' fees** | **Salaries, allowances and other benefits** | **Discretionary bonuses** | **Retirement scheme contributions** | **Equity settled share-based transactions** | **Total** |
| | | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Executive directors** | | | | | | | |
| Mr. Xie Fangmin (chief executive) | *(a)* | – | 1,894 | 653 | 36 | – | 2,583 |
| Mr. Zhou Feng | *(a)* | – | 1,120 | 653 | – | – | 1,773 |
| Mr. Zou Yuming | *(d)* | – | – | – | – | 1,312 | 1,312 |
| **Non-executive directors** | | | | | | | |
| Mr. David Mckee Hand | *(b)* | – | – | – | – | – | – |
| Mr. Kong Qingrong | *(c)* | – | – | – | – | – | – |
| Mr. Wang Lei | *(c)* | – | – | – | – | – | – |
| Ms. Liu Xiukui | *(c)* | – | 81 | – | 11 | – | 92 |
| Total | | – | 3,095 | 1,306 | 47 | 1,312 | 5,760 |

| | | Year ended December 31, 2022 | | | | | |
|---|---|---|---|---|---|---|---|
| | *Note* | **Directors' fees** | **Salaries, allowances and other benefits** | **Discretionary bonuses** | **Retirement scheme contributions** | **Equity settled share-based transactions** | **Total** |
| | | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Executive directors** | | | | | | | |
| Mr. Xie Fangmin (chief executive) | *(a)* | – | 4,528 | – | 40 | – | 4,568 |
| Mr. Zhou Feng | *(a)* | – | 2,626 | – | – | – | 2,626 |
| Mr. Zou Yuming | *(d)* | – | 1,244 | 44 | 13 | 182 | 1,483 |
| **Non-executive directors** | | | | | | | |
| Mr. David Mckee Hand | *(b)* | – | – | – | – | – | – |
| Total | | – | 8,398 | 44 | 53 | 182 | 8,677 |

| | | Year ended December 31, 2023 | | | | | |
|---|---|---|---|---|---|---|---|
| | *Note* | **Directors' fees** | **Salaries, allowances and other benefits** | **Discretionary bonuses** | **Retirement scheme contributions** | **Equity settled share-based transactions** | **Total** |
| | | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Executive directors** | | | | | | | |
| Mr. Xie Fangmin (chief executive) | *(a)* | – | 5,569 | 1,057 | 69 | – | 6,695 |
| Mr. Zhou Feng | *(a)* | – | 3,096 | 1,057 | – | – | 4,153 |
| Mr. Zou Yuming | *(d)* | – | 1,760 | 46 | 32 | – | 1,838 |
| **Non-executive director** | | | | | | | |
| Mr. David Mckee Hand | *(b)* | – | – | – | – | – | – |
| Total | | – | 10,425 | 2,160 | 101 | – | 12,686 |

*Notes:*

(a) Mr. Xie Fangmin and Mr. Zhou Feng were appointed as executive directors of the Company on September 26, 2019.

(b) Mr. David Mckee Hand was appointed as a non-executive director of the Company on December 14, 2020. No remuneration was paid to him by the Group during the Relevant Periods.

(c) Mr. Kong Qingrong, Mr. Wang Lei and Ms. Liu Xiukui were appointed as non-executive directors of the Company on December 14, 2020 and all of them resigned on August 9, 2021. No remuneration was paid to Mr. Kong Qingrong and Mr. Wang Lei by the Group during the Relevant Periods.

(d) Mr. Zou Yuming was appointed as an executive director of the Company on August 9, 2021.

## 9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

During the years ended December 31, 2021, 2022 and 2023, of the five individuals with the highest emoluments, three, three and three are directors whose emoluments are disclosed in note 8. The aggregate of the emoluments in respect of the other two, two and two individuals are as follows:

| | Year ended December 31, | | |
|---|---|---|---|
| | **2021** | **2022** | **2023** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Salaries and other benefits | 1,923 | 2,185 | 2,016 |
| Discretionary bonuses | 181 | 76 | 1,156 |
| Retirement scheme contributions | 15 | 80 | 86 |
| Equity settled share-based transactions | 402 | 1,099 | 434 |
| | 2,521 | 3,440 | 3,692 |

The emoluments of the two, two and two individuals with the highest emoluments are within the following bands:

| | Year ended December 31, | | |
|---|---|---|---|
| | 2021 | 2022 | 2023 |
| | *Number of individuals* | *Number of individuals* | *Number of individuals* |
| HKD1,000,001 – HKD1,500,000 | 2 | 1 | 1 |
| HKD1,500,001 – HKD2,000,000 | – | – | – |
| HKD2,000,001 – HKD2,500,000 | – | 1 | – |
| HKD2,500,001 – HKD3,000,000 | – | – | 1 |
| | 2 | 2 | 2 |

## 10 LOSS PER SHARE

Loss per share information is not presented as its inclusion, for the purpose of the Historical Financial Information, is not considered meaningful due to the basis of preparation and presentation of Historical Financial Information of the Group as disclosed in note 1.

## 11 PROPERTY, PLANT AND EQUIPMENT

### (a) Reconciliation of carrying amount of property, plant and equipment

| | Machinery and equipment | Motor vehicles | Furniture, fixtures and other equipment | Leasehold improvement | Right-of-use assets | Total |
|---|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Cost:** | | | | | | |
| At January 1, 2021 | 2,263 | 294 | 2,582 | 5,573 | 31,874 | 42,586 |
| Additions | 209 | 1,108 | 1,228 | 2,444 | 8,783 | 13,772 |
| Disposals | – | – | – | (272) | (2,625) | (2,897) |
| At December 31, 2021 and January 1, 2022 | 2,472 | 1,402 | 3,810 | 7,745 | 38,032 | 53,461 |
| Additions | 276 | – | 2,357 | 1,669 | 21,974 | 26,276 |
| Disposals | – | – | (26) | (60) | (12,677) | (12,763) |
| At December 31, 2022 and January 1, 2023 | 2,748 | 1,402 | 6,141 | 9,354 | 47,329 | 66,974 |
| Additions | 1,412 | – | 1,856 | 1,677 | 35,325 | 40,270 |
| Disposals | (4) | – | (689) | (1,638) | (17,618) | (19,949) |
| At December 31, 2023 | 4,156 | 1,402 | 7,308 | 9,393 | 65,036 | 87,295 |
| **Accumulated depreciation:** | | | | | | |
| At January 1, 2021 | (1,900) | (49) | (1,772) | (3,557) | (13,063) | (20,341) |
| Charge for the year *(note 6(c))* | (114) | (210) | (529) | (1,417) | (10,210) | (12,480) |
| Written back on disposals | – | – | – | 111 | 2,625 | 2,736 |

| | Machinery and equipment | Motor vehicles | Furniture, fixtures and other equipment | Leasehold improvement | Right-of-use assets | Total |
|---|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| At December 31, 2021 and January 1, 2022 | (2,014) | (259) | (2,301) | (4,863) | (20,648) | (30,085) |
| Charge for the year *(note 6(c))* | (88) | (351) | (960) | (1,825) | (13,490) | (16,714) |
| Written back on disposals | – | – | 23 | 41 | 11,021 | 11,085 |
| At December 31, 2022 and January 1, 2023 | (2,102) | (610) | (3,238) | (6,647) | (23,117) | (35,714) |
| Charge for the year *(note 6(c))* | (167) | (347) | (1,394) | (1,683) | (15,929) | (19,520) |
| Written back on disposals | 4 | – | 684 | 1,633 | 17,257 | 19,578 |
| At December 31, 2023 | (2,265) | (957) | (3,948) | (6,697) | (21,789) | (35,656) |
| **Net book value:** | | | | | | |
| At December 31, 2023 | 1,891 | 445 | 3,360 | 2,696 | 43,247 | 51,639 |
| At December 31, 2022 | 646 | 792 | 2,903 | 2,707 | 24,212 | 31,260 |
| At December 31, 2021 | 458 | 1,143 | 1,509 | 2,882 | 17,384 | 23,376 |

