方舟健客

方舟云康控股有限公司

Fangzhou Inc.

Stock Code : 6086

2024 Annual Report

CONTENTS

Definitions

"Articles of Association"	the articles of association of the Company, as amended from time to time
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Audit Committee"	the audit committee of the Board
"Auditor"	KPMG, an independent auditor of our Company
"Board"	the board of Directors of the Company
"BVI"	the British Virgin Islands
"CDM"	chronic disease management, an integrated approach to healthcare for chronic disease across all stages, with a goal of strengthening disease control and preventing complications, while managing costs
"China", "Mainland China" or "PRC"	the People's Republic of China and, except where the context requires, references in this annual report to the PRC or Mainland China excluding Hong Kong, China; Macau, China; and Taiwan, China
"Class A Ordinary Share(s)"	class A ordinary share(s) in the share capital of our Company with a par value of US$0.00002 each, conferring a holder of a Class A Ordinary Share one vote per share on any resolution tabled at our Company's general meeting
"Class B Ordinary Share(s)"	class B ordinary share(s) in the share capital of our Company with a par value of US$0.00002 each, conferring weighted voting rights in our Company such that a holder of a Class B Ordinary Share is entitled to twenty votes per share on any resolution tabled at our Company's general meeting
"Companies Act"	the Companies Act, Cap. 22 (Act 3 of 1961, as consolidated and revised) of the Cayman Islands
"Companies Ordinance"	the Companies Ordinance, Chapter 622 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
"Company", "our Company" or "the Company"	Fangzhou Inc. (方舟云康控股有限公司), an exempted company with limited liability incorporated in the Cayman Islands on September 26, 2019

"Concert Deed"	the deed of act-in-concert entered into by Mr. Xie and Mr. Zhou on September 26, 2019, further information on which is set out in "History, Reorganization and Corporate Structure – Concert Party Arrangement" of the Prospectus
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Consolidated Affiliated Entities"	the entities we control through the contractual arrangements, namely Fangzhou Yunkang and its subsidiaries (each a "**Consolidated Affiliated Entity**")
"Corporate Governance Code"	Corporate Governance Code as set out in Appendix C1 to the Listing Rules
"Crescent Point"	Crescent China Investment Management Ltd., a private equity manager incorporated in the British Virgin Islands on October 28, 2020 and regulated by the British Virgin Islands Financial Services Commission, which is ultimately controlled by Mr. David McKee HAND, our non-executive Director; or where the context requires, in respect of certain historical events, Crescent Fund Management Pte. Ltd., an investment manager incorporated in Singapore on December 17, 2012 and licensed by the Monetary Authority of Singapore
"Crescent Point Vehicles"	Crescent Trident Singapore Pte. Ltd., Asia-Pac E-Commerce Opportunities Pte. Ltd., CP Pharmatech Singapore Pte. Ltd. and Tech-Med Investments (S) Pte. Ltd.
"Director(s)"	the director(s) of our Company
"Fangzhou Yunkang Registered Shareholders"	the registered shareholders of Fangzhou Yunkang, namely, Guangzhou Fangming Investment Enterprise (Limited Partnership) (廣州市方明投資企業(有限合夥)), Shenzhen Kaichuang Lianyu Technology Consultancy Co., Ltd. (深圳市凱創聯宇科技諮詢有限公司) and Beijing Yiershan Technology Co., Ltd. (北京醫而善科技有限公司), holding 47%, 33% and 20% of the equity interest in Fangzhou Yunkang, respectively
"Global Offering"	has the meaning ascribed thereto in the Prospectus
"GMV"	gross merchandise volume, the total value of all orders placed, regardless of whether the services or products are performed or delivered or whether the products are returned

Definitions

"Group", "our Group", "the Group", "we", "us", or "our"	our Company, its subsidiaries and the Consolidated Affiliated Entities from time to time, and where the context requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time
"H2H"	hospital-to-home
"H2H service platform"	refers to the platforms, such as the Jianke Doctor App (健客醫生), Jianke Hospital App (健客醫院), and designated WeChat mini programs, used to deliver our H2H services, which constitute the primary component of our comprehensive medical services
"HK$" or "HK dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Jianke Platform"	any of the platforms through which we offer services, including the Jianke Doctor App (健客醫生), Jianke Hospital App (健客醫院), Jianke Online Pharmacy App (健客網上藥店), jianke.com website, and associated WeChat official accounts and mini programs
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange
"Listing Date"	July 9, 2024, being the date on which dealings in the Shares first commenced on the Main Board of the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with GEM (formerly known as the Growth Enterprise Market) of the Stock Exchange
"MAU"	monthly active users and, in relation to us, the number of active users who access our services on the Jianke Platform at least once during a calendar month
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules
"Mr. Xie"	Mr. XIE Fangmin (謝方敏), an executive Director, chairman of the Board and chief executive officer of our Company

"Mr. Zhou"	Mr. ZHOU Feng, an executive Director and chief strategy officer of our Company
"Nomination Committee"	the nomination committee of the Board
"Preferred Share(s)"	preferred share(s) in the share capital of our Company with a par value of US$0.00002 each, including the series A preferred shares, series A-1 preferred shares, series B preferred shares, series C preferred shares, series D preferred shares and series D+ preferred shares
"Prospectus"	the prospectus issued by our Company on June 28, 2024
"Remuneration Committee"	remuneration committee of the Board
"Reporting Period"	the year ended December 31, 2024
"RMB"	Renminbi, the lawful currency of the PRC
"RSU Scheme"	the restricted share unit scheme adopted by our Company on January 1, 2020
"SFO"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
"Share(s)" or "Ordinary Share(s)"	ordinary shares in the share capital of our Company with a par value of US$0.00002 each
"Shareholder(s)"	holder(s) of our Share(s)
"SKU"	stock keeping unit
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary" or "subsidiaries"	has the meaning ascribed to it in section 15 of the Companies Ordinance
"US"	United States of America, its territories, its possessions and all areas subject to its jurisdiction
"US dollars", "US$" or "USD"	United States dollars, the lawful currency of the US
"%"	percent

Corporate Information

BOARD OF DIRECTORS

Executive Directors
Mr. XIE Fangmin (謝方敏)
Mr. ZHOU Feng
Mr. ZOU Yuming (鄒宇鳴)

Non-executive Director
Mr. David McKee HAND

Independent Non-executive Directors
Dr. WANG Haizhong (王海忠)
(Effective from June 27, 2024)
Ms. KANG Wei (康韋)
(Effective from June 27, 2024)
Mr. ZHU Xiaolu (朱小路)
(Effective from June 27, 2024)

AUDIT COMMITTEE

Mr. ZHU Xiaolu (朱小路) *(Chairman)*
Dr. WANG Haizhong (王海忠)
Ms. KANG Wei (康韋)

REMUNERATION COMMITTEE

Ms. KANG Wei (康韋) *(Chairlady)*
Mr. ZHU Xiaolu (朱小路)
Mr. David McKee HAND

NOMINATION COMMITTEE

Mr. XIE Fangmin (謝方敏) *(Chairman)*
Dr. WANG Haizhong (王海忠)
Mr. ZHU Xiaolu (朱小路)

JOINT COMPANY SECRETARIES

Mr. ZOU Yuming (鄒宇鳴)
Ms. NG Sau Mei (伍秀薇)
(Appointed on August 28, 2024)
Ms. FUNG Po Ting (馮寶婷)
(Resigned on August 28, 2024)

AUTHORIZED REPRESENTATIVES

Mr. XIE Fangmin (謝方敏)
Mr. ZHOU Feng

REGISTERED OFFICE

Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman
KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

Floor 1-2, 4th Street
Building S, Kehui Jingu
No. 99, Science Avenue
Luogang Science City
Huangpu District
Guangzhou
Guangdong Province
the PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

31/F, Tower Two, Times Square
1 Matheson Street
Causeway Bay
Hong Kong

COMPANY'S WEBSITE

investors.jianke.com

STOCK CODE

6086

HONG KONG LEGAL ADVISER

Kirkland & Ellis
26/F, Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

AUDITOR

KPMG
Public Interest Entity Auditor registered in accordance with the Accounting and Financial Reporting Council Ordinance
8/F, Prince's Building
10 Chater Road
Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman KY1-1111
Cayman Islands

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong

Financial and Business Highlights

- Significant 139% increase in adjusted net profit for 2024 compared to 2023, driven by ongoing technology enhancements and improvements in operating efficiency
- Robust growth and user engagement across the Jianke Platform
  - Our platform grew to 49.2 million registered users as of December 31, 2024
  - Average MAUs over the twelve months ended December 31, 2024 reached 10.1 million, a 20% year-on-year increase
- Successfully connected our platform with the social healthcare insurance system to enable online insurance payment channels

FINANCIAL SUMMARY

Consolidated Statement of Profit or Loss (RMB'000)

	For the year ended December 31,	
	2024	2023
Revenue	**2,707,368**	2,434,308
Cost of sales	**(2,191,427)**	(1,946,901)
Gross profit	**515,941**	487,407
Loss before taxation	**(854,853)**	(196,711)
Loss and total comprehensive income for year	**(854,885)**	(196,788)
Non-HKFRS measures		
Adjusted net profit (non-HKFRS measure)[1]	**17,119**	7,165

Consolidated Statements of Financial Position (RMB'000)

	As of December 31,	
	2024	2023
Non-current assets	**55,769**	54,014
Current assets	**608,325**	467,354
Non-current liabilities	**31,090**	1,940,889
Current liabilities	**501,300**	481,942
Net Assets/(liabilities)	**131,704**	(1,901,463)

1 We define adjusted net profit (non-HKFRS measure) as loss and total comprehensive income for the year after excluding the effects of (i) equity settled share-based transactions; (ii) listing expenses; (iii) changes in the carrying amount of preferred shares liability; (iv) foreign exchange from preferred shares liability; and (v) fair value loss on financial assets measured at FVPL. For details, see "Management Discussion and Analysis — Financial Review — Non-HKFRS measure: Adjusted Net Profit and Adjusted Net Profit Margin" in this annual report.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	2024	2023	2022	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	**2,707,368**	2,434,308	2,204,303	1,758,673
Cost of sales	**(2,191,427)**	(1,946,901)	(1,823,719)	(1,539,025)
Gross profit	**515,941**	487,407	380,584	219,648
Loss before taxation	**(854,853)**	(196,711)	(383,289)	(303,950)
Loss and total comprehensive income for the year attributable to equity shareholders of the Company	**(854,885)**	(196,788)	(383,302)	(303,989)
Non-HKFRS measures				
Adjusted net profit/(loss) (non-HKFRS measure)[1]	**17,119**	7,165	(89,441)	(206,821)
Attributable to:				
Equity shareholders of our Company	**(854,885)**	(196,788)	(383,302)	(303,964)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	2024	2023	2022	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets	**55,769**	54,014	43,711	36,579
Current assets	**608,325**	467,354	475,170	312,110
Non-current liabilities	**31,090**	1,940,889	1,751,740	1,377,082
Current liabilities	**501,300**	481,942	477,049	311,861
Net Assets/(Liabilities)	**131,704**	(1,901,463)	(1,709,908)	(1,340,254)

Note:

1 We define adjusted net profit (non-HKFRS measure) as loss and total comprehensive income for the year after excluding the effects of (i) equity settled share-based transactions; (ii) listing expenses; (iii) changes in the carrying amount of preferred shares liability; (iv) foreign exchange from preferred shares liability; and (v) fair value loss on financial assets measured at FVPL. For details, see "Management Discussion and Analysis – Financial Review – Non-HKFRS measure: Adjusted Net Profit and Adjusted Net Profit Margin" in this annual report.

BUSINESS REVIEW

China is confronting an increasing prevalence of chronic diseases, driven by a number of trends, including an aging population, earlier onset of chronic diseases, and an increasing number of terminal diseases becoming manageable chronic conditions due to recent medical advances. To address these challenges, the government has continued to introduce policies designed to enhance the efficiency and broaden the availability of chronic disease care. In 2024, the National Healthcare Security Administration further expanded the availability of online social healthcare reimbursements, with many regions leveraging Internet hospitals to facilitate online diagnosis and treatment for follow-up patients. In addition, the National Health Commission of the People's Republic of China published the Guidelines for Artificial Intelligence Application Scenarios in the Health and Wellness Industry (《衛生健康行業人工智慧應用場景參考指引》) which highlights the broad application of machine learning and AI technologies across a range of healthcare areas including CDM, pharmaceutical supply chain, and AI assisted diagnosis and consultation.

As a pioneer in online CDM services, the Company focuses on the continuous development of its ecosystem designed to serve the needs of customers and patients. In 2024, the Company made significant progress across its core business segments, which include comprehensive medical services, online retail pharmacy services, and customized content and marketing solutions. To address the needs of chronic disease patients for convenient online payment using social healthcare insurance and improve affordability, we successfully implemented support for online medical insurance payments system through our platform. In addition, the Company deepened its focus on AI technologies, including large language models, big data, cloud computing and other emerging technologies to enhance our platform functionality and user experience. We believe that technological innovation is core to our H2H model, and our mission of bringing smart CDM services to our users.

During the Reporting Period, our overall business continued to grow, with total revenue climbing to RMB2.7 billion, reflecting a year-over-year increase of 11.2%. In addition, we remained committed to increasing our platform's user base and engagement levels, and as of December 31, 2024, we reached 49.2 million registered users. Our Jianke Platform also recorded an average of 10.1 million MAUs over the twelve months ended December 31, 2024, indicating growing user engagement and active platform participation. Underscoring our success in building user loyalty, our repeat purchase rate among paying users remained robust at 84.7% for the 12 months ended December 31, 2024. Consistent with our commitment to serving chronic disease patients, prescription drug GMV comprised a substantial 81.3% of our total GMV for the year ended December 31, 2024.

Comprehensive Medical Services

Our comprehensive medical services business segment continues to focus on serving the substantial needs of chronic disease patients through our H2H telemedicine platform by offering follow-up online medical consultation services, e-prescription and prescription refill services. During the Reporting Period, we achieved significant progress and strategic advancements in expanding the scope of our business by growing our physician user base. The number of registered physicians on our platform reached nearly 223 thousand as of December 31, 2024. Highlighting the exceptional caliber of medical professionals on our platform, approximately 59% of our registered physicians were affiliated with Class III hospitals, and approximately 39% held the title of associate chief physician or above.

During the Reporting Period, the Company developed a sales force automation (SFA) system specifically focused on physician recruitment and operations, and aimed at expanding our geographic footprint to improve coverage in under served areas beyond Tier-1 cities. In addition, with our newly implemented Social Customer Relationship Management (SCRM) system, our operations team is able to more easily gain timely insights into the needs of physicians, enabling us to broaden the range and frequency of activities in which doctors participate on our platform.

The Company believes that technological innovation is critical to the advancement of our H2H model. In 2024, we remained focused on the development and integration of emerging technologies across our platform to enhance functionality and improve user experience. Our research and development efforts in AI technologies, such as large language models, big data, and cloud computing, combined with strategic collaborations, such as our partnership with Tencent Health, have significantly increased the efficiency of chronic disease management across our platform.

Online Retail Pharmacy Services

Our online retail pharmacy services business segment remains committed to providing customers with a wide range of pharmaceutical products, emphasizing prescription drugs to serve the needs of chronic disease patients. Revenue generated from online retail pharmacy services increased by 8.3% from RMB1,297.1 million for the year ended December 31, 2023 to RMB1,404.8 million for the year ended December 31, 2024. As our business continued to scale, we were able to sustain our growth while simultaneously improving our gross margin.

We continued to optimize our platform to improve user experience. This includes ongoing optimization of our search algorithms to help users more easily find the products and treatments they are seeking, constant upgrades to our platform functionality, and providing the widest possible selection of medications (almost 215,000 drug SKUs as of December 31, 2024). These efforts have allowed us to continue growing our customer base while maintaining our high repeat purchase rate.

Customized Content and Marketing Solutions

Our customized content and marketing solutions business maintained strong momentum during the Reporting Period, mainly driven by the expansion of our platform's user base and partnerships with pharmaceutical companies. Revenue for this segment grew by 20.7%, increasing from RMB87.0 million for the year ended December 31, 2023 to RMB105.1 million for the year ended December 31, 2024.

During the Reporting Period, we strengthened our content production capabilities and expanded social media partnerships with expert doctors. In 2024, we delivered over 11,000 live streaming sessions through our academic and patient community services. Going forward, social media engagement will continue to be a key strategy for this business segment. We believe that providing healthcare providers with diverse professional engagement and collaboration opportunities through our platform helps to differentiate us from competitors and enhance retention and loyalty within our ecosystem.

Pharmaceutical Supply Chain Optimization

The core of our platform is our ability to leverage cutting edge technologies for ongoing optimization of our supply chain. We utilize a "just-in-time" inventory management strategy focused on maintaining low inventory levels and achieving rapid inventory turnover while ensuring access to the broadest possible range of pharmaceutical products for our customers. As of December 31, 2024, our pharmaceutical supply chain encompassed collaborations with over 1,500 suppliers and more than 900 pharmaceutical companies, ranging from multinational corporations to domestic industry leaders. We announced strategic partnerships with a number of pharmaceutical companies including Guangzhou Balyunshan and Bristol Myers Squibb to leverage the Company's platform for Internet-based chronic disease care, and we believe the Company remains the partner of choice for pharmaceutical companies in China. These partnerships provide us with consistent access to a broad range of pharmaceutical products, allowing us to offer almost 215,000 drug SKUs to our users (of which approximately 62% were prescription drug SKUs).

Even as we offer this broad range of products, we have continued to employ data analytics and machine learning algorithms in order to better forecast demand and dynamically adjust our procurement strategies. Through these efforts, we were able to improve our order fulfillment rates even as we reduced our inventory turnover days from 24.6 days for the year ended December 31, 2023 to 23.1 days for the year ended December 31, 2024.

Social Healthcare Insurance

During the Reporting Period, we successfully integrated our platform with government social healthcare insurance, opening up online insurance payment channels to improve convenience and affordability for our users. Through our Internet Hospital platform, we established an online payment system that allows insured patients to utilize medical insurance funds, for outpatient prescription drugs related to common disease conditions covered by social healthcare insurance. In 2024, our Qishi Internet Hospital (廣州啟石互聯網醫院) also became a designated medical insurance location in Huangpu District, Guangzhou. The Company's Internet healthcare platform allows insured patients to engage in online follow-up consultations, receive e-prescriptions and make payment using their medical insurance, while gaining access to a broader selection of prescription drugs. In addition, our online retail pharmacy service platform introduced a real-time settlement function for drugs listed in the social healthcare insurance "dual-channel" catalog. Chronic disease patients can use the Fangzhou Jianke Medical Insurance Assistant Mini Program (方舟健客醫保助手小程序) within Guangdong Medical Insurance (粵醫保) to pay for hospital-issued dual-channel prescriptions using unified or individual medical insurance accounts.

Future Prospects

As we look ahead to 2025, our strategic priorities are centered on a multi-faceted approach to reinforcing our market leadership in online CDM. The Company remains focused on balancing immediate tactical improvements with longer-term strategic initiatives to build sustainable competitive advantages.

Strengthening AI Development to Enhance our Platform Capabilities

We will continue to drive the development of AI-enabled services and functionality across key areas of our platform, focusing on AI-enabled physician support, data analytics, and personalized patient education and awareness. These enhancements will leverage advanced algorithms to provide actionable insights, streamline care, and improve medication adherence. By integrating these AI-driven tools, we aim to create a comprehensive ecosystem that addresses the complex demands of chronic disease management.

Enhancing Medical Professional Engagement and User Experience

We will continue to augment our support infrastructure for patients and physicians. We will build on the connection between healthcare providers and patients to introduce new features aimed at achieving a better patient experience and improved long-term treatment patient outcomes. This also includes implementing machine learning algorithms to help encourage physician engagement, and supporting our registered physicians with cutting-edge AI-enabled tools (including knowledge graphs for assisted diagnosis) tailored to their preferences and usage habits.

Optimizing Supply Chain Operations and Product Offerings

We are committed to further strengthening our supply chain infrastructure and diversifying our product portfolio to meet the evolving needs of our users. Through partnerships with new and existing pharmaceutical companies, we aim to tap into key market segments characterized by significant patient demand, while continuing to leverage AI and machine learning algorithms to optimize our inventory management.

Talent Acquisition and Development

To support our ongoing growth, we will continue to attract exceptional talent from diverse backgrounds relevant to our business, including AI, healthcare services, CDM operations and the pharmaceutical industry.

FINANCIAL REVIEW

Revenue

During the Reporting Period, we generated our revenue primarily from (i) online retail pharmacy services; (ii) comprehensive medical services; (iii) wholesale; and (iv) customized content and marketing solutions. The following table sets forth the breakdown of our revenue by major products or service lines for the periods indicated.

	As of December 31,	
	2024	2023
	RMB'000	*RMB'000*
Online retail pharmacy services	**1,404,790**	1,297,106
Comprehensive medical services	**646,549**	983,654
Wholesale	**550,949**	66,502
Customized content and marketing solutions	**105,080**	87,046
Total	**2,707,368**	2,434,308

Our revenue increased by 11.2% from RMB2,434.3 million for the year ended December 31, 2023 to RMB2,707.4 million for the year ended December 31, 2024, primarily reflecting an increase in revenue from online retail pharmacy services, wholesale and customized content and marketing solutions which was partially offset by a decrease in revenue from comprehensive medical services.

Online Retail Pharmacy Services

Revenue from online retail pharmacy services primarily represents revenue from sales of pharmaceutical and healthcare products on our online retail pharmacy service platform, third-party platforms and, to a minimal extent, our offline retail pharmacies.

Revenue generated from online retail pharmacy services increased by 8.3% from RMB1,297.1 million for the year ended December 31, 2023 to RMB1,404.8 million for the year ended December 31, 2024, driven by the increased sales volume of our pharmaceutical and healthcare products which benefited from ongoing expansion of our user base and increased platform engagement. Furthermore, growth in our business scale allowed us to negotiate more favorable procurement terms, enabling us to offer competitive pricing on a range of products while still improving our overall gross margins from 20.3% for the year ended December 31, 2023 to 22.6% for the year ended December 31, 2024.

Comprehensive Medical Services

Revenue from comprehensive medical services primarily consists of (i) revenue from online consultation services provided by physicians to patients, e-prescription services and sales of pharmaceutical and other products on our H2H service platform; and (ii) to a minimal extent, revenue from physician consultations and sales of pharmaceutical products through offline hospitals.

Revenue generated from comprehensive medical services decreased by 34.3% from RMB983.7 million for the year ended December 31, 2023 to RMB646.5 million for the year ended December 31, 2024. In 2024, as our H2H platform gained greater market recognition, we shifted our focus for this business segment towards achieving improved profitability and a more sustainable development path, resulting in gross margins increasing from 15.2% for the year ended December 31, 2023 to 17.2% for the year ended December 31, 2024. We believe this shift provides a solid foundation for our future growth.