**(b) Right-of-use assets**

The analysis of expense items in relation to leases recognized in profit or loss is as follows:

| | Year ended December 31, | | |
|---|---|---|---|
| | 2021 | 2022 | 2023 |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Depreciation charge of right-of-use assets by class of underlying asset: | | | |
| – Pharmacies | 1,275 | 1,575 | 1,452 |
| – Warehouses | 4,131 | 6,335 | 6,574 |
| – Offices | 4,643 | 5,443 | 7,533 |
| – Dormitories | 161 | 137 | 370 |
| | 10,210 | 13,490 | 15,929 |
| Expense relating to short-term leases | 804 | 545 | 426 |
| Interest on lease liabilities *(note 6(a))* | 815 | 752 | 1,377 |

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in notes 18(c) and 22, respectively.

The Group has obtained the right to use other properties as its pharmacies, warehouses, offices and dormitories through tenancy agreements. The leases typically run for an initial period of 14 to 72 months. Lease payments are usually increased by each year to reflect market rentals.

## 12 INTANGIBLE ASSETS

| | Computer software | License | Trademark | Total |
|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Cost:** | | | | |
| At January 1, 2021 | 102 | 2,720 | – | 2,822 |
| Additions | 579 | – | – | 579 |
| At December 31, 2021 and January 1, 2022 | 681 | 2,720 | – | 3,401 |
| Additions | 606 | – | 131 | 737 |
| At December 31, 2022 and January 1, 2023 | 1,287 | 2,720 | 131 | 4,138 |
| Additions | 608 | 15 | – | 623 |
| Disposals | (14) | – | – | (14) |
| At December 31, 2023 | 1,881 | 2,735 | 131 | 4,747 |
| **Accumulated amortization:** | | | | |
| Balance at January 1, 2021 | (27) | (282) | – | (309) |
| Charge for the year *(note 6(c))* | (40) | (616) | – | (656) |
| Balance at December 31, 2021 and January 1, 2022 | (67) | (898) | – | (965) |
| Charge for the year *(note 6(c))* | (98) | (616) | (8) | (722) |
| Balance at December 31, 2022 and January 1, 2023 | (165) | (1,514) | (8) | (1,687) |
| Charge for the year *(note 6(c))* | (165) | (620) | (10) | (795) |
| Written back on disposals | 10 | – | – | 10 |
| Balance at December 31, 2023 | (320) | (2,134) | (18) | (2,472) |
| **Carrying amounts:** | | | | |
| At December 31, 2023 | 1,561 | 601 | 113 | 2,275 |
| At December 31, 2022 | 1,122 | 1,206 | 123 | 2,451 |
| At December 31, 2021 | 614 | 1,822 | – | 2,436 |

## 13 OTHER NON-CURRENT ASSETS

| | As at December 31, | | |
|---|---|---|---|
| | **2021** | **2022** | **2023** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Interest in an investment vehicle *(i)* | 10,000 | 10,000 | – |
| Others | 767 | – | 100 |
| | 10,767 | 10,000 | 100 |

*Note:*

(i) The balance mainly represented an investment in a limited partnership investment vehicle, which intends to invest in the healthcare industry. The Group made investment of RMB2 million and RMB8 million in 2020 and 2021, respectively. The carrying amount of such investment amounted to RMB10 million, RMB10 million as at December 31, 2021 and 2022, respectively. The Group disposed the investment at a consideration of RMB10 million in June 2023.

## 14 INVENTORIES

### (a) Inventories in the consolidated statements of financial position comprise:

| | As at December 31, | | |
|---|---|---|---|
| | **2021** | **2022** | **2023** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Pharmaceutical and healthcare products | 111,528 | 126,464 | 136,045 |

### (b) The analysis of the amount of inventories recognized as an expense and included in profit or loss is as follows:

| | Year ended December 31, | | |
|---|---|---|---|
| | **2021** | **2022** | **2023** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Carrying amount of inventories sold | 1,516,288 | 1,796,376 | 1,912,293 |
| Write-down of inventories | 1,190 | 51 | 43,511 |
| | 1,517,478 | 1,796,427 | 1,955,804 |

All of the inventories are expected to be recovered within one year.

## 15 TRADE AND OTHER RECEIVABLES

| | As at December 31, | | |
|---|---|---|---|
| | 2021 | 2022 | 2023 |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Trade debtors | 7,599 | 28,534 | 24,299 |
| Bills receivable | – | 1,000 | – |
| Less: loss allowance | (30) | (146) | (203) |
| | 7,569 | 29,388 | 24,096 |
| Purchase rebates with suppliers | 32,914 | 42,426 | 60,944 |
| Deposits | 5,849 | 7,596 | 10,487 |
| Other receivables | 1,989 | 7,001 | 5,615 |
| | 40,752 | 57,023 | 77,046 |
| | 48,321 | 86,411 | 101,142 |

All of the trade and other receivables are expected to be recovered or recognized as expense within one year.

**Ageing analysis:**

As at the end of each reporting period during the Relevant Periods, the ageing analysis of trade debtors and bills receivable (which are included in trade and other receivables), based on the invoice date and net of loss allowance, is as follows:

| | As at December 31, | | |
|---|---|---|---|
| | 2021 | 2022 | 2023 |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Within 3 months | 7,183 | 24,904 | 17,012 |
| Over 3 months but within 6 months | 378 | 2,833 | 5,160 |
| Over 6 months but within 1 year | 8 | 1,651 | 1,336 |
| Over 1 year | – | – | 588 |
| | 7,569 | 29,388 | 24,096 |

Trade debtors and bills receivable are generally due within 180 days from the date of billing. Further details on the Group's credit policy are set out in note 2(i).

## 16 OTHER CURRENT ASSETS

***The Group:***

| | As at December 31, | | |
|---|---|---|---|
| | **2021** | **2022** | **2023** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Input value-added tax to be verified or credited | 21,118 | 18,910 | 30,778 |
| Others *(i)* | 2,690 | 7,447 | 3,983 |
| | 23,808 | 26,357 | 34,761 |

*Note:*

(i) The balance mainly represented the [**REDACTED**] expenses to be deducted from equity upon the [**REDACTED**].

***The Company:***

| | As at December 31, | | |
|---|---|---|---|
| | **2021** | **2022** | **2023** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| [**REDACTED**] expenses to be deducted from equity upon the [**REDACTED**] | 2,340 | 5,397 | 3,983 |

## 17 RESTRICTED BANK DEPOSITS

As at December 31, 2021, 2022 and 2023, deposits with bank of nil, RMB25,000,000 and RMB30,615,000 were pledged as securities for bills payable. As at December 31, 2022 and 2023, a subsidiary of the Group utilized the banking facilities to issue bills of RMB50,000,000 and RMB68,715,000 respectively, to settle the inter-group purchase transactions. The balance of bills payable was eliminated in the Historical Financial Information.