Wholesale

Wholesale revenue primarily consists of revenue from wholesale of pharmaceutical products to third-party customers. Revenue for this segment increased by 728.5% from RMB66.5 million for the year ended December 31, 2023 to RMB550.9 million for the year ended December 31, 2024. In 2024, as a result of the pharmaceutical industry's market conditions, we started to leverage our long-standing supply chain relationships to identify significant opportunities to source products at favorable prices.

Customized Content and Marketing Solutions

Revenue from customized content and marketing solutions mainly comprises income generated from the customized content and marketing services we offered to pharmaceutical companies. Revenue from customized content and marketing solutions increased by 20.7% from RMB87.0 million for the year ended December 31, 2023 to RMB105.1 million for the year ended December 31, 2024, primarily due to (i) the recognition by pharmaceutical companies of our improved content creation capabilities and influence as a healthcare media outlet, and (ii) our sustained marketing efforts to reach more enterprise customers and expand our customer base in this business segment.

Cost of Sales

Our cost of sales primarily consists of (i) procurement costs for pharmaceutical and other healthcare products; (ii) medical service costs directly related to registered physicians in providing online consultations and cost of sales in relation to the operations of our offline hospital; (iii) staff costs, representing wages, benefits and bonuses of our sales and marketing personnel for our customized content and marketing solutions and staff of our offline hospital; (iv) content production costs in connection with our customized content and marketing solutions; and (v) others, mainly representing depreciation and amortization.

Our cost of sales increased by 12.6% to RMB2,191.4 million for the year ended December 31, 2024, as compared to RMB1,946.9 million for the year ended December 31, 2023, in line with our increase in revenue.

Gross Profit and Gross Profit Margin

Our gross profit increased by 5.9% from RMB487.4 million for the year ended December 31, 2023 to RMB515.9 million for the year ended December 31, 2024 as we grew our business scale. Our overall gross profit margin fell to 19.1% for the year ended December 31, 2024, as compared to 20.0% for the year ended December 31, 2023. This change was primarily due to shifts in our business segment and product mix over the Reporting Period.

Other Net Loss

Other net loss or income primarily consists of (i) government grants, which mainly represent incentives and subsidies received from local governments for the purpose of encouraging business development; (ii) foreign exchange gain or loss primarily in connection with changes in present value of redemption amount of Preferred Shares denominated in US dollars; (iii)fair value loss on financial assets measured at FVPL; and (iv) other gain or loss, mainly representing interest income from cash deposits and our donations.

Our other net loss increased by 17.3% from RMB23.9 million for the year ended December 31, 2023 to RMB28.1 million for the year ended December 31, 2024, primarily reflecting a decrease in foreign exchange loss resulting from the translation of the USD denominated preferred shares, which was offset by an increase in of fair value loss on financial assets measured at FVPL.

Selling and Distribution Expenses

Our selling and distribution expenses primarily consist of (i) advertising and platform service fees, which mainly represent advertising and marketing fees we paid to third-party online platforms to promote our brand and services; (ii) service fees to registered physicians as compensation for their activities on our platform, including the number of hours spent online on our platform, and their contribution to our live streaming and academic community and patient community services; (iii) logistics expenses for engaging third-party couriers for delivery services; (iv) staff costs, representing wages, benefits and bonuses of our CDM service center staff and our sales and marketing personnel for our comprehensive medical services and online retail pharmacy services; (v) outsourcing expenses charged by outsourcing agencies in connection with the outsourced support staff for our operations, such as customer service personnel and warehouse workers; (vi) telecommunication expenses in relation to our promotional activities, such as messaging services used in the user registration process; (vii) share-based compensation to our sales and marketing personnel; and (viii) others, including utilities and depreciation and amortization.

Our selling and distribution expenses increased by 3.5% from RMB343.7 million for the year ended December 31, 2023 to RMB355.8 million for the year ended December 31, 2024. Our selling and distribution expenses as a percentage of revenue decreased from 14.1% for the year ended December 31, 2023 to 13.1% for the year ended December 31, 2024, due to ongoing improvements in our operational efficiency and effective cost optimization strategies related to personnel, logistics, and other operating expenditures.

Administrative Expenses

Our administrative expenses primarily consist of (i) research and development costs, including R&D personnel staff costs, outsourcing expenses for our R&D activities, depreciation of right-of-use assets, and share-based compensation attributable to our R&D personnel; (ii) staff costs, representing wages, benefits and bonuses of our administrative personnel; (iii) professional service fees, which primarily represent fees paid to professional parties, including auditors, lawyers and consultants in connection with past rounds of financing and the Listing; (iv) handling fees that we paid to third-party payment platforms in relation to our sales of pharmaceutical and other products; (v) business expenses, including business development fees, office expenses and travel expenses incurred in our daily operations; (vi) technical service fees paid to third-party service providers for online technical support solutions; (vii) share-based compensation attributable to our administrative personnel; (viii) depreciation of right-of-use assets; (ix) outsourcing expenses for certain administrative functions; and (x) others, including rent and utility expenses, telecommunication expenses related to administrative activities, and depreciation and amortization.

Our administrative expenses increased by 430.4% from RMB171.5 million for the year ended December 31, 2023 to RMB909.5 million for the year ended December 31, 2024. This was primarily the result of share-based compensation from our RSU Scheme, which amounted to RMB733.0 million, mainly attributable to grants of RSUs prior to the Listing. Excluding this share-based compensation, our administrative expenses as a percentage of revenue increased slightly from 6.2% for the year ended December 31, 2023 to 6.5% for the year ended December 31, 2024.

Recognition of Impairment Losses

Our recognition of impairment losses mainly represent impairment losses recognized on trade receivables from enterprise customers for our customized content and marketing solutions, which amounted to RMB140,000 and RMB334,000 for the years ended December 31, 2023 and 2024, respectively.

Finance Costs

Our finance costs mainly represent (i) changes in the carrying amount of preferred shares liability, which were recognized in relation to the present value of the redemption amount of our convertible redeemable Preferred Shares; and (ii) interest on lease liabilities and bank loans.

Our finance costs decreased by 46.7% to RMB77.2 million for the year ended December 31, 2024, as compared to RMB144.8 million for the year ended December 31, 2023. Upon the Listing Date, all of the Preferred Shares automatically converted into Ordinary Shares at a one to one ratio, and the carrying amount of the Preferred Shares was transferred to share capital and share premium.

Income Tax Expenses

For the year ended December 31, 2024, we recorded RMB32,000 in income tax expense, compared to RMB77,000 for the year ended December 31, 2023.

Loss and Total Comprehensive Income for the Year

Our loss and total comprehensive income for the year increased from RMB196.8 million for the year ended December 31, 2023 to RMB854.9 million for the year ended December 31, 2024. During the Reporting Period, the increase in losses was mainly attributable to the additional grant of RSUs prior to the Listing, and we believe that our non-HKFRS adjusted net profit provides a more accurate representation of the Company's operating performance.

Non-HKFRS measure: Adjusted Net Profit and Adjusted Net Profit Margin

We believe that the presentation of non-HKFRS measures, namely adjusted net profit (non-HKFRS measure) and adjusted net profit margin (non-HKFRS measure), facilitates comparisons of operating performance from year to year and provides useful information for investors to understand and evaluate our consolidated results of operations in the same manner as our management by eliminating the impact of certain items. The use of adjusted net profit (non-HKFRS measure) and adjusted net profit margin (non-HKFRS measure) has limitations as analytical tools, and you should not consider them in isolation from, or as a substitute for analysis of, our results of operations or financial condition as reported under HKFRS.

We define adjusted net profit (non-HKFRS measure) as loss and total comprehensive income for the period after excluding the effects of (i) equity settled share-based transactions; (ii) listing expenses; (iii) changes in the carrying amount of preferred shares liability; (iv) foreign exchange from preferred shares liability; and (v) fair value loss on financial assets measured at FVPL. We account for the compensation cost from equity settled share-based transactions with employees, since it is a non-cash item and does not result in cash outflow. In addition, we eliminate the impact of changes in the carrying amount of preferred shares liability and foreign exchange differences associated with our Preferred Shares, primarily because these items are non-cash in nature. The convertible redeemable Preferred Shares were automatically converted into Ordinary Shares upon the completion of the Global Offering, and the carrying amount of the financial liabilities were transferred to share capital and capital reserve. The fair value loss on financial assets measured at FVPL does not reflect our underlying operating performance. We define adjusted net profit margin (non-HKFRS measure) as adjusted net profit (non-HKFRS measure) divided by revenue for the period and multiplied by 100%.

The following table reconciles our adjusted net profit (non-HKFRS measure) for the year ended December 31, 2024, compared to the year ended December 31, 2023:

	As of December 31,	
	2024	2023
	RMB'000, except for percentages	*RMB'000, except for percentages*
Loss and total comprehensive income for the year	**(854,885)**	(196,788)
Add:		
Equity settled share-based transactions	**743,330**	5,233
Listing expenses	**19,484**	25,081
Changes in the carrying amount of preferred shares liability	**74,923**	143,176
Foreign exchange from preferred shares liability	**13,542**	30,463
Fair value loss on financial assets measured at FVPL	**20,725**	–
Adjusted net profit (non-HKFRS measure)	**17,119**	7,165
Adjusted net profit margin (non-HKFRS measure)	**0.6%**	0.3%

Property, Plant and Equipment

Our property, plant and equipment consist of (i) right-of-use assets; (ii) furniture, fixtures and other equipment; (iii) leasehold improvement; (iv) machinery and equipment; and (v) motor vehicles.

Our property, plant and equipment increased by 3.7% to RMB53.5 million as of December 31, 2024, compared to RMB51.6 million as of December 31, 2023, primarily due to an increase in right-of-use assets from the addition of new leases.

Intangible Assets

Our intangible assets consist of computer software, licenses and trademarks. Our intangible assets remained stable at RMB2.2 million and RMB2.3 million as of December 31, 2024 and December 31, 2023, respectively.

Inventories

Our inventories mainly consist of pharmaceutical and healthcare products. Our inventories increased slightly to RMB141.4 million as of December 31, 2024, compared to RMB136.0 million as of December 31, 2023.

Trade and Other Receivables

Fluctuations of our trade receivables primarily reflect the volume of business that we provide to enterprise customers. Our trade receivables increased to RMB36.3 million as of December 31, 2024 as compared to RMB24.1 million as of December 31, 2023, primarily due to an increase in receivables from customers of our customized content and marketing solutions.

Our other receivables primarily represent rebates from suppliers and deposits in connection with our procurement of pharmaceutical and other products. Our other receivables decreased to RMB53.9 million as of December 31, 2024, as compared to RMB77.0 million as of December 31, 2023, primarily due to the decrease in receivables from suppliers for purchase returns.

Prepayments

Our prepayments primarily represent prepayments to service providers for renovation, decoration, online promotion and advertising services provided to us and prepayments for our procurement of pharmaceutical and other products. Our prepayments decreased slightly to RMB16.7 million as of December 31, 2024, compared to RMB18.5 million as of December 31, 2023, primarily due to the relatively higher balance of prepayments to suppliers at the end of 2023.

Trade and Other Payables

Our trade and other payables primarily represent payables to our suppliers, which are normally settled within 30 to 75 days. Our other payables primarily consist of (i) staff cost payables; (ii) other tax payables; (iii) deposits from suppliers for the procurement of pharmaceutical products; and (iv) other payables and accrued charges, primarily representing rent payables, payables to registered physicians and payables to suppliers for online promotion and advertising services and logistics services.

Our trade and other payables increased to RMB457.5 million as of December 31, 2024, compared to RMB440.5 million as of December 31, 2023, primarily due to the growth in our business scale during the Reporting Period.

Contract Liabilities

Our contract liabilities represent (i) payments we receive in advance from customers for sales of pharmaceutical and healthcare products, which are recognized as revenue when the products are delivered and control is transferred to the customers; and (ii) advance payments from our customers' loyalty points program, which are recognized as revenue when users make payments using these loyalty points or when these loyalty points expire. Our contract liabilities increased to RMB22.5 million as of December 31, 2024, compared to RMB19.9 million as of December 31, 2023, primarily reflecting the increase in advance payments received from customers.

Liquidity and Capital Resources

During the Reporting Period, we primarily financed our operations through cashflow from operating activities and equity financing. As of December 31, 2024, we had cash and cash equivalents of RMB174.6 million, compared to RMB146.3 million as of December 31, 2023. We monitor and maintain a level of cash and cash equivalents we believe adequate to finance our operations and mitigate the effects of fluctuations in cash flows.

Our Directors believe that we have sufficient working capital to meet our present and future cash requirements for the forthcoming year of 2025, taking into account our anticipated improvement in operating cash flows, working capital management, efforts to obtain more favorable credit terms from suppliers and net proceeds from the Global Offering.

Bank Loans

As of December 31, 2024, the repayment schedule of bank loans was within one year and the balances were unsecured. Our bank loans during the Reporting Period were denominated in RMB and were primarily used to supplement our working capital. We had bank loans of RMB3.0 million with the interest rate of 3.0% and RMB5.0 million with the interest rate of 3.69% as of December 31, 2024 and 2023, respectively.

Lease Liabilities

We recognized right-of-use assets and the corresponding lease liabilities in respect of all leases, except for short term leases and leases of low value assets. Our lease liabilities increased from RMB44.7 million as of December 31, 2023 to RMB47.9 million as of December 31, 2024, primarily due to new office leases and renewal of warehouse leases.

Capital Commitments

As of December 31, 2024, and December 31, 2023, we had no material capital commitments.

Contingent Liabilities

As of December 31, 2024, we did not have any material contingent liabilities, guarantees or any litigations or claims of material importance, pending or threatened against any member of our Group that is likely to have a material and adverse effect on our business, financial condition or operating results.

Capital Expenditures

Our capital expenditures primarily consist of purchases of property, plant and equipment and intangible assets. Our capital expenditures were RMB3.9 million for the year ended December 31, 2024 and RMB 5.6 million for the year ended December 31, 2023.

Our capital expenditures were primarily used to purchase property, plant and equipment and intangible assets in 2024. We plan to fund our planned capital expenditures with our cash balance.

Key Financial Ratios

The following table sets forth the key financial ratios for the periods indicated:

	As of December 31,	
	2024	2023
Gross profit margin(1)	**19.1%**	20.0%
Net loss margin(2)	**(31.4)%**	(8.1)%
Adjusted net profit margin (non-HKFRS measure)(3)	**0.6%**	0.3%
Current ratio(4)	**1.2**	1.0
Quick ratio(5)	**0.9**	0.7

Notes:

(1) Gross profit margin is calculated using gross profit divided by revenue for the period/year and multiplied by 100%.

(2) Net loss margin is calculated using net loss divided by revenue for the period/year and multiplied by 100%.

(3) Adjusted net profit margin (non-HKFRS measure) is calculated using the adjusted net profit (non-HKFRS measure) divided by revenue for the period/year and multiplied by 100%.

(4) Current ratio is calculated by using current assets divided by current liabilities as of the same date.

(5) Quick ratio is calculated by using current assets less inventories and divided by current liabilities as of the same date.

Significant Investments

We did not make significant investments during the year ended December 31, 2024. In addition, our Group has no plan for significant investments or additions of significant capital assets as of the date of this annual report.

Material Acquisitions and Disposals

We did not have any material acquisitions or disposals of subsidiaries, associates or joint ventures during the year ended December 31, 2024.

Future Plans for Material Investments and Capital Assets

Save as otherwise disclosed in this annual report, as of December 31, 2024, we had no specific plan for material investments or acquisition of capital assets. However, we will continue to identify new opportunities for business development and investments.

Foreign Exchange Risk and Hedging

Our Group's financial statements were expressed in RMB, but our Group undertook certain transactions in foreign currencies, which exposed us to foreign currency risk. We currently do not hold any financial instruments for hedging purposes. Our Group manages our currency risks by closely monitoring the movement of the foreign currency rates and would consider hedging significant foreign currency exposure should the need arise.

Pledge of Assets

As of December 31, 2024, our Group pledged a restricted bank deposit of RMB65.6 million in a margin account to secure bills payable. Apart from this deposit, the Group did not have any pledge of assets.

Employees and Remuneration

As of December 31, 2024, our Group had 488 employees. The total remuneration cost incurred by our Group for the year ended December 31, 2024 was RMB883.3 million, as compared to RMB147.0 million for the year ended December 31, 2023. This increase was primarily due to expenses incurred from our RSU Scheme. The following table sets forth the number of full-time employees by function as of December 31, 2024.

	Number of employees	% of total
General and administrative personnel	97	19.9%
In-house medical professionals	63	12.9%
Operational personnel	115	23.5%
Research and development personnel	101	20.7%
Sales and marketing personnel	112	23.0%
Total	**488**	**100.0%**

As required by laws and regulations in China, we participate in various employee social security plans that are organized by municipal and provincial governments, including, among other items, pension, medical insurance, unemployment insurance, maternity insurance, on-the-job injury insurance and housing provident fund through a PRC government-mandated benefit contribution plan. We are required under PRC law to make contributions to employee benefit plans at specified percentages of the salaries, bonuses and certain allowances of our staff, up to a maximum amount specified by the local government from time to time.

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

Our Company has also adopted the RSU Scheme to provide incentives for our employees. Please refer to the section headed “Statutory and General Information – D. RSU Scheme” in Appendix IV to the Prospectus for further details.

Gearing Ratio

Our Group monitored its capital sufficiency using gearing ratio. As of December 31, 2023 and 2024, our Group’s gearing ratio (total liabilities/total assets) was 4.6 and 0.8, respectively.

EXECUTIVE DIRECTORS

Mr. XIE Fangmin (謝方敏), aged 46, is our founder, chairman of the Board, executive Director and chief executive officer. He has been our Director since September 26, 2019 and was re-designated as an executive Director in September 2021. He is responsible for overall business management of the Group. Mr. Xie joined Guangdong Jianke and became one of its shareholders in 2011, and founded Yunyi Inc., the ultimate parent company of the Prereorganization Group, in August 2015. Prior to that, Mr. Xie served in Baidu (China) Co., Ltd. Guangzhou Branch (百度(中國)有限公司廣州分公司) from August 2005 to March 2009 and his last position was director of value-added services of the operation department. In the early 2000s, Mr. Xie worked at eLong.com (藝龍網), an online travel services provider in the PRC. Mr. Xie received a master's degree in business administration from the Sun Yat-Sen University (中山大學), in Guangzhou, the PRC in June 2010. He also received an executive master's degree in business administration from The Hong Kong University of Science and Technology (香港科技大學) in Hong Kong and Tsinghua University (清華大學) in Beijing, the PRC in June 2017 and June 2022 respectively. Mr. Xie received a doctorate degree in management from the University Institute of Lisbon in Lisbon, Portugal in July 2024.

Mr. ZHOU Feng, aged 56, is our executive Director and chief strategy officer. He has been our Director since September 26, 2019 and was re-designated as an executive Director in September 2021. He is responsible for strategic planning, operation and investment and financing of the Group. Mr. Zhou joined the Group in November 2015 focusing on management and operations and later became a shareholder, working jointly with Mr. Xie to lead the management and operations of the Group.

Mr. Zhou served as the chief executive officer in Lashou Group Inc., a company principally engaged in e-commerce services, from December 2012 to October 2014. He served as a vice president in Fortune Software (Beijing) Co. Ltd. (財富軟件(北京)有限公司), a company principally engaged in finance technology services, from May 2011 to April 2012, and was primarily responsible for operation and management of the personal business of the company. From November 2007 to November 2009, Mr. Zhou served as an executive vice president in Beijing Kaituo Tianji Information Technology Co., Ltd. (北京開拓天際信息技術有限公司), a company principally engaged in operation of communication platform, and was mainly responsible for sales operation of the company. He worked at sales and operations department in Baidu Online Network Technology (Beijing) Co. Ltd. (百度在線網絡技術(北京)有限公司) from April 2005 to September 2007. Mr. Zhou served at Dell (China) Co., Ltd. (戴爾(中國)有限公司) from November 2003 to April 2005 with his last position as marketing director of the software & peripherals centre of competence. In the 1990s, Mr. Zhou worked at a number of companies in electronics industry in Singapore including Duet-ESM Electronics (S) Pte Ltd and Sony Marketing International (Singapore) Pte Ltd.

Mr. Zhou received a bachelor's degree in electronic engineering from Tsinghua University (清華大學) in Beijing, the PRC in July 1993 and a master's degree in business administration from Yale University in New Haven Connecticut, the US in May 2003.

Mr. ZOU Yuming (鄒宇鳴), aged 43, is our executive Director and chief financial officer. He has been our Director since August 9, 2021 and was re-designated as an executive Director in September 2021. He is responsible for corporate finance and financial management of the Group, investor relations, and secretarial affairs of the Board. Mr. Zou joined our Group as vice president of strategic development in August 2018 and was appointed as our chief financial officer in April 2021. Prior to joining our Group, Mr. Zou served as a trader and an executive director at JP Morgan Chase & Co. from July 2003 to July 2018. From January 2020 to December 2024, he served as an independent non-executive director of eCargo Holdings Limited, a company listed on the Australian Securities Exchange (ASX: ECG).

Mr. Zou received both a bachelor's degree in economics and a master's degree in statistics from Harvard University in Cambridge, Massachusetts, the US in June 2003. Mr Zou is a Chartered Financial Analyst (CFA) and obtained the qualification from the Chartered Financial Analyst Institute in 2009.

NON-EXECUTIVE DIRECTOR

Mr. David McKee HAND, aged 51, is our non-executive Director. He has been our Director since December 14, 2020 and was re-designated as a non-executive Director in September 2021. Mr. Hand is mainly responsible for providing strategic advice on the business development, operations and management of our Group. He is a Partner and the Head of Ares Asia Private Equity since October 2023 and oversees all of Ares Asia's private equity investment in the Asia-Pacific region. Prior to Ares Asia, he was a co-founder, managing director and managing partner of Crescent Point since January 2003 and was mainly responsible for overseeing all of Crescent Point's activities and investments.

He served as an analyst in the investment banking division of Morgan Stanley & Co. LLC from July 1996 to July 1999. Mr. Hand was a director of Baozun Inc., a company listed on the NASDAQ and the Stock Exchange (NASDAQ: BZUN, HKEX: 9991), from 2011 to April 2018, and was mainly responsible for providing general corporate oversight to the company as a director.

Mr. Hand received a bachelor's degree in economics from Yale University in New Haven, Connecticut, the US in May 1996 and a master's degree in business administration from Harvard University in Cambridge, Massachusetts, the US in June 2004.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. WANG Haizhong (王海忠), aged 58, was appointed as our independent non-executive Director on June 27, 2024. He is responsible for providing independent opinion and judgment to the Board.

Dr. Wang is currently a professor and doctoral supervisor of the School of Business of Sun Yat-Sen University (中山大學), having been working at Sun Yat-Sen University since August 2005. Dr. Wang was a professor of the School of Business Administration of Guangdong University of Finance and Economics (廣東財經大學) from May 1996 to December 2003. He served as an assistant research fellow and lecturer in South Asia Research Center of Sichuan University (四川大學) from July 1992 to April 1996. He has been a member of the Industrial Corporate Brand Development Expert Committee of the Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部) since June 2012.