## 18 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

### (a) Cash and cash equivalents comprise

***The Group:***

| | As at December 31, | | |
|---|---|---|---|
| | **2021** | **2022** | **2023** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Cash on hand | 21 | 24 | 52 |
| Cash at bank | 77,646 | 123,284 | 129,436 |
| Cash equivalents placed at payment platforms | 6,991 | 11,599 | 16,829 |
| | 84,658 | 134,907 | 146,317 |

***The Company:***

| | As at December 31, | | |
|---|---|---|---|
| | **2021** | **2022** | **2023** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Cash at bank | 1,076 | 59,439 | 1,021 |

As at December 31, 2021, 2022 and 2023, the Group's cash and cash equivalents situated in Mainland China amounted to RMB50,416,000, RMB62,901,000 and RMB105,756,228 respectively. Remittance of funds out of Mainland China is subject to relevant rules and regulations of foreign exchange control.

**(b) Reconciliation of loss before taxation to cash generated from/(used in) operations**

| | | Year ended December 31, | | |
|---|---|---|---|---|
| | *Note* | **2021** | **2022** | **2023** |
| | | *RMB'000* | *RMB'000* | *RMB'000* |
| Loss before taxation | | (303,950) | (383,289) | (196,711) |
| Adjustments for: | | | | |
| Recognition of impairment losses | *6(c)* | 310 | 173 | 140 |
| Expense of equity settled share-based transactions | *23(b)* | 7,904 | 13,648 | 5,233 |
| Finance costs | *6(a)* | 108,035 | 121,781 | 144,816 |
| Foreign exchange (gain)/loss | *5* | (27,635) | 134,660 | 28,444 |
| Net loss/(gain) on disposal of property, plant and equipment | | 161 | 14 | (21) |
| Depreciation | *6(c)* | 12,480 | 16,714 | 19,520 |
| Amortization of intangible assets | *12* | 656 | 722 | 795 |
| Changes in working capital: | | | | |
| Increase in inventories | | (42,557) | (14,936) | (9,581) |
| (Increase)/decrease in prepayments | | (5,453) | (53,832) | 45,525 |
| Increase in trade and other receivables | | (32,231) | (38,263) | (14,871) |
| Decrease in amounts due from related parties | | 43,450 | – | – |
| Increase in other current assets | | (10,542) | (2,549) | (8,404) |
| Increase in trade and other payables | | 92,017 | 77,177 | 84,216 |
| Decrease in amounts due to related parties | | (52,737) | – | – |
| Increase/(decrease) in contract liabilities | | 5,942 | 71,313 | (69,495) |
| Increase/(decrease) in other current liabilities | | 537 | 6,703 | (7,250) |
| Cash (used in)/generated from operations | | (203,613) | (49,964) | 22,356 |

**(c) Reconciliation of liabilities arising from financing activities**

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated statements of cash flows as cash flows from financing activities.

| | Convertible redeemable preferred shares | Lease liabilities | Total |
|---|---|---|---|
| | *RMB'000* *(note 25)* | *RMB'000* *(note 22)* | *RMB'000* |
| **At January 1, 2021** | 1,292,956 | 20,082 | 1,313,038 |
| **Changes from financing cash flows:** | | | |
| Capital element of lease rentals paid | – | (10,592) | (10,592) |
| Interest element of lease rentals paid | – | (815) | (815) |
| Total changes from financing cash flows | – | (11,407) | (11,407) |
| **Other changes:** | | | |
| Changes in the carrying amount of preferred shares liability *(note 6(a))* | 107,220 | – | 107,220 |
| Foreign exchange gain | (31,409) | – | (31,409) |
| Interest expenses *(note 6(a))* | – | 815 | 815 |
| Additions on lease liabilities *(note 11(a))* | – | 8,783 | 8,783 |
| Total other changes | 75,811 | 9,598 | 85,409 |
| **At December 31, 2021** | 1,368,767 | 18,273 | 1,387,040 |

| | Convertible redeemable preferred shares | Lease liabilities | Bank loans | Total |
|---|---|---|---|---|
| | *RMB'000* *(note 25)* | *RMB'000* *(note 22)* | *RMB'000* *(note 21)* | *RMB'000* |
| **At January 1, 2022** | 1,368,767 | 18,273 | – | 1,387,040 |
| **Changes from financing cash flows:** | | | | |
| Issuance of convertible redeemable preferred shares *(note 25)* | 110,175 | – | – | 110,175 |
| Proceed from bank loans | – | – | 24,790 | 24,790 |
| Repayment of bank loans | – | – | (14,790) | (14,790) |
| Interest paid | – | – | (261) | (261) |
| Capital element of lease rentals paid | – | (11,929) | – | (11,929) |
| Interest element of lease rentals paid | – | (752) | – | (752) |
| Total changes from financing cash flows | 110,175 | (12,681) | 9,739 | 107,233 |

| | Convertible redeemable preferred shares | Lease liabilities | Bank loans | Total |
|---|---|---|---|---|
| | *RMB'000* *(note 25)* | *RMB'000* *(note 22)* | *RMB'000* *(note 21)* | *RMB'000* |
| **Other changes:** | | | | |
| Foreign exchange loss | 138,326 | – | – | 138,326 |
| Changes in the carrying amount of preferred shares liability *(note 6(a))* | 120,614 | – | – | 120,614 |
| Interest expenses *(note 6(a))* | – | 752 | 415 | 1,167 |
| Additions on lease liabilities *(note 11(a))* | – | 21,974 | – | 21,974 |
| Disposal on lease liabilities | – | (1,664) | – | (1,664) |
| Total other changes | 258,940 | 21,062 | 415 | 280,417 |
| **At December 31, 2022** | 1,737,882 | 26,654 | 10,154 | 1,774,690 |

| | Convertible redeemable preferred shares | Lease liabilities | Bank loans | Total |
|---|---|---|---|---|
| | *RMB'000* *(note 25)* | *RMB'000* *(note 22)* | *RMB'000* *(note 21)* | *RMB'000* |
| **At January 1, 2023** | 1,737,882 | 26,654 | 10,154 | 1,774,690 |
| **Changes from financing cash flows:** | | | | |
| Proceed from bank loans | – | – | 25,601 | 25,601 |
| Repayment of bank loans | – | – | (30,601) | (30,601) |
| Interest paid | – | – | (412) | (412) |
| Capital element of lease rentals paid | – | (16,904) | – | (16,904) |
| Interest element of lease rentals paid | – | (1,377) | – | (1,377) |
| Total changes from financing cash flows | – | (18,281) | (5,412) | (23,693) |
| **Other changes:** | | | | |
| Foreign exchange loss | 30,463 | – | – | 30,463 |
| Changes in the carrying amount of preferred shares liability *(note 6(a))* | 143,176 | – | – | 143,176 |
| Interest expenses *(note 6(a))* | – | 1,377 | 263 | 1,640 |
| Additions on lease liabilities *(note 11(a))* | – | 35,325 | – | 35,325 |
| Disposal on lease liabilities | – | (361) | – | (361) |
| Total other changes | 173,639 | 36,341 | 263 | 210,243 |
| **At December 31, 2023** | 1,911,521 | 44,714 | 5,005 | 1,961,240 |

## 19 TRADE AND OTHER PAYABLES

*The Group:*

| | As at December 31, | | |
|---|---|---|---|
| | **2021** | **2022** | **2023** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Trade payables *(ii)* | 191,500 | 220,083 | 292,944 |
| Staff cost payables | 33,688 | 52,253 | 53,829 |
| Other tax payables | 2,825 | 13,555 | 20,480 |
| Deposits | 1,395 | 1,132 | 1,444 |
| Other payables and accrued charges | 52,641 | 69,194 | 71,754 |
| | 282,049 | 356,217 | 440,451 |

*The Company:*

| | As at December 31, | | |
|---|---|---|---|
| | **2021** | **2022** | **2023** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| [**REDACTED**] expense payables | 1,936 | 8,817 | 7,153 |
| Staff cost payables | – | 850 | 2,996 |
| Other payables and accrued charges | 562 | 211 | – |
| | 2,498 | 9,878 | 10,149 |

*Notes:*

(i) All of the trade and other payables are expected to be settled or recognized as income within one year or are repayable on demand.