Dr. Wang received a bachelor degree in agricultural economics from Southwestern University of Finance and Economics (西南財經大學) in Sichuan Province, the PRC in July 1989, and a master degree in law from Sichuan University (四川大學) in Sichuan Province, the PRC in July 1992. He also received a doctoral degree in management from Sun Yat-Sen University (中山大學) in Guangdong Province, the PRC in December 2002. He completed post-doctoral study in School of Economics and Management of Tsinghua University (清華大學) in Beijing, the PRC in September 2005.

Ms. KANG Wei (康韋), aged 57, was appointed as our independent non-executive Director on June 27, 2024. She is responsible for providing independent opinion and judgment to the Board.

Ms. Kang is currently the executive advisor of Beijing RDPAC International Consulting Co., Ltd. (北京阿迪派克國際諮詢有限公司) ("**RDPAC**"), a company principally engaged in pharmaceutical registration, compliance and commercialization consultancy services, having held that position since October 2023. She was previously Managing Director of RDPAC from February 2018 until September 2023. She served as a vice general manager and was responsible for leading the nephrology business unit of Beijing Fresenius Kabi Pharmaceutical Co., Ltd. (北京費森尤斯卡比醫藥有限公司) from 2010 to September 2017. Ms. Kang served at Shanghai Novartis Trading Ltd. (上海諾華貿易有限公司) from July 1995 to February 2011 and her last position was senior marketing director.

Ms. Kang received a bachelor's degree in cell-biology from Xiamen University (廈門大學) in Fujian, the PRC in July 1989 and a master's degree in business administration from University of Western Sydney in Sydney, Australia in September 2004. She received an advance program certificate from Dartmouth College in New Hampshire, the US in April 2010, and a postgraduate certificate in leadership capability in Glasgow Caledonian University in United Kingdom in February 2010.

Mr. ZHU Xiaolu (朱小路), aged 41, was appointed as our independent non-executive Director on June 27, 2024. He is responsible for providing independent opinion and judgment to the Board.

Mr. Zhu has been a partner of Junchuan Capital (君川資本) since December 2022. He successively served as a co-chief financial officer and the chief financial officer of Qutoutiao Inc., a company listed on the NASDAQ (NASDAQ: QTT), principally engaged in operation of mobile content platforms, from May 2019 to November 2022. Prior to that, Mr. Zhu served at Qunar Cayman Islands Limited, a company previously listed on the NASDAQ and delisted in March 2017, from November 2014 to November 2017 with his last position as the chief financial officer. From April 2012 to October 2014, Mr. Zhu served as a vice president of finance in Beijing Lashou Internet Technology Co., Ltd. (北京拉手網絡技術有限公司), a company mainly engaged in operation of Lashou.com. Mr. Zhu served as a manager of investment banking in Goldman Sachs Gao Hua Securities Company Limited (高盛高華證券有限責任公司) from July 2009 to March 2011.

Mr. Zhu received a bachelor degree in law from Peking University (北京大學) in Beijing, the PRC in July 2005, and a Juris Doctor degree from Duke University in Durham, North Carolina, the US in May 2009.

SENIOR MANAGEMENT

Mr. XIE Fangmin (謝方敏), an executive Director, our founder, chairman of the Board, and chief executive officer. See "– Executive Directors" in this section for his biographical details.

Mr. ZHOU Feng, an executive Director and the chief strategy officer of the Company. See "– Executive Directors" in this section for his biographical details.

Mr. ZOU Yuming (鄒宇鳴), an executive Director and the chief financial officer of the Company. See "– Executive Directors" in this section for his biographical details.

JOINT COMPANY SECRETARIES

Mr. ZOU Yuming (鄒宇鳴) was appointed as one of the joint company secretaries of our Company on September 6, 2021. For details of his biography, see "– Executive Directors."

Ms. NG Sau Mei was appointed as one of the joint company secretaries of our Company on August 28, 2024. Ms. Ng is the director and head of the Listing Services Department of TMF Hong Kong Limited and is responsible for provision of corporate secretarial and compliance services to listed company clients. She has over 20 years of experience in the company secretarial field and has extensive knowledge and experience in dealing with corporate governance, regulatory and compliance affairs of listed companies.

Ms. Ng holds a Master's Degree in Laws from University of London in the United Kingdom and a Bachelor's Degree in Laws from City University of Hong Kong, and is a Chartered Secretary, a Chartered Governance Professional and a fellow member of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom.

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. The Company has adopted the code provisions set out in the Corporate Governance Code under Appendix C1 to the Listing Rules as its governance code. Save as disclosed below and in this annual report, the Company has complied with all applicable code provisions set out in part 2 of the Corporate Governance Code and adopted most of the recommended best practices set out therein during the Relevant Period.

THE BOARD

The Board is responsible for establishing and promoting the Company's corporate culture, which reflects our core commitment to the highest standards of business ethics and integrity. This pervasive culture aligns across all Group with the Company's mission, values, and strategies. With a mission of delivering "Better Health For All", the Group is committed to building the most trusted smart healthcare services platform. Our core values emphasize "patient-centered care, professionalism, trustworthiness, teamwork, adaptability, passion, and a people-oriented approach" that prioritizes the interests of our stakeholders. Through our platform, we provide a range of services to meet the diverse needs of chronic disease patients.

Responsibilities

The Board is responsible for the overall leadership of the Group, oversees the Group's strategic decisions and monitors business and performance. The Board has delegated the authority and responsibility for day-to-day management and operation of the Group to the senior management of the Group. To oversee particular aspects of the Company's affairs, the Board has established three Board committees: the Audit Committee, the Remuneration Committee and the Nomination Committee (together, the "**Board Committees**"). The Board has delegated to the Board Committees responsibilities as set out in their respective terms of reference.

All Directors have carried out duties in good faith and in compliance with applicable laws and regulations, and have acted in the interests of the Company and the Shareholders at all times.

The Company has arranged appropriate liability insurance in respect of legal action against the Directors. The insurance coverage will be reviewed on an annual basis.

Board Composition

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

Executive Directors:
Mr. XIE Fangmin *(Chairman of the Board)*
Mr. ZHOU Feng
Mr. ZOU Yuming

Non-executive Director:
Mr. David McKee HAND

Independent Non-executive Directors:
Dr. WANG Haizhong
Ms. KANG Wei
Mr. ZHU Xiaolu

The biographies of the Directors are set out under the section headed "Directors and Senior Management" of this annual report.

During the Reporting Period, the Board has met at all times the requirements under Rules 3.10(1) and 3.10(2) of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications or accounting or related financial management expertise).

The Company has also met Rule 3.10A of the Listing Rules relating to the appointment of independent non-executive Directors representing at least one-third of the Board.

As each of the independent non-executive Directors has confirmed his independence pursuant to Rule 3.13 of the Listing Rules, the Company considers all of them to be independent.

Save as disclosed in the Directors' biographies set out in the section headed "Directors and Senior Management" of this annual report, none of the Directors have any personal relationship (including financial, business, family or other material or related relationships) with any other Directors and the chief executive.

All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. Independent non-executive Directors are invited to serve on the Audit Committee, the Remuneration Committee and the Nomination Committee.

As regards the Corporate Governance Code provision requiring Directors to disclose the number and nature of offices held in public companies or organizations and other significant commitments, as well as the identity of the public companies or organizations and the time involved to the issuer, Directors have agreed to disclose their commitments and any subsequent change to the Company in a timely manner.

Induction and Continuous Professional Development

All newly appointed Directors are provided with the necessary induction and information to ensure that they have a proper understanding of the Company's operations and businesses as well as their responsibilities under relevant statues, laws, rules and regulations. The Company also arranges regular seminars to provide Directors with updates on latest development and changes in the Listing Rules and other relevant legal and regulatory requirements from time to time. The Directors are also provided with regular updates on the Company's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties.

Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The joint company secretaries of the Company have updated and provided written training materials relating to the roles, functions and duties of Directors from time to time.

According to the information provided by the Directors, a summary of the trainings received by the Directors during the year ended December 31, 2024 is as follows:

Name of Directors	Nature of trainings
Executive Directors	
Mr. XIE Fangmin	A, B
Mr. ZHOU Feng	A, B
Mr. ZOU Yuming	A, B
Non-executive Director	
Mr. David McKee HAND	A, B
Independent Non-executive Directors	
Dr. WANG Haizhong	A, B
Ms. KANG Wei	A, B
Mr. ZHU Xiaolu	A, B

Notes:

A: Attending seminars and/or meetings and/or forums and/or briefings

B: Reading materials relevant to corporate governance, director's duties and responsibilities, the Listing Rules and other relevant ordinances

Chairman and Chief Executive Officer

Pursuant to code provision C.2.1 of the Corporate Governance Code, the roles of chairman of the Board and chief executive should be separated and should not be performed by the same individual.

Mr. Xie is currently serving as the chairman of the Board as well as the chief executive officer of the Company. As Mr. Xie is the founder of the Group and has managed the Group's business since its establishment, the Directors consider that vesting the roles of chairman of the Board and chief executive officer in Mr. Xie is beneficial to the business prospects and management of the Group by ensuring consistent leadership within the Group. Taking into account all the corporate governance measures that we have implemented upon Listing, the Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively. Accordingly, the Company has not segregated the roles of chairman of the Board and chief executive officer. The Board will continue to review and consider splitting the roles of chairman of the Board and the chief executive officer of the Company as necessary, taking into account the circumstances of the Group as a whole.

Appointment and Re-election of Directors

Each of the executive Directors has entered into a service contract with the Company. The initial term of their service contracts shall commence from the date of appointment and continue until the earlier of: (i) the three-year anniversary of the appointment date or (ii) the third annual general meeting of the Company after the Listing Date (subject always to re-election as and when required under the Articles of Association), until terminated in accordance with the terms and conditions of the service contract or by either party providing to the other not less than one month's prior written notice.

Each of the non-executive Directors has executed an appointment letter with the Company. The initial term for their appointment letters shall commence from the date of appointment and continue until the earlier of: (i) the three-year anniversary of the appointment date or (ii) the third annual general meeting of the Company after the Listing Date (subject always to re-election as and when required under the Articles of Association), until terminated in accordance with the terms and conditions of the appointment letter or by either party providing to the other not less than one month's prior written notice.

Each of the independent non-executive Directors has executed an appointment letter with the Company. The initial term for their appointment letters shall commence from the date of appointment and continue until the earlier of: (i) the three-year anniversary of the appointment date or (ii) the third annual general meeting of the Company after the Listing Date (subject always to re-election as and when required under the Articles of Association), until terminated in accordance with the terms and conditions of the appointment letter or by either party providing to the other not less than three months' prior written notice.

Save as disclosed above, none of the Directors has entered into any service contract or letter of appointment with the Group which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

In accordance with article 83(3) of the Articles of Association, the Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the Board or as an addition to the existing Board. Any Director so appointed shall hold office only until the first annual general meeting of the Company after his appointment and shall then be eligible for re-election.

In accordance with article 84(1) of the Articles of Association, at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years.

The procedures and process of appointment, re-election and removal of Directors are set out in the Articles of Association. The Nomination Committee is responsible for reviewing the Board composition and offering proposals regarding the appointment, re-election and succession plans of the Directors.

Board meetings

The Company has adopted the practice of holding Board meetings regularly at least four times a year, and at approximately quarterly intervals. Notices of not less than fourteen days are given for all regular Board meetings to provide all Directors with an opportunity to attend and include matters in the agenda for a regular meeting.

For other Board and Board Committee meetings, reasonable notice is generally given. The agenda and accompanying meeting papers are generally dispatched to the Directors or Board Committee members at least three days before the meetings to ensure that they have sufficient time to review the papers and be adequately prepared for the meetings. When Directors or Board Committee members are unable to attend a meeting, they will be advised of the matters to be discussed and given an opportunity to make their views known to the chairman prior to the meeting. Minutes of meetings are kept by the joint company secretaries of the Company with copies circulated to all Directors for information and records.

Minutes of the Board meetings and Board Committee meetings are recorded in sufficient detail about the matters considered by the Board and the Board Committees and the decisions reached, including any concerns raised by the Directors. Draft minutes of each Board meeting and Board Committee meeting are sent to the Directors for comments within a reasonable time after the date on which the meeting is held. Minutes of the Board meetings are open for inspection by Directors.

Since the Listing Date, two Board meetings and no general meeting were held and the attendance of each Director at these meetings is set out in the table below:

Name of Directors	Board meetings attended/ eligible to attend
Mr. XIE Fangmin *(Chairman of the Board)*	2/2
Mr. ZHOU Feng	2/2
Mr. ZOU Yuming	2/2
Mr. David McKee HAND	2/2
Dr. WANG Haizhong	2/2
Ms. KANG Wei	2/2
Mr. ZHU Xiaolu	2/2

Compliance with the Model Code

The Company has adopted the Model Code as its code of conduct regarding Directors' dealing in the Company's securities. Having made specific enquiries to all of the Directors, all Directors confirmed that they have fully complied with all relevant requirements set out in the Model Code from the Listing Date to December 31, 2024.

Delegation by the Board

The Board reserves the right to make decisions on all major matters of the Company, including approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters. Directors could have recourse to seek independent professional advice in performing their duties at the Company's expense and are encouraged to access and to consult with the senior management of the Company independently.

The day-to-day management, administration and operation of the Group are delegated to the senior management of the Company. The delegated functions and responsibilities are periodically reviewed by the Board. Approval has to be obtained from the Board prior to entering into any significant transactions by the management.

The Company has adopted a policy to ensure independent views and inputs are available to the Board. The Directors may, at the Company's expense, seek independent professional advice, views and input as considered necessary to fulfill their responsibilities and in exercising independent judgment when making decisions in performing their duties according to such policy. The Board will review the implementation and effectiveness of such mechanism on an annual basis. The Board has reviewed the implementation and effectiveness of the Board independence mechanism for the Reporting Period and considered it to be effective.

Corporate Governance Functions

The Board confirms that corporate governance should be a joint responsibility of the Directors and their corporate governance functions include:

(a) to review and monitor the Company's policies and practices with respect to compliance with legal and regulatory requirements;

(b) to review and monitor the training and continuous professional development of Directors and senior management of the Company;

(c) to develop, review and monitor the code of conduct and compliance manual applicable to employees and Directors of the Company;

(d) to develop and review the Company's policies and practices on corporate governance, and to recommend their opinions and report related affairs to the Board;

(e) to review the Company's compliance with the Corporate Governance Code and disclosure in the Corporate Governance Report; and

(f) to review and monitor the Company's compliance with the Company's reporting policies.

BOARD COMMITTEES

Audit Committee

The Audit Committee comprises three members, namely Mr. ZHU Xiaolu (Chairman), Dr. WANG Haizhong and Ms. KANG Wei, all of them are independent non-executive Directors.

The primary duties of the Audit Committee include the following:

Relationship with the Company's auditors

(a) making recommendation to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and to consider any questions of resignation or dismissal of that auditor;

(b) reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;

(c) developing and implementing policy on the engagement of an external auditor to supply non-audit services and report to the Board, identifying and making recommendations on any matters in respect of which it considers that action or improvement is needed. For this purpose, "external auditor" includes any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party knowing all relevant information would reasonably conclude to be part of the audit firm nationally or internationally;

(d) discussing with the external auditor before the audit commences, the nature and scope of the audit and reporting obligations, and ensure co-ordination where more than one audit firm is involved;

(e) discussing problems and reservations arising from the interim and final audits, and any matters the external auditor may wish to discuss (in the absence of senior management where necessary);

Review of financial information of the Company

(f) monitoring integrity of financial statements, annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgements contained in them. In reviewing these reports before submission to the Board, the Audit Committee should focus particularly on:–

    (i) any changes in accounting policies and practices;

    (ii) major judgmental areas;

    (iii) significant adjustments resulting from audit;

(iv) the going concern assumptions and any qualifications;

(v) compliance with accounting standards; and

(vi) compliance with any requirements from the Stock Exchange and any legal requirements in relation to financial reporting;

(g) in regard to (vi) above:–

(i) liaising with the Board, senior management and the person appointed as the Company's qualified accountant;

(ii) meeting, at least twice a year, with the Company's auditors; and

(iii) considering any significant or unusual items that are, or may need to be, reflected in such financial statements, reports and accounts and giving due consideration to any matters that have been raised by the Company's qualified accountant responsible for the accounting and financial reporting function, compliance officer or auditors;

Oversight of the Company's financial reporting system, risk management and internal control procedures

(h) reviewing the Company's financial controls and, unless expressly addressed by a separate Board risk committee or by the Board itself, reviewing the Company's risk management and internal control systems;

(i) discussing the risk management and internal control system with the senior management and to ensure that the senior management has performed its duties in establishing and maintaining effective systems, including adequacy of resources, staff qualifications and experience, training programmers and budget of the Company's accounting and financial reporting function;

(j) considering major investigations findings on risk management and internal control matters as delegated by the Board or on its own initiative and senior management's response to those findings;

(k) where an internal audit function exists, ensuring co-ordination between the internal and external auditors, and ensuring that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness;

(l) reviewing the Group's financial and accounting policies and practices;

(m) reviewing the external auditor's management letter, any material queries raised by the auditor to senior management about accounting records, financial accounts or systems of control and Senior Management's response;

(n) ensuring that the Board will provide a timely response to the issues raised in the external auditor's management letter;

(o) reporting to the Board on the matters set out in terms of reference of the Audit Committee;

(p) reviewing arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters and to ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;

(q) acting as the key representative body for overseeing the Company's relation with the external auditor;

(r) establishing a whistle-blowing policy and system for employees of the Company and those who deal with the Company (e.g. customers and suppliers) to raise concerns, in confidence and anonymity, with the Audit Committee (or any designated committee comprising a majority of independent non-executive Directors) about possible improprieties in any matter related to the Company;

(s) considering any other topics, as defined by the Board;

Performing the corporate governance duties

(t) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;

(u) to review and monitor the training and continuous professional development of Directors and senior management;

(v) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(w) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and

(x) to review the Company's compliance with the Corporate Governance Code and disclosure in the corporate governance report.

The written terms of reference of the Audit Committee are available on the websites of the Stock Exchange and the Company.

During the Reporting Period, two meetings of the Audit Committee were held to discuss and consider the following matters:

- review of the interim results of the Group for the six months ended June 30, 2024;
- review of the financial reporting system, risk management (including environmental, social and governance risks) and internal control systems;
- update on preparation of 2024 ESG reporting, and formal establishment of an ESG working group; and
- update on annual internal audit self-assessment.

The attendance of each member of the Audit Committee at the Audit Committee meetings is set out in the table below:

Name of Directors	Audit Committee meetings attended/ eligible to attend
Mr. ZHU Xiaolu *(Chairman of the Audit Committee)*	2/2
Dr. WANG Haizhong	2/2
Ms. KANG Wei	2/2

Nomination Committee

The Nomination Committee comprises three members, including one executive Director, namely Mr. XIE Fangmin (Chairman), and two independent non-executive Directors, namely Dr. WANG Haizhong and Mr. ZHU Xiaolu.

The primary duties of the Nomination Committee include the followings:

(a) reviewing the structure, size and composition (including the skills, knowledge and experience) required of the Board annually and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

(b) making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors in particular the chairman and the chief executive;

(c) identifying individuals suitably qualified to become Directors and selecting or making recommendations to the Board on the selection of individuals nominated for directorship;

(d) assessing the independence of independent non-executive Directors on an annual basis upon receipt and review of a written confirmation from each of the independent non-executive Directors in respect of his or her independence pursuant to Rule 3.13 of the Listing Rules (the "**INED Confirmation**");

(e) reporting to the Company as to whether the INED Confirmations have been received from each of the independent non-executive Directors and their view in that regard;

(f) overseeing research and development activities of Directors and the respective fee payments made by the Company to such Directors;

(g) reviewing any payments to be made under agreements with any independent non-executive Directors and the terms and conditions and any payment to be made under any further agreements between the Company and the independent non-executive Directors in relation to any new research and development projects, to assess the terms and conditions and the rate for similar transactions in the market to ensure the reasonableness and fairness of the underlying transactions;

(h) before appointments are made by the Board, evaluating the balance of skills, knowledge and experience on the Board, and, in the light of this evaluation preparing a description of the role and capabilities required for a particular appointment. In identifying suitable candidates, the Nomination Committee shall (where applicable and appropriate):

    (i) use open advertising or the services of external advisers to facilitate the search;

    (ii) consider candidates from a wide range of backgrounds; and

    (iii) consider candidates on merit and against objective criteria, taking care that appointees have enough time available to devote to the position;

(i) keeping under review the leadership needs of the organization, both executive and non-executive, with a view to ensuring the continued ability of the organization to compete effectively in the marketplace;

(j) keeping up to date and fully informed about strategic issues and commercial changes affecting the Company and the market in which it operates;

(k) reviewing annually the time required from non-executive Directors. Performance evaluations should be used to assess whether the non-executive Directors are spending enough time in fulfilling their duties; and

(l) ensuring that on appointment to the Board, non-executive Directors receive a formal letter of appointment setting out clearly what is expected of them in terms of time commitment, committee service and involvement outside board meetings; and

(m) formulating, or assisting the Board in formulate, a board diversity policy for the Company.

The Nomination Committee shall also make recommendations to the Board concerning:

(a) formulating plans for succession for both executive and non-executive Directors;

(b) suitable candidates for the role of independent non-executive Directors;

(c) membership of the Audit Committee and Remuneration Committee, in consultation with the chairmen of those committees;

(d) the re-appointment of any non-executive Director at the conclusion of their specified term of office having given due regard to their performance and ability to continue to contribute to the Board in the light of the knowledge, skills and experience required;

(e) the continuation (or not) in service of any Director who has reached the age of 70;

(f) the re-election by Shareholders of any Director under the "retirement by rotation" provisions in the Articles of Association having due regard to their performance and ability to continue to contribute to the Board in the light of the knowledge, skills and experience required;

(g) any matters relating to the continuation in office of any Director at any time including the suspension or termination of service of an executive director as an employee of the Company subject to the provisions of the law and their service contract; and

(h) the appointment of any Director to executive or other offices.

The Nomination Committee will assess the candidates or incumbents on criteria such as integrity, experience, skills and ability to commit time and efforts to carry out duties and responsibilities. The recommendations of the Nomination Committee will then be put to the Board for decision.

The written terms of reference of the Nomination Committee are available on the websites of the Stock Exchange and the Company.

Following the Company's listing on the Stock Exchange on the Listing Date, the Nomination Committee did not convene any meetings during the less than six month period between the Listing Date and December 31, 2024, as there were no matters which required the committee's attention.