(ii) As at the end of each reporting period during the Relevant Periods, the ageing analysis of trade payables (which are included in trade and other payables), based on the invoice date, is as follows:

| | As at December 31, | | |
|---|---|---|---|
| | **2021** | **2022** | **2023** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Within 1 month | 137,328 | 118,582 | 181,163 |
| 1 to 3 months | 52,747 | 99,781 | 110,683 |
| Over 3 months but within 6 months | 1,253 | 1,471 | 842 |
| Over 6 months but within 1 year | 145 | 88 | 169 |
| Over 1 year but within 2 years | 27 | 161 | 87 |
| | 191,500 | 220,083 | 292,944 |

## 20 CONTRACT LIABILITIES

| | As at December 31, | | |
|---|---|---|---|
| | 2021 | 2022 | 2023 |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Advances from customers | 13,841 | 83,448 | 15,254 |
| Customers' loyalty points program | 4,214 | 5,920 | 4,619 |
| Total | 18,055 | 89,368 | 19,873 |

Movements in contract liabilities:

| | Contract liabilities |
|---|---|
| | *RMB'000* |
| Balance at January 1, 2021 | 12,113 |
| Decrease in contract liabilities as a result of recognizing revenue during the year that was included in the contract liabilities at the beginning of the year | (12,113) |
| Increase in contract liabilities as a result of billing in advance | 13,841 |
| Increase in contract liabilities as a result of customers' loyalty points program | 4,214 |
| Balance at December 31, 2021 and January 1, 2022 | 18,055 |
| Decrease in contract liabilities as a result of recognizing revenue during the year that was included in the contract liabilities at the beginning of the year | (18,055) |
| Increase in contract liabilities as a result of billing in advance | 83,448 |
| Increase in contract liabilities as a result of customers' loyalty points program | 5,920 |
| Balance at December 31, 2022 and January 1, 2023 | 89,368 |
| Decrease in contract liabilities as a result of recognizing revenue during the year that was included in the contract liabilities at the beginning of the year | (89,368) |
| Increase in contract liabilities as a result of billing in advance | 9,639 |
| Increase in contract liabilities as a result of customers' loyalty points program | 10,234 |
| Balance at December 31, 2023 | 19,873 |

As at December 31, 2021, 2022 and 2023, no receipts in advance from customers of the Group are expected to be recognized as income after more than one year.

## 21 BANK LOANS

As at December 31, 2022 and 2023, all the Group's bank loans are unsecured and repayable within 1 year.

As at December 31, 2021, 2022 and 2023, the unutilized banking facilities of the Group amounted to RMB120,000,000, RMB60,000,000 and RMB48,899,500 respectively. The Group was not subject to the fulfilment of covenants for the banking facilities.

## 22 LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities at the end of each reporting period during the Relevant Periods:

| | As at December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2021 | | 2022 | | 2023 | |
| | Present value of the minimum lease payments | Total minimum lease payments | Present value of the minimum lease payments | Total minimum lease payments | Present value of the minimum lease payments | Total minimum lease payments |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Within 1 year | 9,958 | 10,703 | 12,796 | 13,858 | 15,346 | 16,770 |
| After 1 year but within 2 years | 6,682 | 6,861 | 7,011 | 7,483 | 10,194 | 11,136 |
| After 2 years but within 5 years | 1,633 | 1,665 | 6,847 | 7,266 | 19,174 | 20,057 |
| | 8,315 | 8,526 | 13,858 | 14,749 | 29,368 | 31,193 |
| | 18,273 | 19,229 | 26,654 | 28,607 | 44,714 | 47,963 |
| Less: total future interest expenses | | (956) | | (1,953) | | (3,249) |
| Present value of lease liabilities | | 18,273 | | 26,654 | | 44,714 |

## 23 EQUITY SETTLED SHARE-BASED TRANSACTIONS

### (a) RSU Incentive Plan

On January 1, 2020, the board of the Company approved the restricted share units incentive plan (the "RSU Incentive Plan") which is a share-based incentive plan to reward, retain and motivate the Group's eligible persons as approved by the Board or the authorized administrator of the RSU Incentive Plan. Under the RSU Incentive Plan, the Directors of the Company are authorized, at their discretion, to grant restricted share of the Company to eligible persons on a fair and reasonable basis with reference to the performance of the Company and contribution of the individuals.

The shares granted would vest on specific dates, on condition that eligible persons remain in service without any performance requirements. Once the vesting conditions underlying the respective shares are met, the shares are considered duly and validly issued to the eligible persons. Unless approved by the board of the Company, any transfer of restricted shares prior to the [**REDACTED**] shall be void.

***(i) Movements in RSUs granted are as follows:***

| | *Number of shares* |
|---|---|
| **Outstanding as of January 1, 2021** | 4,204,000 |
| Granted on March 1, 2021 | 100,000 |
| Shares vested before the date of shares split | (1,240,235) |
| Effect of shares split | 12,255,060 |
| Granted on December 31, 2021 | 9,875,000 |
| Shares vested after the date of shares split | (2,945,013) |
| **Outstanding as of December 31, 2021** | 22,248,812 |
| Shares vested during the year | (7,898,800) |
| **Outstanding as of December 31, 2022** | 14,350,012 |
| Shares vested during the year | (6,948,763) |
| **Outstanding as of December 31, 2023** | 7,401,249 |

During the years ended December 31, 2020 and 2021, the Group had granted RSUs to certain eligible persons under the RSU Incentive Plan, which would be vested within 3.75 years since the date of grant.

As at December 31, 2021, 2022 and 2023, the weighted average remaining vesting periods for the shares granted was 3.3 years, 2.3 years and 1.3 years respectively.

***(ii) Fair value of shares and assumptions***

The fair value of services received in return for shares granted is measured by reference to the fair value of shares granted. The estimate of the fair value of the shares granted is measured based on equity allocation method.

| **Grant date** | **December 31, 2020** | **March 1, 2021** | **December 31, 2021** |
|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Fair value at measurement date (USD) | 0.08 | 0.08 | 0.30 |
| Expected volatility | 42% | 44% | 46% |
| Expected dividend yield | – | – | – |
| Risk-free interest rate | 0.26% | 0.43% | 0.95% |

On August 9, 2021, the Company conducted a shares split pursuant to which each share in then issued and unissued shares was subdivided into five shares of the corresponding class. In order to make the data comparable during the Relevant Periods, the fair value at measurement date before the shares split are adjusted to the caliber after the shares split. The fair value of shares at measurement date of December 31, 2020 and March 1, 2021 above are adjusted after shares split from USD0.38 per share to USD0.08 per share.

The expected volatility was referenced to the average of daily historical share price volatility of comparable companies operating in similar industry of the Company. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

**(b) Equity settled share-based transactions expenses recognized in the consolidated statements of profit or loss and other comprehensive income during the Relevant Periods:**

| | Year ended December 31, | | |
|---|---|---|---|
| | 2021 | 2022 | 2023 |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Administrative expenses | 4,457 | 8,395 | 3,207 |
| Selling and distribution expenses | 3,447 | 5,253 | 2,026 |
| | 7,904 | 13,648 | 5,233 |

## 24 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

**(a) Current taxation in the consolidated statements of financial position represents:**

| | Year ended December 31, | | |
|---|---|---|---|
| | 2021 | 2022 | 2023 |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| At the beginning of the year | 3 | – | 12 |
| Provisions for PRC corporate income tax *(note 7(a))* | 39 | 13 | 77 |
| Income tax paid | (42) | (1) | (74) |
| At the end of the year | – | 12 | 15 |

**(b) Deferred tax assets not recognized**

In accordance with the accounting policy set out in note 2(q), the Group has not recognized deferred tax assets in respect of temporary differences and cumulative tax losses of certain subsidiaries located in the PRC as it is not probable that future taxable profits against which the losses or temporary differences can be utilized will be available in the relevant tax jurisdiction and entity.