Director Nomination Policy

In identifying and selecting suitable candidates for directorships, the Nominating Committee would consider the following criteria:

- Character and integrity
- Qualifications including professional qualifications, skills, knowledge and experience and diversity aspects under the board diversity policy of the Company that are relevant to the Company's business and corporate strategy
- Requirement for the Board to have independent non-executive Directors in accordance with the Listing Rules and whether the candidate would be considered independent with reference to the independence guidelines set out in the Listing Rules
- Willingness and availability to devote sufficient time and attention to discharge duties as a member of the Board and/or Board Committee(s)
- Such other perspectives appropriate to the Company's business

For appointment of a new Director, the Nomination Committee as delegated by the Board shall identify and evaluate candidate based on the criteria set out above to determine whether the candidate is qualified for directorship. If the candidate is considered qualified, the Nomination Committee shall make a recommendation to the Board for consideration and the Board, if considered appropriate, shall approve the appointment of the proposed candidate as a new Director.

For re-election of a Director at a general meeting, the Nomination Committee as delegated by the Board shall review the contribution made by the retiring Director and whether he/she can continue to fulfill his/her role as required with reference to the criteria set out above. The Board shall then, under the advice of the Nomination Committee, make a recommendation to Shareholders for the proposed re-election of Director(s) at the general meeting.

Where the Board proposes a resolution to elect or re-elect a candidate as a Director at a general meeting, the relevant information of the candidate will be disclosed in the circular to Shareholders and/or the explanatory statement that accompanies the notice of the relevant general meeting in accordance with the Listing Rules and/or applicable laws and regulations.

Board Diversity Policy

We recognize and embrace the benefits of having a diverse Board and see increasing diversity at the Board level as an essential element in maintaining our competitive advantage. The Nomination Committee will review annually the structure, size and composition of our Board and where appropriate, make recommendations on changes to our Board to complement our corporate strategy.

In relation to reviewing and assessing the Board composition, the Nomination Committee will consider a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional qualifications, skills, knowledge, length of service and industry and regional experience. Meanwhile, our Company will consider the above factors based on our business model and our specific needs, and the ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

While we recognize that gender diversity at the Board level can be improved given one out of seven of our Directors is female at present, we will continue to apply the principle of merit based appointment with reference to our board diversity policy as a whole. We have also taken, and will continue to take steps to promote gender diversity at all levels of the Company, including but not limited to the Board and management levels. We will strive to achieve gender balance of the Board through certain measures to be implemented by our Nomination Committee in accordance with our board diversity policy. In particular, taking into account the business needs of our Group and changing circumstances that may affect the Group's business plans, we will identify female individuals qualified for the Board. In recognizing the particular importance of gender diversity, the Company appointed one female director in June 2024. To further ensure gender diversity of the Board in the long run, the Group will also from time to time identify and review potential female Board candidates with a diverse range of skills, experience, and domain expertise who possess qualities to become the Board members in order to build a pipeline of potential successors.

The Nomination Committee will discuss and where necessary, agree on the additional measurable objectives for achieving diversity on the Board and recommend them to the Board for adoption. We aim to maintain an appropriate diversity of perspectives on the Board relevant to our business growth. The Board will monitor the implementation of the board diversity policy and review the board diversity policy from time to time to ensure its continued effectiveness.

As of December 31, 2024, our workforce comprised approximately 42.4% male and 57.6% female employees. The Group is committed to maintaining a diverse and inclusive workplace. Our recruitment process ensures that candidates are evaluated based on their qualifications, experience, skills, and competencies, without regard to gender. For more information, please see the detailed disclosure in our ESG Report.

Remuneration Committee

The Remuneration Committee currently comprises three members, including two independent non-executive Directors, namely Ms. KANG Wei (Chairlady) and Mr. ZHU Xiaolu, and one non-executive Director, namely, Mr. David McKee HAND.

The primary duties of the Remuneration Committee include the followings:

(a) making recommendations to the Board on the Company's policy and structure for all Directors' and senior management's remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;

(b) assessing the performance of executive Directors and approving the terms of the service contracts of executive Directors;

(c) reviewing and approving management's remuneration proposals with reference to the Board's goals and objectives;

(d) being responsible for either:

  (i) determining with delegated responsibility, the remuneration packages of individual executive Directors and senior management; or

  (ii) making recommendations to the Board on the remuneration packages of individual executive Directors and senior management;

  including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;

(e) making recommendations to the Board on the remuneration of non-executive Directors;

(f) considering salaries paid by comparable companies, time commitment and responsibilities, and employment conditions elsewhere in the Group;

(g) reviewing and approving the compensation payable to executive Directors and senior management for any loss or termination of office or appointment in order to ensure that such compensation is consistent with the contractual terms and is otherwise reasonable and appropriate;

(h) reviewing and approving compensation arrangements relating to dismissal or removal of Directors for misconduct in order to ensure they are consistent with contractual terms and are otherwise reasonable and appropriate;

(i) ensuring that no Director or any of his associates is involved in deciding his own remuneration;

(j) reviewing the Group's policy on expense reimbursements for the Directors and senior management; and

(k) reviewing and/or approving matters relating to share schemes under Chapter 17 of the Listing Rules.

The written terms of reference of the Remuneration Committee are available on the websites of the Stock Exchange and the Company.

Following the Company's listing on the Stock Exchange on the Listing Date, the Remuneration Committee did not convene any meetings during the less than six month period between the Listing Date and December 31, 2024, as there were no matters which required the committee's attention.

DIRECTORS REMUNERATION POLICY

The Company has formulated a directors remuneration policy in order to set out a formal and transparent procedure that provides compensation to Directors that is competitive and consistent with current market practices and rewards Directors based on the Company's financial performance, execution of strategic goals and objectives, management of investor relations, and compliance with the Listing Rules and regulations. The directors remuneration policy is managed by the Remuneration Committee. The remuneration package for executive Directors comprises fixed and variable components whereas the remuneration package for non-executive Directors and independent non-executive Directors comprise fixed component only. The Remuneration Committee will endeavor to obtain up-to-date information of the prevailing pay structures in the market at least once per year to ensure that the compensation packages offered to the Directors remain appropriate and competitive.

REMUNERATION OF SENIOR MANAGEMENT

For the year ended December 31, 2024, the remuneration by band of members of the senior management of the Company (whose biographies are set out in the Directors and Senior Management section of this annual report) is set out below:

Remuneration band	Number of individuals
RMB50 million – RMB100 million	1
RMB150 million – RMB200 million	2

The remuneration of the directors and senior management is detailed in Note 8 of the Notes to the Consolidated Financial Statements.

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for preparing the financial statements for the year ended December 31, 2024 to truly and fairly reflect the situation of the Company and the Group and the results and cash flows of the Group.

The management of the Company provides such explanation and information to the Board so as to enable the Board to make an informed assessment of the Company's financial statements, which are put to the Board for approval. The Company provides all members of the Board with monthly updates on the Company's performance, positions and prospects.

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

The statement by the Auditor regarding its reporting responsibilities on the Consolidated Financial Statements of the Company is set out in the Independent Auditor's Report of this annual report.

RISK MANAGEMENT AND INTERNAL CONTROL

The Company has adopted and implemented various policies and procedures to ensure rigorous risk management and internal controls and is committed to continuously improving these policies and procedures.

The Company has adopted and maintains robust risk management and internal control systems, consisting of policies and procedures aligned with its business operations, which the Company is committed to continuously improving. The Company's risk management and internal control policies and procedures cover various aspects of business operations of the Company, such as information technology, internal audit, human resources and regulatory risk management. Our Board is responsible for establishing and updating the Company's internal control systems, while the senior management of the Company monitors the daily implementation of the internal control procedures and measures with respect to each subsidiary and functional department.

The Company has formulated risk assessments and management measures to identify and monitor, in a timely manner, potential risks to the Company and their possibility of occurrence, determine the Company's risk tolerance and limits, and identify the possible losses resulting from such risks. Relevant risks encompass those related to the Company's investment and development strategy, including strategic environmental risks, procedural risks (business operation risks, financial risks, authorization risks, information and technology risks and comprehensive risks) and strategic decision information risks.

The audit department leads risk management at the Company, supported by collaborative efforts from other departments. The audit department reviews the risks of the Company and is a risk audit and control department, which reviews, monitors, and manages risks. The audit department is responsible for assessing and managing strategic environmental risks, decision risks and operational risks of various subordinate units of the Company and proposes specific management plans for these risks. The finance department is responsible for assessing the financial risks and operational and management risks of the Company and submits relevant risk assessment documents to the audit department. Various other departments are responsible for assessing the operational risks and other comprehensive risks for their own functions and submitting relevant details to the audit department. Our IT and technology R&D department assesses the technical and technological innovation risks associated with the Company's overall development strategy, as well as various risks related to technology management, and submits relevant reports to the audit department. The audit department summarizes the risk assessment documents of each unit, conducts corresponding assessment studies, and submits strategic risk assessment reports and corresponding preventive measures to the chairman and the Board.

The initial step in risk identification and assessment involves forming an assessment team. The chief executive officer of the Company serves as the head of this team, responsible for evaluating overall strategic risks, with the director of the audit department acting as the deputy head. The members of the team include members of the audit department, the finance department, the technology R&D department and the sales department. The next step in the risk assessment process involves identifying risks, their sources and categories. At annual or semi-annual management meetings, department heads conduct a SWOT analysis (strengths, weaknesses, opportunities, and threats) to assess the Company's current risks. The third step in the risk assessment process is to develop the standards for a comprehensive risk assessment indicator system, which includes an assessment of the Company's existing and potential risks. The system must consider the interest of shareholders, with detailed scenario analysis, including both qualitative and quantitative indicators. Qualitative indicators are usually used to obtain general indications of risk levels and use text format or descriptive statements of the probability and consequences of these risks. The quantitative indicators are used in the accurate numerical representation of the probability of risk and its value. The final step in risk assessment involves analyzing risks to identify potential losses. Based on the SWOT analysis, the audit department prepares a comprehensive risk analysis report. This report involves summarizing, analyzing, and categorizing various issues that could impact the Company's objectives, as well as the risks it faces. In addition, it evaluates the existence, adequacy, or deficiency of control measures for each risk to ensure that the design and implementation of risk controls are effective.

The Company formulates corresponding solutions based on the identified risks. Approaches for managing risks include:

1) Risk Avoidance: Eliminating or sidestepping risks altogether;

2) Risk Mitigation: Reducing the likelihood or impact of risks (e.g. by optimizing business processes, or implementing additional control measures);

3) Risk Transfer: Employing tools such as insurance to transfer risks to other parties;

4) Risk Acceptance: Acknowledging and accepting risks when they are deemed unavoidable or manageable.

When a risk is considered acceptable, formal procedures and documentation are required to ensure that the decision to accept such risk is properly recorded.

Each business unit conducts risk assessment based on their business and functional processes. The results would be documented, including the assumptions, assessment methods, data sources and evaluation results pertinent to the risk assessment. The documentation must offer a clear and comprehensive description of the risk evaluation process, supported by a systematic framework for risk identification and analysis. The requirements for risk assessment documentation include, but are not limited to:

(1) Comprehensive description of risk to be included in the Company's risk management database;

(2) Measurable mechanisms and tools for risk management;

(3) Continuous monitoring of risks and review of relevant outcomes;

(4) Audit trail for risk assessment;

(5) Sharing and dissemination of risk information.

The audit department is responsible for documenting the risk assessment and analysis conducted by management during key operational meetings, including the discussion process and major decisions of the management and the Board, with a focus on demonstrating the management's awareness and approach to risk mitigation and prevention and the relevant measures.

The risk assessment should establish a framework for ongoing risk monitoring, auditing, and prevention, along with proper documentation for tracking, control, and dissemination of information with all relevant departments. Key indicators for risk supervision include the level and probability of risk occurrence, potential impacts, and the adequacy of existing control measures. Risk monitoring and assessment measures may involve prioritizing and classifying relevant risks based on the magnitude of potential losses, with a goal of achieving timely monitoring. The audit department reviews risk assessment documents across all levels of the Company and determines potential early warning signals for various risks. Risk management units at all levels of the Company establish corresponding risk early warning and supervision and control systems, which are managed by the audit department to closely monitor the risk occurrences. An early warning mechanism is activated if there is any breach or trigger of these risk signals. The audit department must also conduct continuous supervision of potential high-risk areas.

The Company has also implemented internal control measures to screen the information and content published on the Company's platform to ensure its accuracy, reliability, and compliance with relevant laws and regulations.

1. Educational content (typically encompassing text, graphics, images, videos, and live streaming) developed by the Company's employees or medical professionals to enhance general medical knowledge must undergo review by the Company's medical editorial manager to ensure quality and accuracy. If such content involves potential legal or compliance risks, or addresses other sensitive matters, additional reviews must be conducted by the Company's legal team and designated content producer to assess its reliability and carefully manage any risks.

2. Promotional content (typically consisting of articles, videos, and live streaming) developed in collaboration with pharmaceutical companies must be reviewed by our medical editorial manager to ensure quality and accuracy before being uploaded and displayed on our platform.

The Board maintains supervision and annual review of the systems' operations and effectiveness, ensuring that the Group has sufficient resources in accounting, internal audit and financial reporting functions, and verifying that employees in such functions possess the necessary qualifications, experience, training and adequate budgeting. These systems are designed to manage the internal control risks that the Group encounters in its business operations to an acceptable level rather than eliminating all risks. Therefore, the systems provide reasonable but not absolute assurance against material misstatements or financial losses in financial information.

The Board has reviewed the effectiveness of our risk management and internal control systems for the year ended December 31, 2024 and considers these systems to be adequate and effective.

Internal Audit

The Company's audit department is also tasked with internal audit responsibilities, including evaluating the effectiveness of internal controls and reporting to the Audit Committee and senior management on any identified issues. The audit department members are required to report to management to discuss any internal control issues the Company faces and the corresponding measures to implement toward resolving such issues. The audit department reports to the Audit Committee annually to ensure that any major issues identified are channeled to the Audit Committee on a timely basis. The Audit Committee then discusses the issues and reports to the Board as necessary.

PROCESSING AND PUBLISHING OF INSIDE INFORMATION

The Company has established a mechanism of inside information processing and publication. The company secretary and legal department are authorized to act as the responsible authority for insider information processing. After all the inside information has been reviewed by the company secretary and legal department, the Company judges whether it must be reviewed by the chairman of the Board and/or the Board. Matters which do not require the approval of the Board would be disclosed after approvals of the company secretary and the chairman of the Board. For matters subject to approval by the Board and/or general meeting of Shareholders, information would be disclosed after performing the corresponding review and approval in accordance with the Articles of Association, the Listing Rules and relevant rules of procedure.

AUDITOR'S REMUNERATION

The approximate remuneration of the auditors for their audit and non-audit services provided to the Group during the Reporting Period is set out in the following table:

Type of Services	Amount *(RMB'000)*
Audit services	1,600
Non-audit services	800
Total	**2,400**

JOINT COMPANY SECRETARIES

The Company has appointed Mr. ZOU Yuming ("**Mr. Zou**") and Ms. FUNG Po Ting ("**Ms. Fung**") of TMF Hong Kong Limited (a company secretarial services provider) as joint company secretaries of the Company (the "**Joint Company Secretary**"). Ms. Fung resigned as the Joint Company Secretary on August 28, 2024. Ms. NG Sau Mei ("**Ms. Ng**"), a director of TMF Hong Kong Limited, was appointed as the Joint Company Secretary in replacement of Ms. Fung on the same day.

Mr. Zou is responsible for advising the Board on corporate governance matters and ensuring that Board policies and procedures, as well as the applicable laws, rules and regulations are followed.

In order to uphold good corporate governance and ensure compliance with the Listing Rules and applicable Hong Kong laws, the Company has also appointed Ms. Ng as the other Joint Company Secretary to provide assistance to Mr. Zou for the performance of his duties as company secretary of the Company. Her primary contact person at the Company is Mr. Zou.

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

DIVIDEND POLICY

As advised by our Cayman Islands counsel, under the Companies Act and the Articles of Association, the Company may declare and pay a dividend out of either profits or share premium account, provided always that in no circumstances may a dividend be declared or paid out of share premium account if such payment would result in the Company being unable to pay its debts as they fall due in the ordinary course of business. Any future declarations and payments of dividends will be at the absolute discretion of our Board and if necessary, subject to the approval by the Shareholders at a general meeting, taking into account factors including the Company's actual and expected results of operations, cash flow and financial position, general business conditions and business strategies, expected working capital requirements and future expansion plans, legal, regulatory and other contractual restrictions, and other factors that the Board deems to be appropriate. The Shareholders may approve, in a general meeting, any declaration of dividends, which must not exceed the amount recommended by the Board.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company has adopted a shareholder communication policy which aims to ensure that the Shareholders and, where appropriate, the general investing public, have timely access to information about the Company (including its financial performance, strategic objectives and plans, significant developments, governance and risk profile) in order to enhance communication between Shareholders and investing public and the Company, and ensure that Shareholders are able to exercise their rights in an informed manner.

The Company maintains a policy of open communication and communicates information to Shareholders and investors through a variety of channels: the Company's financial reports (interim and annual reports), information and notices of annual general meetings and other extraordinary general meetings that may be held, other disclosures published in accordance with relevant laws and regulatory requirements of the Listing Rules, as well as the Company's communication documents and other corporate publications posted on the website of the Stock Exchange (www.hkexnews.hk) and/or the Company's website. A dedicated "Investor Relations" section is available on the Company's website. Information on the Company's website is updated on a regular basis. Shareholders may at any time direct enquiries (including any questions regarding this policy), request the Company's information to the extent such information is publicly available, and provide comments and suggestions to the office of the Board. Such questions, requests and comments may be sent by mail to the Company's head office or the Company's principal place of business in Hong Kong.

The Company will launch various activities from time to time, such as briefing sessions, roadshows, media interviews and marketing activities for investors, to facilitate communication and exchange of views between the Company and Shareholders.

The Board maintains ongoing communication with Shareholders and regularly reviews the shareholder communication policy to ensure its effectiveness. The Company also reviewed the shareholder and investor engagement and communication activities conducted during the Reporting Period, and having confirmed their proper implementation, was satisfied with the effectiveness of the shareholder communication policy.

SHAREHOLDERS' RIGHTS

To safeguard the Shareholders' interests and rights, a separate resolution will be proposed for each issue at general meetings, including the election of individual Directors.

All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and the poll results will be posted on the websites of the Company and the Stock Exchange in a timely manner after each general meeting.

Convening of Extraordinary General Meetings and Putting Forward Proposals

Extraordinary general meetings may be convened on the requisition of one or more members holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings, on a one vote per Share basis. Such requisition shall be made in writing to the Board or the Joint Company Secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business or resolution specified in such requisition. Such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself/herself (themselves) may convene a physical meeting at only one location which will be the principal meeting place and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

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

Enquiries to the Board

Shareholders who intend to put forward their enquiries about the Company to the Board could send their enquiries by mail to the Company's head office at Floor 1-2, 4th Street Building S, Kehui Jingu, No. 99, Science Avenue, Luogang Science City, Huangpu District, Guangzhou, Guangdong Province, the PRC or to the Company's principal place of business in Hong Kong at 31/F., Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong, or by email to ir@jianke.com.

In addition, Shareholders can contact Computershare Hong Kong Investor Services Limited, the share registrar of the Company in Hong Kong, if they have any enquiries about their shareholdings and entitlements to dividend.

CHANGE IN CONSTITUTIONAL DOCUMENTS

The Company adopted the amended and restated memorandum and articles of association on June 14, 2024, which took effect from the Listing Date. During the Reporting Period, there was no change in the amended and restated memorandum and articles of association of the Company.

PRINCIPAL ACTIVITIES

We are China's leading online chronic disease management platform. Leveraging our chronic disease management platform, we are dedicated to providing tailored medical care and precision medicine for chronic disease patients, with a view towards extending our services to a wider range of disease areas.

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

Save as disclosed above, there were no significant changes in the nature of the Group's principal activities during the year ended December 31, 2024.

RESULTS

The results of the Group for the year ended December 31, 2024 are set out in the section headed "Consolidated Statement of Profit or Loss and Other Comprehensive Income" of this annual report.

MATERIAL LITIGATION

Our Company was not involved in any material litigation or arbitration during the year ended December 31, 2024. The Directors are also not aware of any material litigation or claims that are pending or threatened against our Group since the Listing Date and up to the date of this annual report.

FINAL DIVIDEND

The Board did not recommend the payment of final dividend for the year ended December 31, 2024.

CHARITABLE DONATIONS

In 2024, charitable and other donations made by the Group amounted to RMB0.3 million.

SHARE CAPITAL

Details of the issued Shares during the year ended December 31, 2024 are set out in note 27 of the Notes to the Consolidated Financial Statements.

RESERVES AND DISTRIBUTABLE RESERVES

Details of movements in the reserves of the Company during the year ended December 31, 2024 are set out in note 27(a) of the Notes to the Consolidated Financial Statements. As of December 31, 2024, the Company had distributable reserves amounting to RMB1,142.6 million.

FINANCIAL SUMMARY

The Group's financial summary for the last four financial years is set out in the section headed "Four-Year Performance Review" of this annual report.

BANK BORROWINGS AND OTHER BORROWING

Details of the bank borrowings and other borrowings of the Group as of December 31, 2024 are set out in note 22 of the Notes to the Consolidated Financial Statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year ended December 31, 2024 are set out in note 11 of the Notes to the Consolidated Financial Statements.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Company had complied with the minimum percentage of public float prescribed in the waiver granted by the Stock Exchange from strict compliance with Rule 8.08(1) of the Listing Rules as of the date of this annual report.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles of Association or the relevant laws of the Cayman Islands and there is no restriction against such rights which would oblige the Company to offer new Shares on a pro-rata basis to the existing Shareholders.

TAX RELIEF

The Directors are not aware of any tax relief available to the Shareholders by reason of their holding of the Company's securities.

USE OF PROCEEDS FROM THE GLOBAL OFFERING AND PLACING

On July 9, 2024, the Shares of our Company were listed on the Main Board of the Stock Exchange. The net proceeds from the Global Offering were approximately HK$67.09 million, after deducting underwriting commissions, fees and estimated expenses payable by us in connection with the Global Offering, which will be used in accordance with the intended use of net proceeds as disclosed in the Prospectus by our Company.