The following table presents the Group's deductible temporary differences and cumulative tax losses for which deferred tax assets were not recognized at the reporting dates:

| | As at December 31, | | |
|---|---|---|---|
| | 2021 | 2022 | 2023 |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Cumulative tax losses | 402,429 | 525,314 | 262,827 |
| Deductible temporary differences | 36,588 | 13,615 | 65,314 |
| Total | 439,017 | 538,929 | 328,141 |

The expiration information of the Group's unrecognized deferred tax assets in respect of cumulative tax losses is set out below:

| | As at December 31, | | |
|---|---|---|---|
| | 2021 | 2022 | 2023 |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| 2022 | 13,937 | – | – |
| 2023 | 35,025 | 35,025 | – |
| 2024 | 91,681 | 91,681 | 5,569 |
| 2025 | 61,842 | 61,842 | 22,837 |
| 2026 | 199,944 | 199,944 | 120,720 |
| 2027 | – | 136,822 | 76,433 |
| 2028 | – | – | 37,268 |
| Total | 402,429 | 525,314 | 262,827 |

## 25 CONVERTIBLE REDEEMABLE PREFERRED SHARES

Since the date of incorporation, the Company has completed several rounds of financing arrangements by issuing convertible redeemable preferred shares ("Preferred Shares"), details of which are as follows:

| | | As at December 31, 2021 | | As at December 31, 2022 | | As at December 31, 2023 | |
|---|---|---|---|---|---|---|---|
| | *Notes* | Number of shares | original issue price | Number of shares | original issue price | Number of shares | Original issue price |
| | | | *USD'000* | | *USD'000* | | *USD'000* |
| Series A convertible redeemable preferred shares of par value at USD0.0001 each | *(i)(ii)* | 115,165,045 | 20,000 | 115,165,045 | 20,000 | 115,165,045 | 20,000 |
| Series A-1 convertible redeemable preferred shares of par value at USD0.0001 each | *(i)(ii)* | 86,828,195 | 30,994 | 86,828,195 | 30,994 | 86,828,195 | 30,994 |
| Series B convertible redeemable preferred shares of par value at USD0.0001 each | *(i)(ii)* | 197,737,720 | 70,583 | 197,737,720 | 70,583 | 197,737,720 | 70,583 |
| Series C convertible redeemable preferred shares of par value at USD0.0001 each | *(ii)* | 155,180,335 | 45,000 | 155,180,335 | 45,000 | 155,180,335 | 45,000 |
| Series D convertible redeemable preferred shares of par value at USD0.00002 each | | – | – | 8,664,773 | 8,000 | 8,664,773 | 8,000 |
| Series D+ convertible redeemable preferred shares of par value at USD0.00002 each | | – | – | 8,086,871 | 8,600 | 8,086,871 | 8,600 |

*Notes:*

(i) Pursuant to the Company's resolution passed on December 14, 2020, in the best interests of the Company and its shareholders, the Company approved to issue Series A, Series A-1 and Series B preferred shares to certain investors at a par value of USD0.0001. When the Series A, Series A-1 and Series B Preferred Shareholders are entitled to an annualized return of 10% based on the original issue price to Yunyi Inc. ("deemed original issue price"), calculating from the original issue date ("deemed original issue date"), respectively.

The Group recognizes the difference between the consideration received and present value of the redemption amount of Series A, Series A-1 and Series B Preferred Shares totalling RMB988,261,000 in other reserves in the Historical Financial Information as disclosed in note 1.2.1.

(ii) On August 9, 2021, the Company conducted a shares split pursuant to which each share in then issued and unissued share capital was subdivided into five shares of the corresponding class as disclosed in note 26(b).

The movements of the financial liabilities arising from the Preferred Shares during the Relevant Periods are as follows:

| | **Present value of redemption amount** |
|---|---|
| | *RMB'000* |
| At January 1, 2021 | 1,292,956 |
| Changes in the carrying amount of preferred shares liability *(note 6(a))*: | |
| – Changes in present value of redemption amount | 107,220 |
| Exchange differences | (31,409) |
| At December 31, 2021 and January 1, 2022 | 1,368,767 |
| Issue of Series D Preferred Shares *(note 18(c))* | 50,723 |
| Issue of Series D+ Preferred Shares *(note 18(c))* | 59,452 |
| Changes in the carrying amount of preferred shares liability *(note 6(a))*: | |
| – Changes in present value of redemption amount | 120,614 |
| Exchange differences | 138,326 |
| At December 31, 2022 and January 1, 2023 | 1,737,882 |
| Changes in the carrying amount of preferred shares liability *(note 6(a))*: | |
| – Changes in present value of redemption amount | 143,176 |
| Exchange differences | 30,463 |
| At December 31, 2023 | 1,911,521 |

The key terms of all series of the Preferred Shares are summarized as follows:

**Conversion rights**

The Preferred Shares shall be convertible, at the option of the holder thereof, at any time after the issue date of Preferred Shares into such number of fully-paid and non-assessable ordinary shares or automatically be converted into ordinary shares upon the closing of a qualified [**REDACTED**], based on the then-effective conversion price.

**Redemption rights**

The holders of Series D and D+ Preferred Shares shall have the right (but not be obliged) to require the Company to redeem the Preferred Shares at any time beginning on the date that is four years following the issue date of the Series D Preferred Shares, or at any time that holders of any other series of Preferred Shares require the Company to redeem all or any part of the then outstanding Preferred Shares.

The holders of Series A, A-1, B and C Preferred Shares shall have the right (but not be obliged) to require the Company to redeem the Preferred Shares at any time beginning on the date that is four years following the issue date of the Series D Preferred Shares, or at any time that holders of any other series of Preferred Shares require the Company to redeem all or any part of the then outstanding Preferred Shares.

The redemption price shall be:

(a) Series A, A-1 and B Preferred Shares: a price which entitles such Preferred Shares to a simple annualized return of 10% based on the deemed original issue price calculating from the deemed original issue date, minus all paid dividends thereon up until the date of redemption;

(b) Series C Preferred Shares: a price which entitles such Preferred Shares to an internal rate of return of 10% per annum based on the original issue price calculating from the original issue date, minus all paid dividends thereon up until the date of redemption;

(c) Series D and D+ Preferred Shares: a price which entitles such Preferred Shares to a simple annualized return of 8% based on the original issue price calculating from the original issue date, minus all paid dividends thereon up until the date of redemption.

**Dividend rights**

No dividends (other than those payable solely in ordinary shares) shall be declared or paid on the ordinary shares or any future series of Preferred Shares, unless and until a dividend in like amount is declared and paid on each outstanding Preferred Share (on an as-if-converted basis). The holders of Preferred Shares shall be entitled to receive on a pari passu basis, when, as and if declared at the sole discretion of the board of directors, but only out of funds that are legally available therefore, cash dividends at the rate or in the amount as the board of directors considers appropriate.