As of the date of this report, there has been no change in the intended use of net proceeds disclosed in the Prospectus. The expected timeline for utilizing the net proceeds from the Global Offering is based on the best estimate of future progress of regulatory approvals and market conditions made by our Company and subject to changes in accordance with our actual business operations and markets conditions. The table below sets out the details of the use of the net proceeds of the Company as of December 31, 2024:

Use of proceeds from Listing	Amount of net proceeds for planned applications (HK$ million)	Percentage of total net proceed (%)	Utilized net proceeds during the Reporting Period (HK$ million)	Utilized net proceeds as of December 31, 2024 (HK$ million)	Unutilized net proceeds as of December 31, 2024 (HK$ million)	Expected time frame for unutilized amount
Business expansion	**45.22**	**67.4%**	**13.84**	**13.84**	**31.38**	**Before December 2028**
1. Promoting brand awareness	11.61	17.3%	4.42	4.42	7.19	Before December 2028
2. Enhancing user growth and engagement, and maintaining a highly active user base	14.42	21.5%	3.33	3.33	11.09	Before December 2028
3. Attracting and retaining talents, especially those with extensive experience in media and technology-powered medical services and insights in the fields of chronic disease management	15.50	23.1%	3.32	3.32	12.18	Before December 2028
4. Expanding product offerings and enhancing supply chain capabilities	3.69	5.5%	–	–	3.69	Before December 2028

Use of proceeds from Listing	Amount of net proceeds for planned applications (HK$ million)	Percentage of total net proceed (%)	Utilized net proceeds during the Reporting Period (HK$ million)	Utilized net proceeds as of December 31, 2024 (HK$ million)	Unutilized net proceeds as of December 31, 2024 (HK$ million)	Expected time frame for unutilized amount
Research and development activities	**10.73**	**16.0%**	**3.33**	**3.33**	**7.40**	**Before December 2028**
1. Recruiting a team of approximately 40 software engineers by 2028, of which 70% are senior software engineers and the remainder are junior software engineers	4.70	7.0%	1.46	1.46	3.24	Before December 2028
2. (i) improve the application of AI technology and big data analysis capabilities in CDM to more accurately capture user habits throughout their activities, from seeking consultations, purchasing pharmaceutical products to their preferences for viewing content on our platform, thereby improving user experience and improving the conversion rate of paying users on our platform; (ii) optimize our infrastructure in various technological areas, such as (a) computer vision, to improve the efficiency of order identification and processing and user information management, (b) natural language processing, to optimize the question-answering engine of our AI medical assistant, and (c) search-based recommendation algorithms to deliver the most relevant information catered to the users' evolving needs; (iii) improve stability of the system to withstand the increasing pressure as we scale our online operations; and (iv) optimize the functions of our WeChat mini programs and perform routine system upgrade and maintenance	6.04	9.0%	1.87	1.87	4.16	Before December 2028
Potential investments and acquisitions or strategic alliances with other stakeholders in the value chain of the online CDM industry	**7.78**	**11.6%**	**-**	**-**	**7.78**	**Before December 2028**
Working capital and general corporate purposes	**3.35**	**5.0%**	**0.67**	**0.67**	**2.68**	**Before December 2028**
Total	**67.09**	**100.0%**	**17.84**	**17.84**	**49.25**	

BUSINESS REVIEW

a. Overview and annual performance

A business and financial review are provided in the section headed "Management's Discussion and Analysis" of this annual report.

b. Environmental Policies and Performance

It is our corporate and social responsibility in promoting a sustainable and environmental-friendly environment. We strive to minimize our environmental impact and to build our corporation in a sustainable way.

The Group has undergone a series of effective energy-saving and pollutant-reducing measures such as (i) installing energy efficient lighting and ensuring lights are switched off when out of use either manually or through automatic sensors; (ii) encouraging employees to go paperless where possible, and where printing is necessary, to conscientiously save paper by using double-sided printing, printing multiple pages in a single sheet, or reducing font-size and page count; (iii) switching off certain IT equipment or automatic power shutdown for certain systems and devices; and (iv) installing air conditioning controls, with measures including requirements on lowest temperature, regular maintenance of air cooling technologies and optimal timing controls.

In addition, we have adopted a set of emergency planning, response and control procedures as countermeasures for unexpected environmental pollution accidents to minimize our impact on the environment and the adverse effect on our business. For detailed information on the environment and social practices adopted by the Company, please refer to the section headed "Environmental, Social and Governance Report" of this annual report.

c. Compliance with Relevant Laws and Regulations

The Group has complied with the requirements under the Companies Ordinance, the Listing Rules, the SFO and the Corporate Governance Code for, among other things, the disclosure of information and corporate governance. The Group has also complied with other relevant laws and regulations that have a significant impact on the operations of the Group. Please refer to the section headed "Regulatory Overview" in the Prospectus for details.

d. Key Relationships with Stakeholders

Relationship with Our Customers

The Group is deeply committed to fostering strong, lasting relationships with its customers, which are crucial for achieving both short-term and long-term success. Recognizing the paramount importance of customer satisfaction, we strive to build positive and mutually beneficial relationships. To ensure the delivery of exceptional products, we maintain rigorous quality control standards, adhering to all relevant rules and regulations. This enables us to efficiently provide our customers with products and solutions that address their diverse needs.

Relationship with Our Suppliers

The Group selects suppliers with a focus on quality, reputation, and regulatory compliance. We maintain rigorous quality standards and cultivate trusting relationships with our suppliers, recognizing that collaboration is key to achieving our goals. This partnership approach enables mutually beneficial relationships which support both our immediate and long-term success.

Relationship with Our Employees

The Group recognizes employees as its most valuable assets. Our human resources strategy is designed to attract, retain, and motivate top talent by offering competitive compensation packages, along with a robust performance evaluation system and meaningful incentives. We also prioritize career advancement and growth within the Group by providing comprehensive training and opportunities for professional development.

Relationship with Shareholders

We recognize the importance of safeguarding Shareholders' interests and maintaining effective communication. We view communication as a dialog and strive to provide information that is accurate and transparent. Key communication channels include regular dialog with Shareholders to gather their views and feedback, and transparent updates through general meetings and the publication of annual and interim reports, as well as results announcements.

e. Principal Risks and Uncertainties

Our business, financial condition and results of operations could be materially and adversely affected by certain risks and uncertainties. For details, please see the section headed "Risk Factors" of the Prospectus.

PROSPECTS

A description of the future development of the Company's business is provided in the section headed "Management Discussion and Analysis" of this annual report.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

After the Reporting Period and through the date of this annual report, save as disclosed in this annual report, there were no other significant events with a material adverse impact on the performance and value of our Group.

DIRECTORS

The Directors as of the date of this annual report are:

Executive Directors
Mr. XIE Fangmin
Mr. ZHOU Feng
Mr. ZOU Yuming

Non-executive Director
Mr. David McKee HAND

Independent Non-executive Directors
Dr. WANG Haizhong
Ms. KANG Wei
Mr. ZHU Xiaolu

In accordance with article 84(1) of the Articles of Association, one-third of the Directors will retire by rotation at every annual general meeting (provided that every Director shall be subject to retirement by rotation at least once every three years) and, being eligible, offer themselves for re-election.

In addition, in accordance with article 83(3) of the Articles of Association, the Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the Board or as an addition to the existing Board. Any Director so appointed shall hold office only until the first annual general meeting of the Company after his appointment and shall then be eligible for re-election.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out in the section headed "Directors and Senior Management" in this annual report. Save as disclosed in the section headed "Directors and Senior Management" in this annual report, the Directors confirm that no information is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service contract with the Company. The initial term of their service contracts shall commence from the date of appointment and continue until the earlier of: (i) the three-year anniversary of the appointment date or (ii) the third annual general meeting of the Company after the Listing Date (subject always to re-election as and when required under the Articles of Association), until terminated in accordance with the terms and conditions of the service contract or by either party providing to the other not less than one month's prior written notice. No annual Director's fees are payable to the executive Directors under the current arrangement.

Each of the non-executive Directors has executed an appointment letter with the Company. The initial term for their appointment letters shall commence from the date of appointment and continue until the earlier of: (i) the three-year anniversary of the appointment date or (ii) the third annual general meeting of the Company after the Listing Date (subject always to re-election as and when required under the Articles of Association), until terminated in accordance with the terms and conditions of the appointment letter or by either party providing to the other not less than one month's prior written notice. No annual Director's fees are payable to the non-executive Directors under the current arrangement.

Each of the independent non-executive Directors has executed an appointment letter with the Company. The initial term for their appointment letters shall commence from the date of appointment and continue until the earlier of: (i) the three-year anniversary of the appointment date or (ii) the third annual general meeting of the Company after the Listing Date (subject always to re-election as and when required under the Articles of Association), until terminated in accordance with the terms and conditions of the appointment letter or by either party providing to the other not less than three months' prior written notice. Under these appointment letters, each of the independent non-executive Directors will receive an annual director's fee of HK$100,000.

CONFIRMATION OF INDEPENDENCE FROM THE INDEPENDENT NON-EXECUTIVE DIRECTORS

We have received from each of the independent non-executive Directors, namely Dr. WANG Haizhong, Ms. KANG Wei, and Mr. ZHU Xiaolu, confirmation of their respective independence pursuant to Rule 3.13 of the Listing Rules, which the Company has duly reviewed. We consider that the independent non-executive Directors have been independent during the year ended December 31, 2024 and remain so as of the date of this annual report.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF OUR COMPANY OR ANY OF OUR ASSOCIATED CORPORATIONS

As of December 31, 2024, the interests and/or short positions (as applicable) of our Directors and chief executives in the shares, underlying shares and debentures of our Company or any of its associated corporations, within the meaning of Part XV of the SFO, which were required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions (as applicable) which he/she was taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein, or which were required to be notified to our Company and the Stock Exchange pursuant to the Model Code, were as follows:

Name of Director	Capacity and Nature of Interest	Number of Shares held	Approximate percentage of shareholding of Shares[1]
Mr. Xie	Interest in controlled corporations[2]	276,605,527 (L)	20.64%
	Interest of a party to an agreement[3]	236,624,057 (L)	17.65%
	Interest of a party to an agreement[6]	138,430,610 (L)	10.33%
	Interest in a controlled corporation[7]	116,875,898 (L)	8.72%
Mr. Zhou	Interest in controlled corporations[4]	236,624,057 (L)	17.65%
	Interest of a party to an agreement[3]	276,605,527 (L)	20.64%
	Interest of a party to an agreement[6]	138,430,610 (L)	10.33%
	Interest in a controlled corporation[7]	116,875,898 (L)	8.72%
Mr. ZOU Yuming	Beneficial owner[8]	3,500,000 (L)	0.26%
	Interest in a controlled corporation[8]	20,000,000 (L)	1.49%
Mr. David McKee HAND	Interest in controlled corporations[5]	437,443,815 (L)	32.64%
Dr. WANG Haizhong	Beneficial owner[9]	100,000 (L)	0.01%
Ms. KANG Wei	Beneficial owner[9]	100,000 (L)	0.01%
Mr. ZHU Xiaolu	Beneficial owner[9]	100,000 (L)	0.01%

(L) denotes a long position

Notes:

(1) The calculation is based on the total number of 1,340,267,457 Shares in issue as of December 31, 2024.

(2) Fangrong Management Limited is wholly owned by Mr. Xie. Each of Fangzhan Holdings L.P. and Xingyu Holdings L.P. is controlled by Mr. Xie. Therefore, Mr. Xie is deemed to be interested in the 265,538,362, 5,481,985 and 5,585,180 Shares held by Fangrong Management Limited, Fangzhan Holdings L.P. and Xingyu Holdings L.P., respectively, under the SFO.

(3) Mr. Xie and Mr. Zhou are parties to the Concert Deed, according to which Mr. Xie and Mr. Zhou confirmed and agreed that they have acted and will continue to act in concert and collectively for all material management affairs and the arrival and/or execution of all commercial decisions, including but not limited to financial and operational matters, of our Group since the date of the Concert Deed, and they have cast and will continue to cast unanimous vote collectively for or against all resolutions in all Board and Shareholders' meetings and discussions of our Group. Therefore, Mr. Xie and Mr. Zhou are deemed to be jointly interested in the aggregate number of Shares held by each other.

(4) Each of Celaeno Group Limited and Silica Brothers Corp. is controlled by Mr. Zhou. Therefore, Mr. Zhou is deemed to be interested in the 186,158,297 and 50,465,760 Shares held by Celaeno Group Limited and Silica Brothers Corp., respectively, under the SFO.

(5) Each of Crescent Point Vehicles is advised by Crescent Point, which is ultimately controlled by Mr. David McKee HAND.

(6) Effective immediately before the Listing, Mr. Xie and Mr. Zhou were entitled to exercise the voting rights attached to 138,430,610 Shares, representing approximately 10.33% of the issued Shares as of December 31, 2024, held by Tech-Med Investments (S) Pte. Ltd. pursuant to the deed of voting proxy executed by Tech-Med Investments (S) Pte. Ltd. For details, see "History, Reorganization and Corporate Structure – Deed of Voting Proxy" of the Prospectus.

(7) Asia Tech Investments Ltd. is a platform holding the underlying incentive shares granted to our Directors and senior management in the total amount of 116,875,898 Class A Ordinary Shares under the RSU Scheme. Approximately 51.34% and 48.41% of interest in Asia Tech Investments Ltd. were held by Mr. Xie and Mr. Zhou, respectively. Therefore, each of Mr. Xie and Mr. Zhou is deemed to be interested in the Shares held by Asia Tech Investments Ltd. in accordance with SFO.

(8) In May 2024, 3,500,000 and 20,000,000 Shares underlying the restricted share units ("**RSUs**") were allotted and issued to Mr. ZOU Yuming and Torano Investments Limited (a company wholly owned by Mr. ZOU Yuming to hold certain Shares underlying the RSUs granted to him), respectively, pursuant to the RSU Scheme.

(9) Representing RSUs granted under the RSU Scheme.

As of December 31, 2024, save as disclosed above, so far as is known to any Director or the chief executive of our Company, none of the Directors nor the chief executives of our Company had any interests or short positions in the shares, underlying shares or debentures of our Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO including interests or short positions (as applicable) which he/she was taken or deemed to have under such provisions of the SFO, or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to our Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As of December 31, 2024, so far as our Directors are aware, the persons (other than the Directors or chief executive of our Company) who held interests and/or short positions in the Shares or underlying Shares which would be required to be notified to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or as recorded in the register required to be kept by our Company pursuant to Section 336 of the SFO were set out in the table below:

Name of Shareholder	Capacity and Nature of Interest	Number of Shares held	Approximate percentage of shareholding of Shares(1)
Celaeno Group Limited	Beneficial owner(3)	186,158,297 (L)	13.89%
Fangrong Management Limited	Beneficial owner(2)	265,538,362 (L)	19.81%
Asia Tech Investments Ltd.	Beneficial owner(8)	116,875,898 (L)	8.72%
Crescent ACSO Investment Management Ltd	Interest in controlled corporations(4)	115,165,045 (L)	8.59%
Crescent Trident Singapore Pte. Ltd.	Beneficial owner(4)	115,165,045 (L)	8.59%
Crescent Point	Investment manager(7)	437,443,815 (L)	32.64%
Danai Rojanavanichkul	Interest in controlled corporations(5)(6)	264,582,255 (L)	19.74%
Veneto Holdings Ltd.	Interest in controlled corporations(5)(6)	264,582,255 (L)	19.74%
Tech-Med Cayman III Ltd.	Interest in controlled corporations(6)	138,430,610 (L)	10.33%
Tech-Med Investments (S) Pte. Ltd.(10)	Beneficial owner(6)	138,430,610 (L)	10.33%
CP Pharmatech Singapore Pte. Ltd.	Beneficial owner(5)	126,151,645 (L)	9.41%

(L) denotes a long position

Notes:

(1) The calculation is based on the total number of 1,340,267,457 Shares in issue as of December 31, 2024.

(2) Fangrong Management Limited is wholly owned by Mr. Xie. Each of Fangzhan Holdings L.P. and Xingyu Holdings L.P. is controlled by Mr. Xie. Therefore, Mr. Xie is deemed to be interested in the 265,538,362, 5,481,985 and 5,585,180 Shares held by Fangrong Management Limited, Fangzhan Holdings L.P. and Xingyu Holdings L.P., respectively, under the SFO.

(3) Each of Celaeno Group Limited and Silica Brothers Corp. is controlled by Mr. Zhou. Therefore, Mr. Zhou is deemed to be interested in the 186,158,297 and 50,465,760 Shares held by Celaeno Group Limited and Silica Brothers Corp., respectively, under the SFO.

(4) Crescent Trident Singapore Pte. Ltd. is controlled by Crescent ACSO Investment Management Ltd, which is ultimately controlled by Mr. David McKee HAND.

(5) CP Pharmatech Singapore Pte. Ltd. is controlled by Veneto Holdings Ltd., which is in turn ultimately controlled by Danai Rojanavanichkul.

(6) Tech-Med Investments (S) Pte. Ltd. is controlled by Tech-Med Cayman III Ltd., which is in turn controlled by Veneto Holdings Ltd., and is in turn ultimately controlled by Danai Rojanavanichkul.

(7) Each of Crescent Point Vehicles is advised by Crescent Point, which is ultimately controlled by Mr. David McKee HAND.

(8) Asia Tech Investments Ltd. is a platform holding the underlying incentive shares granted to our Directors and senior management in the total amount of 116,875,898 Class A Ordinary Shares under the RSU Scheme. Approximately 51.34% and 48.41% of interest in Asia Tech Investments Ltd. were held by Mr. Xie and Mr. Zhou, respectively. Therefore, each of Mr. Xie and Mr. Zhou is deemed to be interested in the Shares held by Asia Tech Investments Ltd. in accordance with SFO.

As of December 31, 2024, save as disclosed above, the Directors and the chief executives of our Company are not aware of any other person (other than the Directors or chief executives of our Company) who had an interest or short position in the Shares or underlying Shares which would be required to be notified to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO; or as recorded in the register required to be kept by our Company pursuant to Section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section headed "Directors and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of our Company or any of our Associated Corporations" above, at no time during the year ended December 31, 2024 and up to the date of this annual report was the Company or any of its subsidiaries, a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of the shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

DIRECTORS AND CONTROLLING SHAREHOLDERS' INTERESTS IN COMPETING BUSINESS

Save as disclosed in this annual report and except for the interests of the controlling Shareholders in the Group, during the Reporting Period, neither the Controlling Shareholders nor any of the Directors had any interest in a business, apart from the business of the Group, which competes or is likely to compete, directly or indirectly, with the Group's business, which would require disclosure under Rule 8.10 of the Listing Rules.

CONVERTIBLE BONDS

As of the date of this annual report, the Company did not issue any convertible bonds.

LOAN AGREEMENT WITH COVENANTS RELATING TO SPECIFIC PERFORMANCE OF THE CONTROLLING SHAREHOLDERS

As of the date of this annual report, the Company has not entered into any loan agreement which contain covenants requiring specific performance of the controlling Shareholders.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in the section headed "Connected Transactions" in this annual report, there were no transactions, arrangements or contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director or its connected entity (within the meaning of Section 486 of the Companies Ordinance) had a material interest, whether directly or indirectly, and subsisting during the year ended December 31, 2024.

CONTRACT OF SIGNIFICANCE

Save as disclosed in the section headed "Connected Transactions" in this annual report, no contract of significance was entered into between the Company, or one of its subsidiary companies, and any of its Controlling Shareholders or subsidiaries from the Listing Date to December 31, 2024.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed in 2024 and up to the date of this annual report.

DIRECTORS' PERMITTED INDEMNITY PROVISION

Pursuant to the Articles of Association and subject to the applicable laws and regulations, every Director shall be indemnified and secured harmless out of the assets and profits of the Company against all actions, costs, charges, losses, damages and expenses which they or any of them may incur or sustain in or about the execution of their duty in their offices.

Such permitted indemnity provision has been in force for the year ended December 31, 2024. The Company has taken out liability insurance to provide appropriate coverage for the Directors.

REMUNERATION POLICY, DIRECTORS' REMUNERATION AND PENSION SCHEME

As of December 31, 2024, we had 488 employees. The remuneration of our employees includes salaries and allowances. We provide training to our staff to envision their career paths and growth potential with us. We reward hard work by offering a highly mobile promotion system and a piece-rate compensation system, with wages clearly defined based on the units of specific work performed.

The Group offers competitive remuneration packages to the Directors. Other emoluments are determined by the Board with reference to the Directors' duties, responsibilities and performance and the results of the Group. Details of the Directors' remuneration for the year ended December 31, 2024 are set out in Note 8 of the Notes to the Consolidated Financial Statements.

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

In accordance with the laws and regulations in the PRC, the Group has arranged for its PRC employees to join defined contribution plans organized by the PRC government. No forfeited contribution under this scheme is available to reduce the contribution payable in future years. The Group also provides social insurance, including unemployment insurance, work-related injury insurance, medical insurance and maternity insurance for the employees of the Group.

RSU SCHEME

The RSU Scheme was approved and adopted by the Board on January 1, 2020, to attract, retain and motivate our senior management, employees, advisors and such other participants through the grant of awards (the "**Awards**") for their contribution to the growth and profits of our Group, and to allow such senior management, employees, advisors and other persons to participate in the growth and profitability of our Group. The participant of the RSU Scheme is any person belong to any of (1) senior management of the Group; (2) employees of the Group; (3) advisors of the Group; and (4) other persons as approved by the Board or the authorized administrator of the RSU Scheme. A summary of the principal terms of the RSU Scheme is set out in the section headed "Statutory and General Information — D. RSU Scheme" in Appendix IV to the Prospectus.

In May 2024, (i) a total of 98,288,750 Shares were allotted and issued to Endeavor Cloud Limited, Fast Goal International Limited and Gaoxin Thrive Limited to hold the Shares underlying the RSUs granted to the grantees who are neither Directors nor other core connected persons of our Company pursuant to the RSU Scheme; (ii) 5,453,428 Shares were allotted and issued to Asia Tech Investments Ltd. to hold the Shares underlying the RSUs granted to certain Directors pursuant to the RSU Scheme; and (iii) 3,500,000 and 20,000,000 Shares underlying the RSUs were allotted and issued to Mr. ZOU Yuming and Torano Investments Limited (a company wholly owned by Mr. Zou to hold certain Shares underlying the RSUs granted to him), respectively, pursuant to the RSU Scheme.

The RSU Scheme became effective upon its adoption date, and will continue in effect for a term of five (5) years from the adoption. The RSUs shall be vested to the relevant participant upon (1) expiration of the vesting period; (2) payment of the relevant subscription price; and (3) the participant has obtained relevant approval and completed relevant registration as required under PRC law (including but not limited to SAFE registration). The vesting period shall be determined by the Board and the authorized administrator of the RSU Scheme in accordance with the specific circumstances of the participant at the time of grant. The subscription price shall be nil or any other price as approved by the Board.

As of the date of this annual report, RSUs in respect of an aggregate of 238,664,648 Shares had been granted pursuant to the RSU scheme to our six Directors and senior management, 164 other employees(Note) and business consultants who made contributions to our Group, representing approximately 17.81% of the total issued share capital of the Company. No further Awards will be available for grant under the RSU Scheme after the Listing. No new Shares will be issued in respect of the RSUs granted. As disclosed in the Prospectus, the terms of the RSU Scheme will not be subject to the provisions of Chapter 17 of the Listing Rules upon Listing. The following table summarizes the number of the RSUs granted to the Directors, chief executive and substantial shareholders of the Company and their respective associates under the RSU Scheme as of December 31, 2024:

Name	Position	Number of Shares underlying the RSUs granted	Approximate percentage of issued Shares
Mr. Xie	Chairman of the Board, executive Director and chief executive officer	60,000,000	4.48%
Mr. Zhou	Executive Director and chief strategy officer	56,575,898	4.22%
Mr. ZOU Yuming	Executive Director and chief financial officer	23,500,000	1.75%
Ms. KANG Wei	Independent non-executive Director	100,000	0.01%
Mr. ZHU Xiaolu	Independent non-executive Director	100,000	0.01%
Dr. WANG Haizhong	Independent non-executive Director	100,000	0.01%

Note: Employed by the Company at the time of RSU grant.

Movements in RSUs under the RSU Scheme

Name	Position	Grant date	Vesting period	Grant price	Exercise price	Number of RSUs granted but not yet vested as of the Listing Date	Number of RSUs granted during the Reporting Period	Vesting Date(s)	Number of RSUs vested during the Reporting Period	Number of RSUs canceled during the Reporting Period	Number of RSUs lapsed during the Reporting Period	Number of RSUs granted but not yet vested as of December 31, 2024	Weighted average closing price of RSUs vested during the period from the Listing Date to December 31, 2024 HKD
Directors													
Mr. XIE Fangmin	Executive Director	1/4/2024	1/4/2024	N/A	-	-	45,000,000	1/4/2024	45,000,000	-	-	-	N/A
Mr. ZHOU Feng	Executive Director	1/4/2024	1/4/2024	N/A	-	-	41,575,898	1/4/2024	41,575,898	-	-	-	N/A
Mr. ZOU Yuming	Executive Director	1/4/2024	1/4/2024	N/A	-	-	20,500,000	1/4/2024	20,500,000	-	-	-	N/A
Ms. KANG Wei	Independent non-executive Director	31/12/2021	from 2022/12/31 to 2025/12/31	N/A	-	37,500	-	2024/03/31 2024/06/30 2024/09/30 2024/12/31	25,000	-	-	25,000	6.8
Mr. ZHU Xiaolu	Independent non-executive Director	31/12/2021	from 2022/12/31 to 2025/12/31	N/A	-	37,500	-	2024/03/31 2024/06/30 2024/09/30 2024/12/31	25,000	-	-	25,000	6.84
Dr. WANG Haizhong	Independent non-executive Director	31/12/2021	from 2022/12/31 to 2025/12/31	N/A	-	37,500	-	2024/03/31 2024/06/30 2024/09/30 2024/12/31	25,000	-	-	25,000	6.84
5 highest paid individuals (excluding Directors)	N/A	2021/12/31 2024/04/01	from 2022/12/31 to 2028/03/31	N/A	-	1,500,000	1,200,000	2024/03/31 2024/06/30 2024/09/30 2024/12/31	200,000	-	-	1,400,000	6.84
Other Grantees in aggregate	N/A	from 2020/12/31 to 2024/04/01	from 2021/01/01 to 2028/10/31	N/A	-	11,040,313	70,590,000	from 2024/01/01 to 2024/12/31	67,115,311	-	-	8,729,688	6.86
Total	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**12,652,813**	**178,865,898**	**N/A**	**174,466,209**	**-**	**-**	**10,204,688**	**6.86**

EQUITY-LINKED AGREEMENT

There was no equity-linked agreement entered into by the Company during the year ended December 31, 2024.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended December 31, 2024, the respective percentage of purchases attributable to the Group's largest supplier and five largest suppliers in aggregate was 11.2% and 38.2%.

During the year ended December 31, 2024, the Group's five largest customers accounted for approximately 11.6% of the Group's total revenue and the Group's largest customer accounted for approximately 2.9% of the Group's total revenue.

Except as disclosed above, none of the Directors or any of their close associates or any Shareholders (which to the best knowledge of the Directors owned more than 5% of the Company's issued share capital) had a material interest in our five largest suppliers or customers.

CONNECTED TRANSACTIONS

None of the related party transactions disclosed in Note 29 of the Notes to the Consolidated Financial Statements constitute connected transactions for the Company under Rule 14A.23 of the Listing Rules and are required to be disclosed in this annual report in accordance with Rule 14A.71 of the Listing Rules.

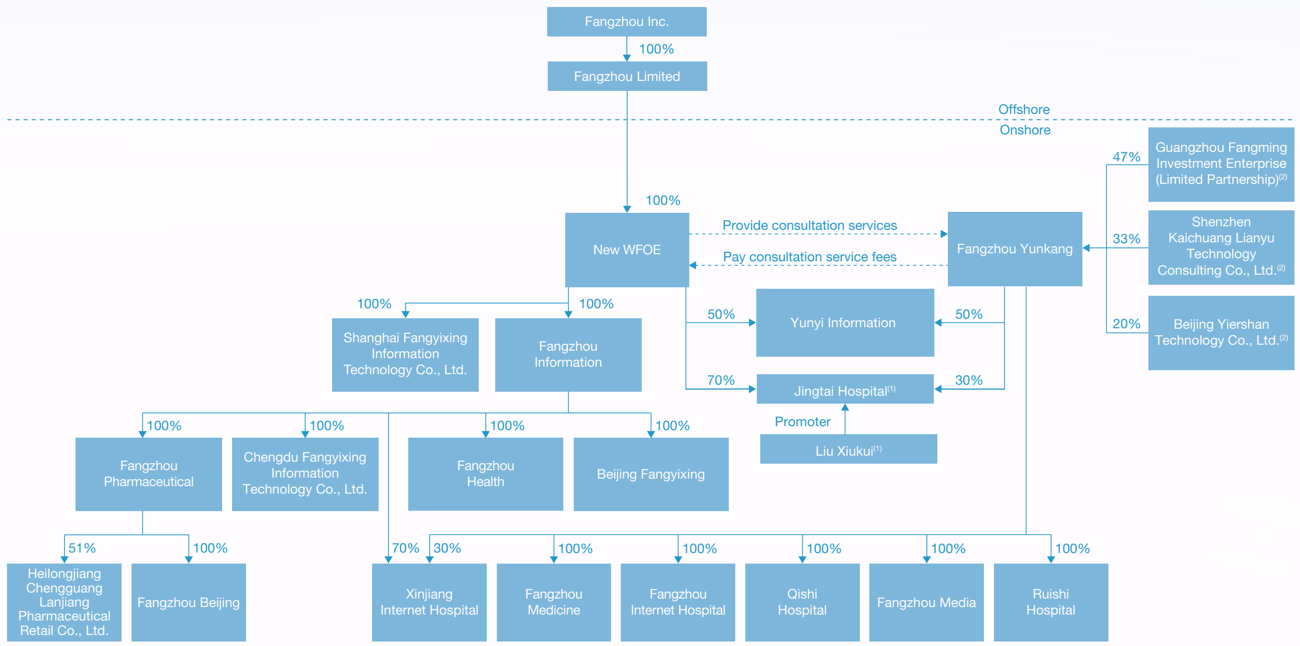
As of the date of this annual report, the Company has entered into the following continuing connected transaction pursuant to the Chapter 14A of the Listing Rules.

Contractual Arrangements

Overview

Fangfeng Technology (the "**New WFOE**") entered into a series of contractual arrangements with 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**") and the Fangzhou Yunkang Registered Shareholders on June 19, 2020 (the "**Contractual Arrangements**"), under which the New WFOE is entitled to substantially all economic benefits arising from the business of the Consolidated Affiliated Entities to the extent permitted by the PRC laws and regulations. Under the Contractual Arrangements, the Company has acquired effective control over the financial and operational management and results of Fangzhou Yunkang and is entitled to substantially all the economic benefits derived from the operations of Fangzhou Yunkang. For the years ended December 31, 2024, the Consolidated Affiliated Entities, namely Fangzhou Yunkang and its wholly controlled subsidiaries (i.e. Guangzhou Fangzhou Medicine Co., Ltd. (廣州方舟醫藥有限公司) ("**Fangzhou Medicine**"), Guangzhou Fangzhou Internet Hospital Co., Ltd. (廣州方舟互聯網醫院有限公司) ("**Fangzhou Internet Hospital**"), Guangdong Qishi Hospital Management Co., Ltd. (廣東啟石醫院管理有限公司) ("**Qishi Hospital**"), Guangzhou Fangzhou Media Co., Ltd. (廣州方舟傳媒有限公司) ("**Fangzhou Media**") and Guangdong Ruishi Hospital Management Co., Ltd. (廣東瑞石醫院管理有限公司) ("**Ruishi Hospital**")), in aggregate contributed 76.1% of the total revenue of the Group.

The following simplified diagram illustrates the flow of economic benefits from our Consolidated Affiliated Entities to our Group as stipulated under the Contractual Arrangements.



Notes:

(1) Liu Xiukui is the registered promoter of Jingtai Hospital and a nominee of the New WFOE and Fangzhou Yunkang. The New WFOE and Fangzhou Yunkang each holds 70% and 30% of the registered capital and promoter's interest in Jingtai Hospital.

(2) Guangzhou Fangming Investment Enterprise (Limited Partnership) is a limited partnership wholly-owned by Mr. Xie. Shenzhen Kaichuang Lianyu Technology Consultancy Co., Ltd. is a limited liability company owned as to 55% and 45%, respectively, by Zhang Xinwei (張新偉) and Wang Wenchao (汪聞超). Beijing Yiershan Technology Co., Ltd. is a limited liability company wholly owned by Yang Jinghua (楊敬華).

Summary of the Contractual Arrangements

A brief description of each of the specific agreements that comprise the Contractual Arrangements is set out as follows:

(i) Exclusive Service Agreement

As part of the Contractual Arrangements, New WFOE and Fangzhou Yunkang entered into the exclusive consultancy and service agreement on June 19, 2020 (the "**Exclusive Service Agreement**"). Pursuant to the Exclusive Service Agreement, the New WFOE agreed to be engaged as the exclusive provider to Fangzhou Yunkang of technical support, consultation and other services for a monthly service fee, including the following services: (i) provision of the following technology development, transfer and consultancy services: a. development of technology in respect of new business; b. supporting and maintenance of technology in respect of current business; c. regular updating of all business contents; and d. provision and maintenance of all hardware and network necessarily requested for operation of business; (ii) staff training and on-board training services; (iii) public relations services; (iv) market survey, research and consultancy services; (v) short-term and mid-term market development and market planning services; (vi) human resources management and internal information management; (vii) development, updating and daily maintenance of network; (viii) the use of any relevant software and trademarks legally owned by the New WFOE; and (ix) other services provided by the New WFOE from time to time based on the business requirements and the services capacity of the New WFOE.

Pursuant to the Exclusive Service Agreement, the New WFOE has the exclusive and complete proprietary rights to all intellectual properties developed in the performance of obligations under the Exclusive Service Agreement, whether developed by Fangzhou Yunkang, the New WFOE, or jointly.

The effective period of the Exclusive Service Agreement shall be ten years, and the Exclusive Service Agreement shall be automatically renewed for a term of ten years upon expiration of the effective period. Notwithstanding the above arrangement, the New WFOE shall be entitled to exercise its unilateral right to terminate by prior written notice to Fangzhou Yunkang based on its own judgment. Subject to applicable laws and unless stated otherwise in the Exclusive Service Agreement, Fangzhou Yunkang does not have the right to unilaterally terminate the agreement.

(ii) Exclusive Option Agreement

As part of the Contractual Arrangements, New WFOE, Fangzhou Yunkang and the Fangzhou Yunkang Registered Shareholders entered into the exclusive option agreement on June 19, 2020 (the "**Exclusive Option Agreement**"). Pursuant to the Exclusive Option Agreement, the New WFOE (or any designee) was granted an irrevocable, unconditional and exclusive right to purchase all or any of the equity interest in and/or assets of Fangzhou Yunkang held at present or in the future for a consideration equivalent to the lowest price permitted under the PRC laws at the time of purchasing. Subject to the relevant PRC laws and regulations, the Fangzhou Yunkang Registered Shareholders shall compensate the New WFOE with an amount equivalent to any purchase price, or profits, distributions, dividends or bonus received from the New WFOE.

The Exclusive Option Agreement shall remain effective until the New WFOE exercises its unilateral right to terminate by prior written notice to Fangzhou Yunkang and the Fangzhou Yunkang Registered Shareholders. Subject to applicable laws and unless stated otherwise in the Exclusive Option Agreement, Fangzhou Yunkang and the Fangzhou Yunkang Registered Shareholders do not have the right to unilaterally terminate the agreement.

(iii) *Equity Pledge Agreement*

As part of the Contractual Arrangements, New WFOE, Fangzhou Yunkang and the Fangzhou Yunkang Registered Shareholders entered into the equity pledge agreement on June 19, 2020 (the "**Equity Pledge Agreement**"). Pursuant to the Equity Pledge Agreement, the Fangzhou Yunkang Registered Shareholders agreed to pledge all their respective equity interests in Fangzhou Yunkang that they own, including any interest or dividend paid for the shares, to the New WFOE, as a security interest to guarantee the performance of contractual obligations by Fangzhou Yunkang and the Fangzhou Yunkang Registered Shareholders under these agreements, the Exclusive Option Agreement, the Exclusive Service Agreement and the Powers of Attorney.

Should an event of default (as provided in the Equity Pledge Agreement) occur, unless it is rectified or waived, the New WFOE shall have the right to exercise all such rights as a secured party under any applicable PRC laws and the Equity Pledge Agreement.

The pledges under the Equity Pledge Agreement have been duly registered with the relevant PRC legal authority pursuant to the PRC laws and regulations.

The Equity Pledge Agreement will remain effective until all obligations under the Exclusive Option Agreement, the Exclusive Service Agreement and the Powers of Attorney have been fully performed.

(iv) *Powers of Attorney*

As part of the Contractual Arrangements, each of the Fangzhou Yunkang Registered Shareholders has executed a power of attorney on June 19, 2020 (collectively, the "**Powers of Attorney**"). Pursuant to the Powers of Attorney, each of the Fangzhou Yunkang Registered Shareholders irrevocably appointed the New WFOE and their designated persons as their attorneys-in-fact to exercise on its behalf, and agreed and undertook not to exercise, any and all right that it has in respect of its equity interests in Fangzhou Yunkang.

As a result of the Powers of Attorney, the Company, through the New WFOE, are able to exercise management control over the activities that most significantly impact the economic performance of Fangzhou Yunkang.

The Powers of Attorney also provided that, in order to avoid potential conflicts of interest, where the Fangzhou Yunkang Registered Shareholders are officers or directors of the Group, the Powers of Attorney are granted in favor of other unrelated officers or Directors of thr Group.

Further, the Powers of Attorney shall remain effective for so long as each shareholder holds equity interest in Fangzhou Yunkang.

(v) Spouse Undertakings

The spouse of each of Mr. Xie, Mr. Wang Wenchao (汪聞超) and Ms. Yang Jinghua (楊敬華), being the shareholders of the Fangzhou Yunkang Registered Shareholders (collectively, the "**Ultimate Beneficial Shareholders**"), has signed an undertaking on June 19, 2020 (collectively, the "**Spouse Undertakings**") to the effect, among other things, that:

(i) he/she will not make any claim against any equity interests held by his/her spouse as a registered shareholder in Fangzhou Yunkang;

(ii) should he/she by any reason hold any equity interest in Fangzhou Yunkang, he/she will be bound by, as amended from time to time, the Exclusive Option Agreement, the Equity Pledge Agreement and the Powers of Attorney. He/she undertook to comply with the obligations of Fangzhou Yunkang's shareholders as set out in the aforementioned agreements, and for this purpose, to execute agreements on substantially similar terms as the aforementioned agreements upon New WFOE's request; and

(iii) each spouse will enter into all necessary documents and take all necessary actions to ensure the due performance of the Contractual Arrangements as amended from time to time.

Reasons for adopting the Contractual Arrangements

The Company currently conducts its online consultation and e-prescription services, online retail pharmacy services and online academic community services (the "**Relevant Businesses**") through the Consolidated Affiliated Entities, namely Fangzhou Yunkang together with its subsidiaries, which were all established under the PRC laws. The business operations of the Consolidated Affiliated Entities constitute a business with restrictions on foreign investment in the PRC. Therefore, the Company cannot directly acquire the entire equity interest in the Consolidated Affiliated Entities. In light of such restriction and in order to exercise effective control over the Consolidated Affiliated Entities, we have entered into the Contractual Arrangements with Fangzhou Yunkang and the Fangzhou Yunkang Registered Shareholders (namely, Guangzhou Fangming, Shenzhen Kaichuang Lianyu Technology Consultancy Co., Ltd. and Beijing Yiershan Technology Co., Ltd.) on June 19, 2020, pursuant to which the Group (i) receives substantially all of the economic benefits from the Consolidated Affiliated Entities in consideration for the services provided by Fangfeng Technology to the Consolidated Affiliated Entities; (ii) exercises effective control over the Consolidated Affiliated Entities through Fangfeng Technology; and (iii) holds an exclusive option to purchase all or part of the equity interests in Fangzhou Yunkang when and to the extent permitted by the PRC laws.

For further details of the foreign investment restrictions, please refer to the section headed "Contractual Arrangements – Overview of Laws and Regulations of the PRC Relating to Foreign Ownership Restrictions and the Application Thereof to the Group's Businesses" of the Prospectus.

Governing Framework

On January 1, 2020, the Foreign Investment Law which was adopted at the second session of the thirteenth National People's Congress came into force. The Foreign Investment Law replaced the former foreign investment legal foundation in the PRC consisting of three laws: the Sino-Foreign Equity Joint Venture Enterprise Law, the Sino-Foreign Cooperative Joint Venture Enterprise Law and the Wholly Foreign-Invested Enterprise Law. On December 26, 2019, the State Council released the Implementation Rules to the Foreign Investment Law of the PRC (《中華人民共和國外商投資法實施條例》) (the "**Foreign Investment Law Implementing Regulations**"), which took effect on January 1, 2020.

Conducting operations through contractual arrangements has been adopted by many PRC-based companies, including us, to obtain and maintain necessary licenses and permits in the industries that are currently subject to foreign investment restrictions or prohibitions in the PRC. The Foreign Investment Law does not explicitly prohibit or restrict a foreign investor to rely on contractual arrangements to control the majority of its business that is subject to foreign investment restrictions or prohibitions in the PRC. Contractual arrangements are not specified as a form of foreign investment under the Foreign Investment Law or the Foreign Investment Law Implementation Regulations, and if future laws, regulations and provisions do not prescribe contractual arrangements as a form of foreign investment and relevant laws and regulations in respect of foreign investment remain unchanged, the Contractual Arrangements as a whole and each of the agreements comprising the Contractual Arrangements will not be affected, with an exception, for which, see "Risk Factors – Risks Relating to our Contractual Arrangements." In any event, the Company will take reasonable steps in good faith to seek compliance with the Foreign Investment Law.

However, there are possibilities that future laws, administrative regulations and provisions prescribed by the State Council may regard the Contractual Arrangements as a form of foreign investment, at which time it will be uncertain whether the Contractual Arrangements will be deemed to be in violation of the then effective foreign investment access requirements and how the above-mentioned Contractual Arrangements will be handled.

Risks relating to the Contractual Arrangements

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

(i) if the PRC government finds that the contractual agreements that establish the structure for operating certain of the Company's business in China do not comply with applicable PRC regulations, or if these regulations or the interpretation of existing regulations change in the future, we could be subject to severe consequences, including the nullification of the contractual arrangements and being forced to relinquish interests in those operations;

(ii) The Contractual Arrangements may not be as effective in providing operational control as direct ownership;

(iii) any failure by Fangzhou Yunkang or Fangzhou Yunkang Registered Shareholders to perform their obligations under the contractual arrangements with them would have a material adverse effect on the business;

(iv) The Company may lose the ability to use, or otherwise benefit from, the licenses, approvals and assets held by the Consolidated Affiliated Entities if any of the Consolidated Affiliated Entities declares bankruptcy or becomes subject to a dissolution or liquidation proceeding;

(v) the Fangzhou Yunkang Registered Shareholders may have potential conflicts of interest with the Company;

(vi) the Contractual Arrangements may be subject to scrutiny by the PRC tax authorities and a finding that we owe additional taxes could negatively affect the financial condition and the value of the investment;

(vii) the current corporate structure and business operations may be affected by the Foreign Investment Law; and

(viii) certain terms of the Contractual Arrangements may not be enforceable under PRC laws.

Actions taken by the Group to mitigate the risks relating to the Contractual Arrangements

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

(i) major issues arising from the implementation and compliance with the Contractual Arrangements or any regulatory enquiries from government authorities will be submitted to our Board, if necessary, for review and discussion on an occurrence basis;

(ii) our Board will review the overall performance of and compliance with the Contractual Arrangements at least once a year;

(iii) our Company will disclose the overall performance and compliance with the Contractual Arrangements in our annual reports; and

(iv) our Company will engage external legal advisors or other professional advisors, if necessary, to assist the Board to review the implementation of the Contractual Arrangements, review the legal compliance of the New WFOE and our Consolidated Affiliated Entities to deal with specific issues or matters arising from the Contractual Arrangements.

Listing Rules Implications and Waiver from the Stock Exchange

The transactions contemplated under the Contractual Arrangements are continuing connected transactions of our Group and are subject to reporting, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Our Directors, including our independent non-executive Directors, are of the view that (i) the Contractual Arrangements are fundamental to our Group's legal structure and business operations; and (ii) the Contractual Arrangements are on normal commercial terms or on terms more favorable to our Group in the ordinary and usual course of our Group's business and are fair and reasonable or to the advantage of our Group and are in the interests of our Shareholders as a whole. Accordingly, notwithstanding that the transactions contemplated under the Contractual Arrangements technically constitute continuing connected transactions under Chapter 14A of the Listing Rules, our Directors consider that, given that our Group is placed in a special situation in relation to the connected transactions rules under the Contractual Arrangements, it would be unduly burdensome and impracticable, and would add unnecessary administrative costs to our Company, for all the transactions contemplated under the Contractual Arrangements to be subject to strict compliance with the requirements set out under Chapter 14A of the Listing Rules, including, among other things, the announcement and approval of independent Shareholders.

In relation to the Contractual Arrangements, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with (i) the announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the transactions contemplated under the Contractual Arrangements pursuant to Rule 14A.105 of the Listing Rules, (ii) the requirement of setting an annual cap for the transactions under the Contractual Arrangements under Rule 14A.53 of the Listing Rules, and (iii) the requirement of limiting the term of the Contractual Arrangements to three years or less under Rule 14A.52 of the Listing Rules, for so long as our Shares are listed on the Stock Exchange subject however to the conditions provided under the waiver. For further details, please refer to the section headed "Connected Transactions" of the Prospectus.

Material Change or Termination of the Contractual Arrangements

During the year ended December 31, 2024, (i) there were no new contractual arrangements entered into, renewed or reproduced between the Group and the VIE Entities, (ii) there were no material changes in the Contractual Arrangements or the circumstances under which they were adopted, and (iii) none of the structured contracts under the Contractual Arrangements mentioned above has been unwound as none of the restrictions that led to the adoption of structured contracts under the Contractual Arrangements have been removed.