**Liquidation preferences**

1. Upon any liquidation, dissolution, or winding up of the Company, whether voluntary or involuntary, all assets available for distribution shall be allocated to its shareholders in the following sequence:

   a) Series D+ Preferred Shares: 100% of the original issue price, plus a simple annualized return of 8% based on the original issue price calculating from the original issue date, plus all dividends accrued and unpaid.

   b) Series D Preferred Shares: 100% of the original issue price, plus a simple annualized return of 8% based on the original issue price calculating from the original issue date, plus all dividends accrued and unpaid.

   c) Series C Preferred Shares: 100% of the original issue price, plus a simple annualized return of 10% based on the original issue price calculating from the original issue date, plus all dividends accrued and unpaid.

   d) Series B Preferred Shares: 100% of the original issue price, plus a simple annualized return of 10% based on the deemed original issue price calculating from the deemed original issue date, plus all dividends accrued and unpaid.

   e) Series A-1 Preferred Shares: 100% of the deemed original issue price, plus all dividends accrued and unpaid.

   f) Series A Preferred Shares: 100% of the deemed original issue price, plus all dividends accrued and unpaid.

   g) Remaining assets of the Company available for distribution to shareholders shall be distributed ratably among the holders of outstanding ordinary shares and holders of Preferred Shares on an as-if-converted basis.

## 26 CAPITAL AND RESERVES

### (a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statements of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

| | Share capital | Share premium | Other reserves | Shares held for the RSU Incentive Plan | Share-based payments reserve | Accumulated losses | Total deficit |
|---|---|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Balance at January 1, 2021** | 86 | 18,130 | (329,539) | (11) | – | (30,041) | (341,375) |
| **Changes in equity for 2021:** | | | | | | | |
| Loss and total comprehensive income for the year | – | – | – | – | – | (98,558) | (98,558) |
| Equity settled share-based transactions | – | – | – | – | 7,904 | – | 7,904 |
| Shares vested under the RSU Incentive Plan | – | 4,554 | – | 2 | (4,556) | – | – |
| **Balance at December 31, 2021 and January 1, 2022** | 86 | 22,684 | (329,539) | (9) | 3,348 | (128,599) | (432,029) |
| **Changes in equity for 2022:** | | | | | | | |
| Loss and total comprehensive income for the year | – | – | – | – | – | (255,250) | (255,250) |
| Equity settled share-based transactions | – | – | – | – | 13,648 | – | 13,648 |
| Shares vested under the RSU Incentive Plan | – | 7,391 | – | 1 | (7,392) | – | – |
| **Balance at December 31, 2022 and January 1, 2023** | 86 | 30,075 | (329,539) | (8) | 9,604 | (383,849) | (673,631) |
| **Changes in equity for 2023:** | | | | | | | |
| Loss and total comprehensive income for the year | – | – | – | – | – | (203,413) | (203,413) |
| Equity settled share-based transactions | – | – | – | – | 5,233 | – | 5,233 |
| Shares vested under the RSU Incentive Plan | – | 6,918 | – | * | (6,918) | – | * |
| **Balance at December 31, 2023** | 86 | 36,993 | (329,539) | (8) | 7,919 | (587,262) | (871,811) |

* Less than RMB1,000

**(b) Authorized share capital**

The authorized share capital of the Company was USD50,000 divided into 500,000,000 shares of a nominal value of USD0.0001 each.

On August 9, 2021, the Company conducted a shares split pursuant to which each share in then issued and unissued share capital was subdivided into five shares of the corresponding class with nominal value of USD0.00002 each.

At the end of each reporting period during the Relevant Periods, the Company's authorized shares including shares held for RSU Incentive Plan, was as follows:

| | As at December 31, 2021 | | As at December 31, 2022 | | As at December 31, 2023 | |
|---|---|---|---|---|---|---|
| | *Number of shares* | *Nominal value USD* | *Number of shares* | *Nominal value USD* | *Number of shares* | *Nominal value USD* |
| Class A Ordinary Shares | 1,494,896,580 | 29,897 | 1,478,144,936 | 29,562 | 1,478,144,936 | 29,562 |
| Class B Ordinary Shares *(Note 26(c))* | 450,192,125 | 9,004 | 450,192,125 | 9,004 | 450,192,125 | 9,004 |
| Series A Preferred Shares *(Note 25)* | 115,165,045 | 2,303 | 115,165,045 | 2,303 | 115,165,045 | 2,303 |
| Series A-1 Preferred Shares *(Note 25)* | 86,828,195 | 1,737 | 86,828,195 | 1,737 | 86,828,195 | 1,737 |
| Series B Preferred Shares *(Note 25)* | 197,737,720 | 3,955 | 197,737,720 | 3,955 | 197,737,720 | 3,955 |
| Series C Preferred Shares *(Note 25)* | 155,180,335 | 3,104 | 155,180,335 | 3,104 | 155,180,335 | 3,104 |
| Series D Preferred Shares *(Note 25)* | – | – | 8,664,773 | 173 | 8,664,773 | 173 |
| Series D+ Preferred Shares *(Note 25)* | – | – | 8,086,871 | 162 | 8,086,871 | 162 |
| Total | 2,500,000,000 | 50,000 | 2,500,000,000 | 50,000 | 2,500,000,000 | 50,000 |

**(c) Issued share**

On September 26, 2019, the Company allotted and issued 60,000,000 ordinary shares to Fangrong Management Limited and 40,000,000 ordinary shares to Celaeno Group Limited on the same day.

On December 14, 2020, the Company repurchased 7,042,781 and 2,918,794 ordinary shares from Fangrong Management Limited and Celaeno Group Limited, respectively, and the balance of the ordinary shares registered in the names of Fangrong Management Limited and Celaeno Group Limited were re-designated as Class B Ordinary Shares.

On December 14, 2020, the Company allotted and issued an aggregate of 33,474,043 Class A Ordinary Shares of nominal value of USD0.0001.

The Company adopted a dual-class share structure effective immediately prior to the completion of [**REDACTED**]. Holders of the Class A Ordinary Shares and Class B Ordinary Shares will have the same rights except for voting rights. In respect of matters requiring the votes of shareholders, the holders of Class B Ordinary Shares are entitled to twenty votes per share, while the holders of Class A Ordinary Shares are entitled to one vote per share. Each preferred share entitles the holder to exercise such number of votes as equals the whole number of Ordinary Shares into which such holder's collective preferred shares are convertible immediately prior to the [**REDACTED**], respectively, on any resolution tabled at the Company's general meetings. The weighted voting rights structure will be cancelled upon [**REDACTED**].

At the end of each reporting period during the Relevant Periods, the number of issued ordinary shares of the Company was as follows:

| | As at December 31, | | |
|---|---|---|---|
| | **2021** | **2022** | **2023** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| **Class A Ordinary Shares** | 167,370,215 | 167,370,215 | 167,370,215 |
| **Class B Ordinary Shares** | 450,192,125 | 450,192,125 | 450,192,125 |
| | 617,562,340 | 617,562,340 | 617,562,340 |

Details of the changes in the Company's issued ordinary shares:

| | **Number of ordinary shares** | **Nominal value of ordinary shares** | **Nominal of ordinary shares** |
|---|---|---|---|
| | | *USD'000* | *RMB'000* |
| **Ordinary shares, Issued** | | | |
| At January 1, 2021 | 123,512,468 | 12 | 86 |
| Effect of shares split | 494,049,872 | – | – |
| At December 31, 2021, January 1, 2022, December 31, 2022, January 1, 2023 and December 31, 2023 | 617,562,340 | 12 | 86 |

In addition, the Preferred Shares disclosed in note 26(b) above were fully issued and accounted for as financial liabilities at the respective balance sheet dates (see note 25).