Annual Review by the Independent Non-executive Directors and the Auditors

The Directors, including the independent non-executive Directors, have reviewed the Contractual Arrangements and have confirmed that the Contractual Arrangements were entered into (i) in the ordinary and usual course of business of the Group, (ii) on normal commercial terms, and (iii) in accordance with the respective agreements governing them on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The independent non-executive Directors, upon review of the overall performance of and compliance with the Contractual Arrangements during the Relevant Period, confirmed that:

(i) the transactions carried out during such year have been entered into in accordance with the relevant provisions of the Contractual Arrangements, and that the profit generated by the Consolidated Affiliated Entities has been substantially retained by New WFOE;

(ii) no dividends or other distributions have been made by the Consolidated Affiliated Entities or any non-wholly owned subsidiary of the Group to the holders of its equity interests which are not otherwise subsequently assigned or transferred to the Group;

(iii) any new contracts entered into, renewed or reproduced on normal commercial terms between the Group and the Consolidated Affiliated Entities during the relevant financial period are fair and reasonable, or advantageous and in the ordinary and usual course of business of the Group, so far as the Group is concerned and in the interests of the Shareholders as a whole;

The Auditor has carried out review procedures on the transactions carried out pursuant to the Contractual Arrangements during the Reporting Period. The letter from the Auditor containing their findings and conclusions of the review in respect of the continuing connected transactions confirmed:

(i) nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have not been approved by the Board;

(ii) nothing has come to their attention that causes them to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Group for transactions involving the provision of goods or services by the Group;

(iii) nothing has come to their attention that causes them to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and

(iv) nothing has come to their attention that causes them to believe that dividends or other distributions have been made by our Consolidated Affiliated Entities to the holders of their equity interests which are not otherwise subsequently assigned or transferred to the Group.

The Auditor has performed the relevant procedures regarding the continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 (Revised) "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by Hong Kong Institute of Certified Public Accountants. The Auditor has issued an unqualified letter containing its findings and conclusions in respect of the continuing connected transactions disclosed by the Group in this annual report in accordance with Rule 14A.56 of the Listing Rules.

The extent to which the Contractual Arrangements relate to Requirements other than the Foreign Ownership Restriction

All of the Contractual Arrangements are subject to the restrictions set out on pages 81 to 87 of the Prospectus.

Material Changes

Save as disclosed above, there were no other new contractual arrangements entered into, renewed and/or reproduced between the Group and the Consolidated Affiliated Entities during the Reporting Period. There was no material change in the Contractual Arrangements and/or the circumstances under which they were adopted during the Reporting Period.

During the Reporting Period, none of the Contractual Arrangements had been unwound on the basis that none of the restrictions that led to the adoption of the Contractual Arrangements had been removed. As of December 31, 2024, the Company had not encountered interference or encumbrance from any PRC governing bodies in operating its businesses through its Consolidated Affiliated Entities under the Contractual Arrangements.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither our Company nor any of its subsidiaries purchased, sold or redeemed any of our Company's listed securities (including sale of treasury Shares, if any) during the Reporting Period and up to the date of this annual report.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its code of conduct regarding Directors' dealing in the Company's Securities. Having made specific enquiries to all of the Directors, all Directors confirmed that they have complied with the required standard set out in the Model Code from the Listing Date to the date of this annual report.

Our Company's senior management and employees, who are likely to be in possession of inside information of our Company, are also subject to the Model Code for securities transactions. During the period from the Listing Date and up to the date of this annual report, we were not aware of any incidences of non-compliance with the Model Code by our Company's relevant senior management and employees.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Save as disclosed in this annual report, the Company applied the principles and code provisions as set out in the Corporate Governance Code and has complied with all applicable code provisions set out in the Corporate Governance Code during the Reporting Period.

CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE LISTING RULES

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

AUDITOR

The Consolidated Financial Statements of the Group for the year ended December 31, 2024 have been audited by KPMG, certified public accountants.

ANNUAL GENERAL MEETING AND CLOSURE OF THE REGISTER OF MEMBERS

The date of the annual general meeting of the Company and the closure of the register of members of the Company will be announced in due course.

APPRECIATION

On behalf of the Board, we would like to extend our sincerest appreciation to the management and staff of the Group for their unwavering dedication throughout the past year. We also express our deepest gratitude to our valued customers, Shareholders, and business partners for the trust and support they have placed in us.

By order of the Board
Mr. XIE Fangmin
Chairman of the Board

Hong Kong, March 21, 2025

1 ENVIRONMENTAL, SOCIAL AND GOVERNANCE OVERVIEW

1.1 REPORT ON ENVIRONMENTAL, SOCIAL AND GOVERNANCE

1.1.1 Report preparation guidelines

This Environmental, Social and Governance (ESG) Report details the Group's performance in the areas of environmental, social and governance in order to help stakeholders gain a deeper understanding of its philosophy of sustainable development, management approach, specific measures, and related effectiveness.

This report has been prepared in accordance with the Environmental, Social and Governance Reporting Guide under Appendix C2 to the Hong Kong Listing Rules, and follows its reporting principles covering materiality, quantitative information, consistency, and balance to ensure that the content is disclosed in accordance with the requirements of the guidelines.

The Company recognizes the importance of working closely with key stakeholders to achieve sustainable business goals, and has identified core ESG factors and formulated relevant strategies, objectives, plans and measures to support the sustainable development of the business. The key performance indicators (KPIs) in this report are compiled with reference to the calculation standards and methods in the Environmental, Social and Governance Reporting Guide, and every effort has been made to avoid any omission of information or presentation errors.

1.1.2 Report scope

The report covers the period from January 1, 2024 to December 31, 2024.

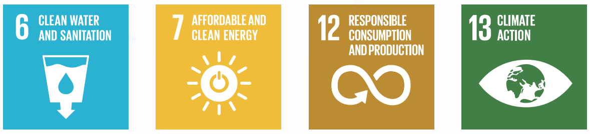
This report covers the Group, including its core business segments (comprehensive medical services, online retail pharmacy services, and customized content and marketing solutions). Unless otherwise stated, the information in this report is derived from the Group's internal documents and statistics, and the monetary amounts are uniformly measured in RMB.

1.2 ESG DEVELOPMENT STRATEGY

The Group is committed to promoting green development and social responsibility in the healthcare industry through innovative and sustainable business models. Our ESG strategy is centered around the core concept of "Better Health For All". We incorporate the United Nations Sustainable Development Goals (SDGs) into our ESG development strategy, aiming to contribute positively to society, environment and governance through responsible business practices.

Green healthcare for a low-carbon future

The Company is focused on developing cutting-edge digital healthcare service platforms. By promoting more efficient use of healthcare resources through technological advancements and streamlined processes, we seek to reduce our carbon footprint and help address global climate change. The Company's strategy includes developing green operation models, and optimizing its supply chain management to promote sustainable supply chain practices which reduce environmental impact.



Embracing social responsibility through inclusive healthcare

The Company is dedicated to providing convenient and high-quality healthcare services to patients with chronic diseases, and enhancing the accessibility of healthcare services. The Company values the career development and well-being of its employees by providing diverse training and development opportunities to ensure that employees realize their personal value in an inclusive and safe working environment. In addition, the Company actively participates in public welfare initiatives by supporting rural revitalisation and medical education projects to make contributions to social health.

Transparent governance for sustainable development

The Company ensures transparency and fairness in governance, having established robust internal control and risk management systems, and strictly complies with all relevant laws and regulations. The Company embraces diversity on its Board, recognizing its role in fostering a more inclusive and informed decision-making process, and helping to drive innovation and progress within the industry. Through regular monitoring and evaluation, the Company aligns its ESG objectives with its strategic development, while continuously enhancing its corporate governance practices.

1.3 STATEMENT OF THE BOARD OF DIRECTORS

The board of directors of the Company (the “Board”) regards environmental, social and governance (ESG) issues as a core element of the Company’s strategic development, and has taken the United Nations Sustainable Development Goals (SDGs) as a guideline for its actions, adopting responsible operation and sustainable development practices. The Company adheres to the mission of “Better Health For All” and focuses not only on business growth but also on promoting the improvement of society’s overall health. The Board firmly believes that through continuous innovation, we can create long-term value for our stakeholders, while fostering sustainable development that benefits the environment, society, and the economy.

In order to promote the realization of ESG objectives, the Board assumes overall responsibility for the relevant work, and is responsible for assessing potential ESG risks and opportunities, and formulating the Company’s ESG objectives, strategies and management policies. The Board ensures that the relevant work is closely aligned with the Company’s strategic development by reviewing ESG performance on a regular basis and monitoring the implementation progress of each department. At the same time, the Board reviews, monitors and optimizes the Company’s ESG policies and practices, provides strategic advice on emerging challenges, and ensures that the relevant guidelines comply with legal, regulatory and supervisory requirements. The process includes receiving updates regarding progress made against ESG related goals and targets from the Company’s ESG working group which is responsible for day-to-day implementation of ESG initiatives.

Looking ahead to the next three to five years, the Board recognizes that the key challenge in the area of ESG is to respond to the fast-changing compliance requirements of industry and increasing societal expectations, while striking a balance between business growth and social responsibility. To this end, the Board has proposed sustainable development goals centered on green, low-carbon and technological innovation. By promoting the construction of a digital healthcare service platform, exploring green operating models and optimizing supply chain management, the Company will continue to consolidate its leading position in the industry while supporting carbon reduction targets. The Board will actively monitor progress toward achieving these goals through regular assessments to ensure that the Company continues to maintain its high standards in sustainable development and corporate responsibility.

It has always been the Group’s firm belief that only by fully integrating environmental, social and governance objectives into the Company’s business and development strategies can we realize economic benefits while creating greater value for society. Going forward, the Company remains committed to fostering a healthy ecosystem across the industry, and collaborating closely with all stakeholders to build a more sustainable future.

1.4 ABOUT US

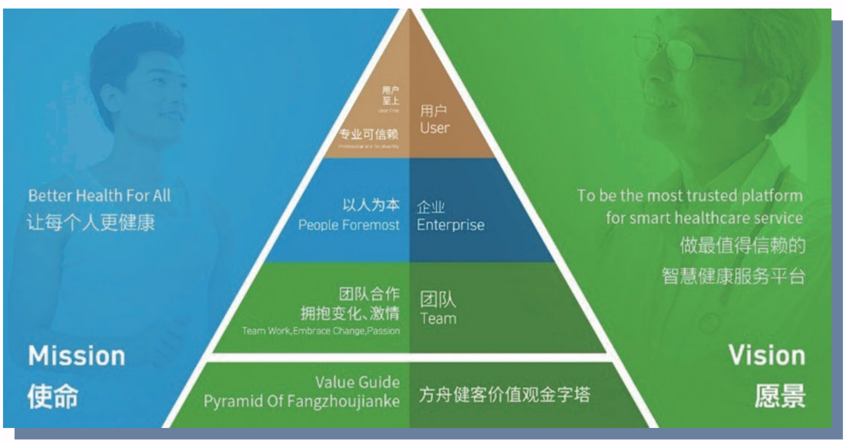
1.4.1 Introduction and business overview

The Company is China's leading online chronic disease management platform. We established the Group in 2015, and commenced our business with a focus on chronic disease management to address the needs of patients with chronic diseases, such as hypertension, cardiovascular and respiratory chronic diseases. Leveraging our chronic disease management platform, we are dedicated to providing tailored medical care and precision medicine for the population of chronic disease patients, with a view towards extending our services to a wider range of disease areas.

To address the needs of patients with chronic diseases for convenient and accessible medical care services, we provide comprehensive medical services and online retail pharmacy services through our platform. Our comprehensive medical services include follow-up physician consultations and e-prescription services conducted by registered physicians and in-house medical professionals through our H2H service platform. We also provide online retail pharmacy services, offering a wide range of pharmaceutical and healthcare products directly to our customers. Our comprehensive medical services and online retail pharmacy services are supported by our chronic disease management service center and robust pharmaceutical supply chain.

With our technological capabilities, we provide digitalized solutions for key participants in the healthcare industry. Anchored in long-term physician-patient relationships, our ecosystem enables us to serve chronic disease patients, while also addressing the needs of other key stakeholders in the healthcare system. Our Jianke Platform improves connectivity between patients and physicians, resulting in better treatment efficiency and enabling physicians to manage their chronic disease patients in a more efficient manner.

1.4.2 Corporate culture and view of social responsibility



Our mission and vision

With a mission of delivering "Better Health For All", the Group is committed to building the most trusted smart healthcare services platform. Our core values emphasize "patient-centered care, professionalism, trust, teamwork, adaptability, passion, and a people-oriented approach" that addresses the interests of our stakeholders. Through our platform, we provide a range of services to meet the diverse needs of chronic disease patients.

In the area of social responsibility, the Group is actively involved in public welfare and is committed to promoting rural revitalisation and contributing to social development by donating medical supplies and funds to support education and medical projects. The Company has also disseminated popular health content to the public through its health science platform, helping to enhance overall health awareness. During the COVID-19 epidemic, the Group provided assistance by donating significant amounts of prevention and control materials. These initiatives highlight the Group's strong commitment to social responsibility, and its dedication to supporting the community.

1.4.3 Overview of corporate recognition

In 2024, the Group's leadership in technological advancement and innovation was recognized through numerous industry accolades, underscoring its alignment with ESG principles.

– The Company was featured on the 2024 Guangdong "AI Catalyst" Enterprise Billboard at the Guangdong-Hong Kong-Macao Greater Bay Area Artificial Intelligence Industry Conference, recognizing its role in advancing AI-driven healthcare solutions

– The Company received a "Most Valued Pharmaceutical & Healthcare Enterprise" award at the Zhitong Finance Capital Market Summit, affirming its industry leadership and strong performance

– The Company was recognized as an "Outstanding Enterprise in Digital Intelligence" on the "Analysys Star 2024 Annual Award List", for its substantial contributions to advancing the use of digital intelligence in the Internet healthcare sector and chronic disease management

– Mr. XIE Fangmin, Founder, Chairman, and CEO of the Group, was elected Vice-Chairman of the inaugural Health Promotion and Education Professional Committee under the Guangdong Preventive Medicine Association, highlighting the Company's dedication to advancing public health governance and promoting collaborative leadership in healthcare education

These achievements reflect the Company's commitment to leveraging cutting-edge solutions to address healthcare challenges while fostering sustainable growth.

1.4.4 Stakeholder engagement

Maintaining effective communication with stakeholders is a core element of the Company's sustainable development. The Company's stakeholders include government regulators, shareholders and investors, patients and customers, suppliers and partners, employees, communities and the public, and public welfare organizations. In order to ensure effective feedback and respond to the needs and expectations of all parties, the Company maintains close contact with all stakeholders through various channels to gain a deeper understanding of their views and expectations on the Company's sustainable development, innovation and social responsibility. Such initiatives helped the Company to enhance the transparency of its business operations and credibility and provided strategic guidance for long-term development, ensuring that it can create economic value while fulfilling its social and environmental responsibilities.

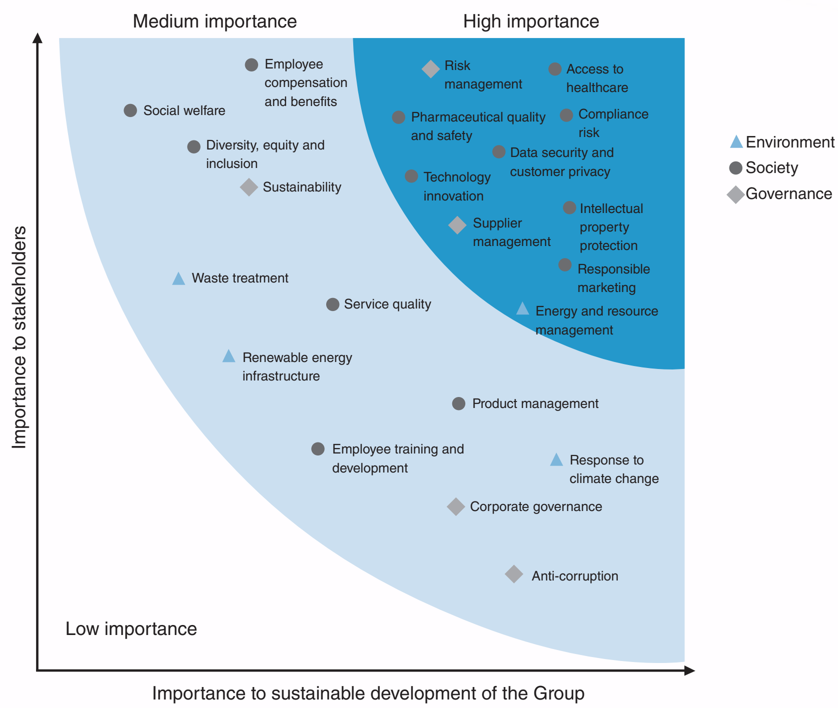
Stakeholders	Expectations and requirements	Communication method
Patients and consumers	Convenient medical services High-quality health management Treatment plans Reasonable prices	Online enquiry Platform system User feedback survey
Shareholders and investors	Return on investment Openness and transparency of information Protection of shareholders' rights and interests	Mid-year report and financial statements Annual report and audited financial statements Annual general meeting Investor roadshows and events
Medical professionals	Facilitate ongoing communication with patients Safe and compliant medication management Flexible working methods	Physician platform notification Physician content and training Email and instant messaging
Pharmaceutical companies and drug suppliers	Customized marketing channels Efficient pharmaceutical sales platform Enhancement of brand exposure Data-driven market feedback	Strategic collaboration Regular exchange activities Patient feedback
Employees	Competitive salary and benefits Equitable promotion and development Capacity enhancement Protection of health and safety Sound working environment	Employee performance management system Training activities Enhance employee communication through multiple channels Care for employees facing difficulties Staff activities

Stakeholders	Expectations and requirements	Communication method
Technology Vendors and Platform Developer	Stable technology platform requirements Data security and privacy protection Efficient technology integration	Technology coordination meetings R&D progress updates System testing and feedback
Public welfare organizations	Caring for vulnerable groups Support for public welfare	Participation in public welfare activities

1.4.5 Materiality assessments

As part of our commitment to sustainability and responsible business practices, the Company undertook a comprehensive process to assess the materiality and importance of various ESG development goals. This effort was crucial in aligning the Company's ESG strategy with financial performance and broader societal impact.

Our materiality assessment followed a structured methodology. This included broader research and stakeholder engagement to compile a comprehensive list of potential ESG issues, which we then prioritized using a materiality matrix based on their significance to our business operations and their impact on stakeholders. In addition, we adopted a double materiality approach, considering both the financial impact of ESG goals on our business and their broader societal and environmental effects. The results of our analysis can by summarized in the diagram below.



2 CORPORATE ENVIRONMENTAL PERFORMANCE ANALYSIS

2.1 ANALYZES RELATED TO EMISSIONS

With a mission of delivering "Better Health For All", the Company is committed to a green, sustainable development strategy, and minimizing its environmental impact through emission control and the adoption of advanced technologies. The Company strictly complies with the Environmental Protection Law of the People's Republic of China, the Integrated Emission Standard of Air Pollutants, the Law of the People's Republic of China on the Prevention and Control of Solid Waste Pollution, the Management Measures for the Transfer of Hazardous Waste, the Standard for Pollution Control on Medical Waste Treatment and Disposal, the Pre-treatment Standards for Sewage Discharge Standards for Medical Institutions and other national and local environmental protection laws and regulations, and strives to build an environmentally friendly and highly efficient ecosystem for chronic disease management.

2.1.1 Analysis of indicators related to enterprise emissions

Total enterprise exhaust gas emissions and intensity

Exhaust gases generated from the Group's business activities mainly include nitrogen oxides (NOx), particulate matter (PM), etc. In 2024, the Company estimates that it emitted a total of 0.09 tonnes of exhaust gases, with an emission density of 0.0032 tonnes/RMB100 million. In paticular, NOx and particulate matter (PM) is mainly generated from the consumption of fuel during the use of the Company's operating vehicles and equipment. To further reduce gas emissions, the Company has adopted environmentally friendly measures such as promoting renewable energy vehicles to enhance operational efficiency.

The Group's estimated emissions and intensity by type of exhaust gas in 2024 are set out in the table below:

Type of Exhaust gas	Emissions (tonnes)	Emission intensity (tonnes/RMB100 mm)
Nitrogen oxides (NO_x)	0.08	0.0029
Sulphur oxides (SO_x)	0.0001	0.0000
Particulate matter (PM)	0.01	0.0003
Total	0.09	0.0032

Note: Exhaust gas emissions primarily originate from the vehicles owned by the Group.

Total enterprise greenhouse gas emissions and intensity

The Group is committed to exploring technologies and strategies for emission reduction and continues to reduce greenhouse gas emissions through innovation and process optimization. The Group's business results in direct and indirect emissions of greenhouse gases due to the consumption of fossil fuels and the use of resources such as electricity. In 2024, the Company estimates that its total greenhouse gas emissions amounted to 1,112.60 tCO_2e, with an emission intensity of approximately 41.10 tonnes/RMB100 million. Specifically, direct emissions amounted to 22.08 tCO_2e and indirect emissions amounted to 1,090.52 tCO_2e.

The Group's estimated emissions and intensity by type and source of greenhouse gases in 2024 are set out in the table below:

Direct greenhouse gas emissions:

Type of greenhouse gas	Emissions (tCO_2e)	Emission intensity (tonnes of carbon dioxide equivalent/RMB100 mm)
Carbon dioxide (CO_2)	19.25	0.7111
Methane (CH_4)	0.04	0.0013
Nitrous oxide (N_2O)	2.79	0.1032
Total	22.08	0.8156

Indirect greenhouse gas emissions

Indirect sources of emissions	Emissions (tCO_2e)	Emission intensity (tCO_2e/RMB100 mm)
Electricity resources	1,076.30	39.7544
Other indirect emissions	14.22	0.5254
Total	1,090.52	40.2798

Note: The primary sources of direct greenhouse gas emissions are the vehicles and equipment owned by the Group. Indirect greenhouse gas emissions include greenhouse gas emissions indirectly generated through the use of electricity, water and consuming paper.

Total solid waste emissions and intensity

The Group has long viewed effective solid waste management as a key aspect of its overall environmental management approach. The Group strictly complies with the "Law of the People's Republic of China on Prevention and Control of Solid Waste Pollution of the Environment", implementing specialized classification, collection, and storage of hazardous waste, while outsourcing it's treatment to qualified institutions. At the same time, the Company continues to optimizes internal processes and technology to reduce waste generation and improve recycling rates.

In 2024, the Company generated an estimated total of 1,172.55 tonnes of solid waste, of which 1,172.08 tonnes were non-hazardous solid waste, mainly consisting of office paper and packaging materials in the logistics chain; and 0.47 tonnes were hazardous solid waste, mainly medical waste. The fixed waste emission density is approximately 43.31 tonnes/RMB100 million.