**(d) Shares held for the RSU Incentive Plan**

As at December 14, 2020, the Company issued 22,284,494 ordinary shares to Arkasia (S) Pte. Ltd., Televest Singapore Pte. Ltd. and Asia Tech Investments Ltd., (the "Special Purpose Vehicles") in total. The Special Purpose Vehicles are platforms for RSU Incentive Plan. The Company entered into nominee agreement arrangements with the Special Purpose Vehicles, respectively.

The Company has power to govern the relevant activities of the Special Purpose Vehicles and can derive benefits from the contributions of the eligible employees who are awarded with the shares under RSU Incentive Plan, the Directors of the Company consider that it is appropriate to regard the Special Purpose Vehicles as branches of the Company. The 22,284,494 ordinary shares of the Company issued to the Special Purpose Vehicles in 2020 was presented as shares held for the RSU Incentive Plan in equity until such time as they are vested.

As at December 31, 2021, 2022 and 2023, 72,276,282 shares, 64,377,482 shares and 57,428,719 shares were held by the Special Purpose Vehicles on behalf of the Company, which was equivalent to RMB9,000, RMB8,400 and RMB7,500 respectively.

**(e) Dividends**

During the Relevant Periods, the entities comprising the Group did not declare nor pay dividends to the equity shareholders.

**(f) Nature and purposes of reserves**

***(i) Share premium***

The share premium represents the difference between the par value of the shares of the Company and the fair value of vested shares of the Company in equity settled share-based transactions.

***(ii) Other reserves***

The balance of other reserves mainly represent the reserve of deemed distribution.

The amount of deemed distribution of RMB2,303,000 represented the consideration paid by the Company for acquiring the subsidiaries now comprising the Group from the Controlling Shareholder upon the Reorganization as disclosed in note 1.2.1.

***(iii) Share-based payments reserve***

The share-based payments reserve represents the portion of the grant date fair value of shares granted to the eligible persons of the Group that has been recognized in accordance with the accounting policy adopted for share-based payments in note 2(p)(ii).

**(g) Capital management**

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for equity shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

## 27 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Exposure to credit, liquidity, interest rate and currency risks arise in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below:

**(a) Credit risk**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade and other receivables, guarantees and amounts due from related parties. The Group's exposure to credit risk arising from cash and cash equivalents, restricted bank deposits and bills receivable is limited because the counterparties are banks and financial institutions or enterprises with high-credit-quality, for which the Group considers to have low credit risk.

***Trade receivables***

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. As at December 31, 2021, 2022 and 2023, 84%, 39% and 41% of the total trade debtors was due from the Group's top five largest customers respectively.

Individual credit evaluations are performed focusing on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade debtors are due within 120 days from the date of billing. Debtors with balances that over the credit terms granted are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables as at December 31, 2021, 2022 and 2023:

| | | As at December 31, 2021 | |
|---|---|---|---|
| | Expected loss rate | Gross carrying amount | Loss allowance |
| | *%* | *RMB'000* | *RMB'000* |
| Within 6 months (inclusive) | 0.38% | 7,591 | (30) |
| Over 6 months but within 1 year (inclusive) | 0.45% | 8 | –* |
| | | 7,599 | (30) |

| | | As at December 31, 2022 | |
|---|---|---|---|
| | Expected loss rate | Gross carrying amount | Loss allowance |
| | *%* | *RMB'000* | *RMB'000* |
| Within 6 months (inclusive) | 0.50% | 26,871 | (134) |
| Over 6 months but within 1 year (inclusive) | 0.70% | 1,663 | (12) |
| | | 28,534 | (146) |

| | | As at December 31, 2023 | |
|---|---|---|---|
| | Expected loss rate | Gross carrying amount | Loss allowance |
| | *%* | *RMB'000* | *RMB'000* |
| Within 6 months (inclusive) | 0.57% | 22,299 | (127) |
| Over 6 months but within 1 year (inclusive) | 0.80% | 1,347 | (11) |
| Over 1 year (inclusive) | 10.00% | 653 | (65) |
| | | 24,299 | (203) |

* Less than RMB1,000

ECL rates are based on actual loss experience over the past 12 months. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Movement in the loss allowance account in respect of trade debtors during the Relevant Periods is as follows:

| | Year ended December 31, | | |
|---|---|---|---|
| | **2021** | **2022** | **2023** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Balance at January 1 | 5 | 30 | 146 |
| Amounts recognized during the year *(note 6(c))* | 310 | 173 | 140 |
| Amounts written-off during the year | (285) | (57) | (83) |
| Balance at December 31 | 30 | 146 | 203 |

***Other receivables***

Other receivables mainly included deposits and rebate from suppliers. As at December 31, 2021, 2022 and 2023 there were neither significant increase of credit risk nor credit impaired for the balance of other receivables. The Group considered the receivables to be low credit risk since the counterparties have strong financial capacity to meet their contractual cash flow obligations in the near term. The expected credit losses on other receivables are not significant.

***Amount due from related parties***

We have concentration of credit risk on amounts due from related parties as of December 31, 2021 and 2022 with details set out in note 28(c). The Directors have made periodic assessments as well as individual assessment on recoverability based on historical settlement records and adjust for forward-looking information. In view of the financial capability of these related parties, our Directors consider risk of default was low, and accordingly, the expected credit losses on the amounts due from related parties are not significant.

**(b) Liquidity risk**

Management of the Group reviews the liquidity position of the Group on an ongoing basis, including review of the expected cash inflows and outflows in order to monitor the Group's liquidity requirements in the short and longer terms. The Group's policy is to regularly monitor its liquidity position and its compliance with loan covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the end of each reporting period during Relevant Periods of the Group's financial liabilities (excluding contract liabilities), which are based on contractual undiscounted cash flows and the earliest date the Group can be required to pay.

| | **Within 1 year or on demand** | **More than 1 year but less than 2 years** | **More than 2 years but less than 5 years** | **Total** | **Carrying amount at December 31, 2021** |
|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Trade and other payables | 282,049 | – | – | 282,049 | 282,049 |
| Lease liabilities | 10,703 | 6,861 | 1,665 | 19,229 | 18,273 |
| | 292,752 | 6,861 | 1,665 | 301,278 | 300,322 |

| | Within 1 year or on demand | More than 1 year but less than 2 years | More than 2 years but less than 5 years | Total | Carrying amount at December 31, 2022 |
|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Trade and other payables | 356,217 | – | – | 356,217 | 356,217 |
| Bank loans | 10,221 | – | – | 10,221 | 10,154 |
| Lease liabilities | 13,858 | 7,483 | 7,266 | 28,607 | 26,654 |
| | 380,296 | 7,483 | 7,266 | 395,045 | 393,025 |

| | Within 1 year or on demand | More than 1 year but less than 2 years | More than 2 years but less than 5 years | Total | Carrying amount at December 31, 2023 |
|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Trade and other payables | 440,451 | – | – | 440,451 | 440,451 |
| Bank loans | 5,006 | – | – | 5,006 | 5,005 |
| Lease liabilities | 16,770 | 11,136 | 20,057 | 47,963 | 44,714 |
| | 462,227 | 11,136 | 20,057 | 493,420 | 490,170 |

In addition to the above, the Group was also exposed to liquidity risk arising from the redemption feature of convertible redeemable preferred shares at December 31, 2021, 2022 and 2023, which are further disclosed in note 25.

**(c) Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest-bearing financial assets and financial liabilities are at fixed interest rates at the end of the Relevant Periods, including restricted bank deposits, bank loans, lease liabilities and convertible redeemable preferred shares, and the change of market interest rate does not expose the Group to interest rate risk. Overall, the Group's exposure to interest rate risk is not significant.

**(d) Currency risk**

The Group is exposed to currency risk primarily give rise to cash balances and financial liabilities that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily United States Dollars ("USD").

***(i) Exposure to currency risk***

The following table details the Group's exposure at the end of each reporting period during the Relevant Periods to currency risk arising from recognized assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in RMB translated using the spot rate at the end of each reporting period during the Relevant Periods.

| | Exposure to foreign currencies | | |
|---|---|---|---|
| | As at December 31, | | |
| | 2021 | 2022 | 2023 |
| | USD | USD | USD |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Cash and cash equivalents | 34,940 | 86,662 | 55,918 |
| Convertible redeemable preferred shares | (1,368,767) | (1,737,882) | (1,911,521) |
| Net exposure arising from recognized assets and liabilities | (1,333,827) | (1,651,220) | (1,855,603) |

*(ii) Sensitivity analysis*

As at December 31 2021, it is estimated that a general increase/decrease of 100 basis points in foreign exchange rates, with all other variables held constant, would have increased/decreased the Group's loss after tax and accumulated losses of RMB13,338,000.

As at December 31, 2022 and 2023, it is estimated that a general increase/decrease of 500 basis points in foreign exchange rates, with all other variables held constant, would have increased/decreased the Group's loss after tax and accumulated losses of RMB82,561,000 and RMB92,780,000 respectively.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments which expose the Group to foreign currency risk at the end of each reporting period. The analysis is performed on the same basis during the Relevant Periods.

**(e) Fair value measurement**

The carrying amounts of the Group's financial instruments carried at amortized cost are not materially different from their fair values as at December 31, 2021, 2022 and 2023.

**28 MATERIAL RELATED PARTY TRANSACTIONS**

Names and relationships of the related parties that had other material transactions with the Group during the Relevant Periods:

**Name of related parties**

***(i) Entities over which Mr. Xie Fangmin has significant influence***

Guangdong Jianke Medicine Co., Ltd. (廣東健客醫藥有限公司)*
Guangzhou Jianke Pharmaceutical Co., Ltd. (廣州健客藥業有限公司)*
Guangzhou Starfields Information Technology Co., Ltd. (廣州星域信息科技有限公司)*
Dongguan Xingyu Information Technology Co., Ltd. (東莞市星域信息技術有限公司)*
Beijing Yunyihuiyao Information Technology Co., Ltd. (北京雲醫惠藥信息科技有限公司)*
Wuhan Yunyihuiyao Pharmaceuticals Co., Ltd. (武漢雲醫惠藥醫藥有限公司)*
Wuhan Jianke Pharmaceuticals Co., Ltd. (武漢市健客醫藥有限公司)*

***(ii) Entities controlled by Mr. Xie Fangmin***

Shanghai Zhouzhi Pharmaceuticals Technology Co., Ltd. (上海舟致醫藥科技有限公司)*

***(iii) Entities controlled by the Controlling Shareholders***

Yunyi Limited

***(iv) Directors of the Company***

Mr. Xie Fangmin
Mr. Zhou Feng
Mr. Zou Yuming

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* The English translation of these companies' names are for reference only. The official names of these companies are in Chinese.

*(a) Key management personnel remuneration*

Remuneration for key management personnel of the Group, including amounts paid to the Company's Directors as disclosed in note 8 and certain of the highest paid employees as disclosed in note 9, is as follows:

| | **Year ended December 31,** | | |
|---|---|---|---|
| | **2021** | **2022** | **2023** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Salaries, wages and other benefits | 5,018 | 10,583 | 12,441 |
| Discretionary bonuses | 1,487 | 120 | 3,316 |
| Retirement scheme contributions | 62 | 133 | 187 |
| Equity settled share-based transactions | 1,714 | 1,281 | 434 |
| | 8,281 | 12,117 | 16,378 |

Total remuneration is included in "staff costs" (see note 6(b)).

*(b) Related parties transactions*

During the Relevant Periods, the Group entered into the following material related party transactions:

| | **Year ended December 31,** | | |
|---|---|---|---|
| | **2021** | **2022** | **2023** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Purchase of goods | 4,659 | – | – |
| Advance of borrowings to related parties | 36,814 | – | – |
| Repayments of borrowings by related parties | 46,006 | 21,596 | 12,032 |

*(c) Balance with related parties*

| | **As at December 31,** | | |
|---|---|---|---|
| | **2021** | **2022** | **2023** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| **Amounts due from related parties:** | | | |
| **Current:** | | | |
| ***Non-trade related:*** | | | |
| – Other receivables | 33,628 | 12,032 | – |

## 29 SUBSEQUENT EVENTS AFTER DECEMBER 31, 2023

In May 2024, the Company allotted and issued 5,453,428, 33,268,750, 32,900,000, 32,120,000, 3,500,000 and 20,000,000 Class A Ordinary Shares of par value of US$0.00002 each to Asia Tech Investments Ltd., Endeavor Cloud Limited, Gaoxin Thrive Limited, FAST GOAL INTERNATIONAL LIMITED, Mr. ZOU Yuming and Torano Investments Limited, respectively.

## 30 INVESTMENT IN A SUBSIDIARY AND AMOUNT DUE FROM A SUBSIDIARY IN THE COMPANY'S STATEMENT OF FINANCIAL POSITION

### (a) Investment in a subsidiary

| | As at December 31, | | |
|---|---|---|---|
| | 2021 | 2022 | 2023 |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Investment in a subsidiary | 658,722 | 658,722 | 658,722 |
| Deemed investments arising from share-based transactions | 5,418 | 16,901 | 21,372 |
| Total | 664,140 | 675,623 | 680,094 |

### (b) Amount due from a subsidiary

The balance of amount due from a subsidiary mainly represented the borrowings to Fangzhou Limited, which was unsecured, interest free and have no fixed repayment terms.

## 31 CONTINGENT LIABILITIES

During the Relevant Periods, the Group paid service fees to physicians who are engaged by the Group to provide medical consultation services. According to the relevant tax rules and regulations, the Group might be responsible to withhold and report individual income tax for the engaged physicians in relation to their services rendered in the Group's platform. Should the relevant tax authority finds the engaged physicians' relevant individual income tax paid is improper or insufficient, the Group may be required to procure the engaged physicians to file and pay up the underpaid tax liabilities and be subject to penalties calculated at 50% ~ 300% of the underpaid tax. The Directors assessed and considered that no provision is required to be made in the Historical Financial Information in this regard.

## 32 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE RELEVANT PERIODS

Up to the date of this report, the HKICPA has issued a number of amendments, and a new standard, which have not been adopted in the Historical Financial Information. These include the following:

| | Effective for accounting periods beginning on or after |
|---|---|
| Amendments to HKAS 1, *Classification of Liabilities as Current or Non-current* | January 1, 2024 |
| Amendments to HKAS 1, *Non-current Liabilities with Covenants* | January 1, 2024 |
| Amendments to HKAS 7 and HKFRS 7, *Supplier Finance Arrangements* | January 1, 2024 |
| Amendments to HKFRS 16, *Lease Liability in a Sale and Leaseback* | January 1, 2024 |
| *Amendments to HKAS 21, Lack of exchangeability* | January 1, 2025 |
| Amendments to HKFRS 10 and HKAS 28, *Sale or contribution of assets between an investor and its associate or joint venture* | Will be determined at a future date |

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far the Group has concluded that the adoption of them is unlikely to have a significant impact on the Historical Financial Information.

**Subsequent financial statements**

No audited financial statements have been prepared by the Company and its subsidiaries comprising the Group in respect of any period subsequent to December 31, 2023.