The Group's estimated solid waste emissions and intensity in 2024 are shown in the table below:

Type of solid waste	Emissions (tonnes)	Emission intensity (tonnes/RMB100 mm)
Non-hazardous solid waste	1,172.08	43.2922
Hazardous solid waste	0.47	0.0172
Total	1,172.55	43.3094

2.1.2 Emissions reduction efforts and outcomes achieved

The Group actively supports the national 'dual-carbon' goal and is committed to sustainable development principles. We aim to minimize the environmental impact of our operations through effective management practices and by leveraging innovative technologies. Comprehensive initiatives have been undertaken, including green operations, green offices, and waste management, to achieve energy conservation and emission reduction while ensuring efficient resource utilization. The Company seeks to control emissions at the source, and ensure alignment with regulatory standards, reducing resource waste and environmental damage. Furthermore, by implementing green operations and green office initiatives, we have set a goal of decreasing greenhouse gas emissions intensity by 5% over the next five years.

Green operations

The Group has leveraged technological innovation to promote online and paperless operation of key business processes, which has significantly reduced carbon emissions. In the future, the Group will continue to build a green and low-carbon digital operation system by optimizing business processes and disclosing the performance of greenhouse gas emission targets in line with the national target of "achieving carbon peak by 2030 and carbon neutrality by 2060".

Green office

The Group is committed to minimizing the environmental impact of its daily operations and office activities through the implementation of green office approaches. The Company has formulated a series of green office management systems focusing on three pillars: minimizing printing, streamlining processes and recycling resources. The goal of minimizing printing is to encourage a paperless office, promote double-sided printing, and recycle waste paper for reuse in order to minimize paper waste. Streamlining processes through online systems for internal approvals and collaboration can effectively reduce paper and energy consumption. Resource recycling focuses on optimizing the use and disposal of office equipment to maximize the useful life of fixed assets. Through a series of green office measures, the Group has continuously enhanced employees' awareness of environmental protection and created a green and efficient working environment, which provides a strong foundation for the Company's sustainable development.

Treatment of hazardous and non-hazardous waste, measures to reduce waste generation, and outcomes achieved

The Group strictly complies with the Law of the People's Republic of China on the Prevention and Control of Solid Waste Pollution of the Environment, the Measures for the Administration of the Transfer of Hazardous Wastes and other relevant laws and regulations, and continues to improve its waste management system. In the course of the Company's operation, there is minimal emission of waste gas and emissions primarily consist of waste water (such as medical waste water) and solid waste. Solid waste includes both hazardous waste (e.g. lamps, toner cartridges, used medicines) and non-hazardous waste (e.g. printing tickets, office paper, discarded packaging materials), and packaging waste which is the main source of waste for the Company. The Company will continue to reduce packaging waste in the next five years by exploring more environmentally friendly packaging materials and more effective packaging methods to achieve a 5% reduction in the use of each piece of packaging material, as well as a 5% reduction in hazardous and non-hazardous waste.

Medical waste management

With respect to medical waste management, the Group has strictly complied with the "Pollution Control Standards for the Treatment and Disposal of Medical Waste", the "Pre-treatment Standards for National Sewage Discharge Standards for Medical Institutions" and other management regulations. The Company has formulated and implemented internal management systems such as the "Drug Safety Management System" and the "Early Warning Management System for Drugs with Near-Expiry Dates" to ensure that discarded medical materials are handled properly. In addition, based on the requirements of Code for Quality Control of Pharmaceutical Business and Measures for Supervision and Administration of Pharmaceutical Network Sales, the Group has formulated the "Management System for Defective Pharmaceuticals" to regulate the management process of potentially defective pharmaceuticals, including the acceptance of pharmaceuticals into the warehouse, the flow of inventory, the maintenance of commodities, the review of outgoing inventory, the withdrawal of purchases, and the after sales return and recall of pharmaceuticals.

For the management of expired drugs, the Group has implemented a comprehensive process of classification, collection, storage, transportation, and safe disposal. Expired drugs are classified according to their characteristics, and after collection, are handed to qualified third-party professional companies for safe disposal.

Office waste management

In line with the Group's philosophy of environmental protection and efficient use of resources, the Group has implemented a series of waste management strategies that seek to minimize the impact of office waste on the environment and support the Company's sustainable development objectives. For non-hazardous waste disposal, the Group gives priority to reuse and recycling measures, such as extending the useful life of idle fixed assets through internal distribution or donation to charitable organizations. For waste paper, the Company promotes a paperless office, and encourages double-sided printing and waste recycling to reduce waste generation.

In terms of hazardous waste management, the Group gives priority to the procurement of energy-saving and environmentally friendly fluorine-free batteries and prohibits the procurement of batteries containing flourine, so as to reduce potential soil pollution. Meanwhile, we prioritize the use of rechargeable batteries for all Company equipment (such as meeting room microphones and air-conditioner remote controls) and plan to gradually extend this policy to the daily use of employees. The Company has also set up "used battery recycling canisters" at the front desk of each office and collects them at the end of each month for disposal at the office park's hazardous waste office. Waste toner cartridges and ink cartridges from printers are collected by external service companies and treated in a consistent manner.

2.2 ANALYSIS OF RESOURCE CONSUMPTION

2.2.1 Primary energy consumption composition

The Group is committed to promoting the efficient use of resources and energy, focusing on reducing energy consumption and raw material waste, as well as rationalizing energy usage through optimization of energy management measures, thereby reducing the overall level of energy and resource consumption. The Company emphasizes the implementation of resource recycling in its production and operation processes to promote sustainable development.

In 2024, the Group consumed an estimated total of 8,158.10 litres of petrol, 1,852,493.39 kilowatt-hours of electricity and 10,590.46 tonnes of water resources, of which petrol, as a direct energy source, was mainly used for the daily operation of the Company's vehicles, while electricity, as an indirect energy source, was used in the operation of office and production equipment, and water resources were mainly used for the daily operation of the Company and the daily needs of its employees.

In 2024, the Group's estimated resource consumption and intensity by type is shown in the table below:

Resource	Resource type	Unit	Consumption	Consumption intensity (unit/RMB mm)
Petrol	Direct energy	Litres	8,158.10	3.0133
Electricity	Indirect energy	Kilowatt-hour (kWh)	1,852,493.39	684.2414
Water	Water resources	Tonnes	10,590.46	3.9117

Note: Consumption of petrol, diesel and electricity mainly includes the consumption of the Group's vehicles and equipment.

2.2.2 Energy efficiency measures and outcomes achieved

During Reporting Period, the Group adhered to the principle of sustainable development, demonstrating an ongoing commitment to enhancing energy efficiency, and reducing energy consumption, achieving both economic and environmental benefits. The Company has strictly complied with the Energy Conservation Law of the People's Republic of China, the Law of the People's Republic of China on the Promotion of Circular Economy and other relevant laws and regulations, and has established a comprehensive energy management system. The Group regularly assesses the level of energy consumption of its operations and manages the use of energy-intensive equipment such as lighting and air-conditioning in office and warehouse areas, aiming to maximize energy efficiency. The Group will continue to reduce overall energy and water consumption by raising staff awareness of energy conservation, promoting energy-efficient office equipment and water conservation measures, optimizing the process of water and energy usage in office areas and introducing energy and water conservation equipment, with a view to achieving a 5% reduction in water consumption intensity and electricity consumption intensity over five years.

Lighting management

The Group has adopted LED lighting to reduce the energy consumption of its lighting system. In addition, the Company has posted "Energy Saving Tips" in office and public areas to remind employees to switch off computers, monitors, lights and air-conditioning equipment when they leave their workplaces. To further reduce unnecessary energy consumption, the Company has also implemented a timed lighting system to ensure that lights are automatically switched off when no one is present at night, and has arranged for specialized personnel to conduct regular inspections to ensure that the lights in unoccupied areas are switched off in a timely manner. In warehouses, the Group has introduced inductive lighting systems to further optimize energy usage.

Air conditioning management

The Group has set a shut-off timer function for air-conditioners in the summer and reduces unnecessary energy consumption by regularly reminding employees to switch off the air-conditioners when they leave the office. At the same time, the Company regularly cleans and maintains air-conditioners and air-conditioning ducts to enhance the efficiency of the equipment, extend its service life and reduce energy consumption and waste. In order to meet the special requirements of pharmaceutical warehouses and achieve energy savings, the Company ensures that the temperature of pharmaceutical warehouses is maintained at a constant level by means of an automatic temperature control system.

2.2.3 Water efficiency plans and outcomes achieved

The Group primarily utilizes water resources in its office and warehouse areas, relying on stable municipal water supplies to meets our daily operating needs. As a result, the Company does not face any issues regarding water sourcing.

For the year 2024, the Group has estimated its total water use at 10,590.46 tonnes, with a consumption intensity of approximately 3.91 tonnes/RMB million. To improve the efficiency of water usage, and with the reduction of water consumption intensity as the objective, the Group has strongly advocated for water conservation, regularly reviewed its water usage metrics, and sought to reduce unnecessary water consumption. In each office area, the Company has posted water-saving tips to raise employees' awareness of water conservation. In addition, the Company regularly inspects the water consumption of each office to identify and solve water wastage issues in a timely manner and ensure that water resources are used efficiently.

Through active implementation of water conservation measures and enhanced management, the Company has achieved significant results in improving water efficiency. Greater awareness of water conservation among employees and daily water management have effectively reduced the waste of water resources. Through rational allocation and efficient use of water resources, the Company has promoted the goal of sustainable development and demonstrated commitment to effective resource management.

2.2.4 Packaging material usage

The packaging materials used by the Company are mainly for packaging of purchased products on its platform.

In 2024, the Group estimates that it used approximately 1,151 tonnes of packaging materials in the logistics process, mainly consisting of plastic and paper courier packaging. In order to reduce the amount of packaging materials used and increase their utilization rate, the Company has formulated internal management systems such as the “Rules for the Management of Consumables in the Warehouses of Fangzhou Jianke” and the “Incentive Guidelines for Second-hand Carton Utilization of Fangzhou Jianke”, ensuring the maximum recycling of packaging materials and the reduction of waste.

The Company’s logistics center is responsible for overall resource management, with specific implementation by a dedicated warehouse manager. The Company assigns designated staff to monitor the use of consumables on a weekly basis and strictly enforces management policies. Through these measures, the Group has significantly improved the utilization rate of packaging materials and helped reduce the environmental impact from excessive use of packaging materials.

2.3 ENVIRONMENT AND NATURAL RESOURCES

2.3.1 Strategies for Addressing Environmental and Natural Resource Concerns

The Group strictly complies with all relevant environmental laws and regulations, including the Law on the Prevention and Control of Solid Waste Pollution, the Standards for Pollution Control on Medical Waste Treatment and Disposal, and the Pretreatment Standards for National Sewage Discharge Standards for Medical Institutions, and has implemented a strict waste management system to reduce the impacts of its operations on the environment. Medical waste is collected, classified, and handed over to qualified third parties for disposal. For office waste, the Company has adopted paperless operations, prioritizes energy-efficient and environmentally friendly materials, and has established a recycling system for used batteries and toner cartridges to reduce the environmental impact of waste. Through various management strategies, the Company consistently enhances resource utilization efficiency and actively mitigates its environmental impact to support sustainable development goals.

2.4 RESPONSE TO CLIMATE CHANGE

2.4.1 Strategies for addressing climate change

Climate change risks and opportunities	Description	Response
Acute physical risks	Extreme weather (rainstorms, typhoons, high temperatures, etc.) affecting the safety of office premises and employee travel	Establishment of an early warning mechanism, advance inspection of facilities, focusing on preventing drainage risks, and flexible office policies as required
Chronic physical risks	Rising temperatures and changes in precipitation affect energy consumption and infrastructure	Implement energy-efficient upgrades, optimize energy management systems, and strengthen the climate resilience of infrastructure
Transition risks	Carbon neutral policies increase operating costs, e.g., increased carbon emission expenditures, compliance risk management, etc.	Optimisation of low-carbon operations, and flexible adjustment of business strategies
Opportunities	Embracing low-carbon development brings opportunities for brand enhancement and business innovation	Implementation of green office policies, optimisation of supply chain and enhanced ESG disclosure

The Company is engaged in exploring the potential challenges and opportunities of climate change, and is aligned with China's objective of achieving carbon neutrality by 2060, incorporating measures to address climate change into its business operations. The Company is committed to pursuing a business model that mitigates the risks of climate change while fostering sustainable corporate growth.

To address these risks, the Company has implemented a range of preventive measures, including regular inspections and real-time monitoring of weather conditions. When extreme weather warnings are issued, we take proactive steps such as inspecting doors and windows, preparing sandbags, and focusing on potential risk areas like sewers to ensure the stability and safety of our facilities. We have also developed safety guidelines and flexible office policies. In the event of extreme weather, we promptly remind employees to take necessary precautions and encourage them to work from home to minimize travel-related safety risks. To further enhance our preparedness for extreme weather, we have developed a comprehensive emergency plan covering both office and warehouse operations. In addition, we conduct regular emergency drills to familiarize staff with procedures and evacuation routes.

3 CORPORATE SOCIAL RESPONSIBILITY

3.1 WORK ENVIRONMENT

The Company recognizes human resources as a cornerstone of sustainable development. The Company is committed to building a high-caliber, diverse team by continually enhancing its employee management approaches and providing a more optimal working environment by offering comprehensive training resources, and ensuring the protection of employees' health, welfare, and safety.

3.1.1 Employee status and employment guidelines

The Group strictly complies with the Labour Law of the People's Republic of China, the Labour Contract Law of the People's Republic of China, the Social Insurance Law of the People's Republic of China and other laws and regulations, and protects the interests of its employees in accordance with the existing systems such as the "Fangzhou Jianke Employee Handbook" and the "Recruitment Management Methods of Fangzhou Jianke".

The Company is fully committed to providing equal employment opportunities and ensuring fairness across all aspects of the workplace, including recruitment, promotion, compensation, working hours and rest periods, and prohibits unlawful discrimination based on factors such as gender, age, race, or religion. The Company has established a labor protection team consisting of the CEO and the human resources department, along with relevant complaint and appeal mechanisms. The Company strictly adheres to standardized labor practices, vetting personal information and conducting background checks during the hiring process. We prohibit child labor or forced labor, and if any cases are discovered, the Company immediately terminates employment and encourages affected children to return to school.

During the Reporting Period, the employees composition of the Company is set out in the table below:

Employees by category (persons)		2024
Total number of employees		488
By gender	Male	207
	Female	281
By education	Doctorate or above	3
	Master's Degree	63
	Bachelor's Degree	286
	Junior college	110
	High School or below	26
By employment type	Full-time employees	482
	Part-time employees	2
	Others	4
By age	Under 30	163
	30-50 years	312
	Over 50 years old	13
By region	Guangzhou	397
	Others	91

The Company is committed to building a diverse, equal and inclusive workplace. Female employees comprise 57.6% of our total personnel, and our workforce extends nationwide, forming a geographically diverse talent pool that enhances the organization's diversity and inclusiveness.

The employee turnover rate of Group during the Reporting Period is set out in the table below:

Employee turnover by category		2024
Overall		28%
By gender	Male	27%
	Female	29%
By age	Under 30	31%
	30-50 years	27%
	Over 50 years old	18%
By region	Guangzhou	24%
	Others	42%

3.1.2 Employee health and safety

The Company is committed to safeguarding the occupational health and safety of its employees. It strictly complies with the Law of the People's Republic of China on the Prevention and Treatment of Occupational Diseases, the Law of the People's Republic of China on Work Safety and other laws and regulations. The Company has implemented an internal emergency management system, including regular fire drills and inspections of fire safety equipment, and offers regular employee health examinations to create a healthy and safe work environment. During the Reporting Period, the Group did not have any incidents of work-related fatalities or loss of working hours due to work-related injuries.

3.1.3 Talent development and training

The Group has established a systematic framework for performance management, assisted employees with career planning, and offered a fair and competitive compensation structure. In addition, a comprehensive training program is provided to help employees develop self-reliance and achieve personal development goals alongside the Company.

The Company has implemented a system to support the career development of its employees. Through an assessment of individual competencies, we create personalized development plans that target potential gaps, focusing on enhancing skills in areas such as project management, team leadership, analytical ability, and presentation skills.

The Company has established a comprehensive performance management system, along with a closed-loop management mechanism. Appraisal objectives and appraisal standards take into account employees' performance as well as their skills and potential. During the appraisal process, supervisors and employees communicate with each other on a regular basis, and supervisors provide counseling and support to correct errors in a timely manner. The appraisal methodology includes a combination of quantitative and qualitative elements, and the qualitative appraisal includes multiple assessments to ensure that the appraisal results are accurate and reliable. Based on the results of the appraisal, the supervisors and employees conduct a performance interview and feedback to form a closed-loop performance management system that facilitates the continuous growth and development of employees in their roles, while also enhancing the Company's performance and business growth.

The Company provides employees with competitive compensation packages incorporating short-term incentives and medium- to long-term equity incentives to attract and retain exceptional employees. The Company regularly evaluates the work and performance of employees to determine eligibility for annual salary adjustment, promotion, and staff training programs to provide employees with opportunities for promotion and growth. At the same time, we provide a comprehensive employee benefits plan, and encourage social and team building activities to create a comfortable office environment which encourages a sense of well-being and cohesion among employees.

The Company provides employees with a wide range of training programs by inviting business and industry experts to give lectures and share their experiences covering a wide range of business, research and development, and operations topics, thereby deepening their understanding of the Company's business and the industry. The Company also provides and encourages employees to participate in other internal, external and online training programs, such as leadership management training, to enhance their capabilities and growth potential, and to lay the foundation for the Company's long-term development. For 2024, the Company's training was divided into three major categories: newhire training, internal management policies, and updates on rules and regulations. In addition, the training covering our online healthcare business focuses on innovative market strategies, and sharing of case studies in order to provide a support foundation for employees.

The employee training provided by the Company during the Reporting Period is outlined in the table below:

Percentage of employees undergoing training		2024
By gender	Male	49.6%
	Female	50.4%
By position	Senior management	5.4%
	Middle management	31.9%
	General staff	62.7%

Average training per employee (hours)		2024
By gender	Male	**8.4**
	Female	**10.1**
By position	Senior management	**12.1**
	Middle management	**5.5**
	General staff	**11.0**

3.2 ANALYSIS ON THE CURRENT STATUS OF OPERATIONS MANAGEMENT

3.2.1 Supply chain management overview

With regard to its supply chain, the Group strictly complies with relevant national laws and regulations, including but not limited to the Law of the People's Republic of China on Bidding and Tendering, the Law of the People's Republic of China on Drug Administration, the Law of the People's Republic of China on the Administration of Medical Devices, etc. At the same time, the Company has formulated a comprehensive supply chain management system in accordance with laws and regulations, including the Code of Practice for Daily Management of Procurement, Audit and Management System for Suppliers and Their Sales Personnel, Quality System Evaluation Management System of Suppliers and Purchasers, Quality Review Management System of Suppliers and so on. The Company implements the supply chain management system to ensure that the Company's standards, processes and procurement behaviors in various aspects such as supplier selection, evaluation, and collaboration are legal, compliant and transparent.

The Company has continuously strengthened its supervision and risk control in supply chain management, and has worked in collaboration with its partners to build a green supply chain. Through strict supplier screening, classification, supervision and evaluation, the Company aims to establish strategic, long-term relationships. The Company conducts comprehensive qualification audits of suppliers and their sales personnel, formulates a supplier management responsibility system, and designates key areas for audit and evaluation, including qualification audits and anti-bribery risk management. Meanwhile, the Company monitors suppliers' timeliness of delivery, quality, and service performance to continuously strengthen its partnerships.

Within the terms of each contract, the Company places requirements on suppliers, setting entry thresholds, qualification requirements, quality standards, and disciplinary mechanisms in the event of a default on these obligations. For new suppliers, the Company implements a qualification audit process with a focus on verifying business licenses, annual reports, and suppliers' debts and potential liabilities. In addition, the Company incorporates ESG factors, such as product quality, business ethics and environmental risks, into its supplier selection, supplier management, and ongoing supplier evaluation systems to ensure that its business activities are in compliance with national and local environmental protection regulations. We decline to partner with suppliers that do not meet our requirements.

The Company actively responds to quality issues and collaborates with upstream suppliers to conduct recalls or receive guidance from law enforcement authorities in accordance with regulatory requirements, while implementing measures such as removing products from shelves and prohibiting the procurement and sale of products. If necessary, a qualified third party will be introduced to handle non-conforming products and report the situation in a timely manner.

Through the ERP system, the Company incorporates real-time monitoring and early warning of medium- and high-risk suppliers, and takes proactive measures in accordance with financial and legal recommendations. The Company also establishes a transparent and open supplier communication channels, including written communication, telephone/video conferencing and on-site visits, to maintain stable, long-term relationships. At the same time, we assist suppliers in improving service and product quality through regular review of key procurement projects, annual review and communication, and training activities. In order to ensure the compliance of suppliers and affiliated sales personnel, the Company has developed a robust review process. From the collection of information on potential suppliers to on-site inspections and sample testing, the Company conducts a comprehensive assessment to determine the list of qualified suppliers. The quality control department regularly evaluates the performance of suppliers, covering product quality, delivery timeliness, service capability and other aspects, to continuously improve the overall level of supplier performance.

The Company holds annual supplier conferences to share development strategies and procurement plans with top suppliers, listen to their opinions and suggestions, and enter into long-term strategic collaboration agreements. The Company has established a supplier information database including updated supplier contact information, changes in supplied products, and performance evaluation results in real time, supplemented by a series of management systems, such as the "Supplier Quality Evaluation Management System", "Audit Management System for Supplier Units and Their Sales Personnel" and "Management Standards for Daily Work in Procurement" to ensure the standardization and efficiency of supply chain management.

Based on the supplier selection and supplier management criteria outlined in this section, the Company had a total of 1,568 suppliers as of December 31, 2024, and the number of suppliers of the Company by region is outlined in the table below:

Area	Number of suppliers
South China	630
East China	364
Central China	182
North China	171
Southwest China	144
Northeast China	48
Northwest China	29
Total	**1,568**

3.2.2 Measures to ensure quality control

The Group has consistently upheld a philosophy of "operating with integrity, and high-quality compliance, and strictly ensures all compliant suppliers abide by relevant laws and regulations governing quality in the pharmaceutical industry to ensure medication safety.

The Company adheres to strict quality standards and leverages its technical and operational expertise across a series of standardized processes (covering purchasing, acceptance, and stocking) to ensure the quality and safety of its products. The Company complies with the "Measures for the Supervision and Administration of the Internet Sale of Pharmaceuticals", the "Measures for the Supervision and Administration of the Quality of Pharmaceutical Business and Use", the "Food Safety Law of the People's Republic of China" and other national laws and regulations related to product quality and safety, and carries out business management and quality control in accordance with the requirements of the "Good Supply Practice for Pharmaceutical Products" (GSP). In terms of product quality and safety control, the Group has implemented the "Management System for the Audit of the First Enterprise and the First Variety", "Product Procurement Management System", "Product Receiving Management System", "Product Acceptance Management System", "Product Shelf Management System", "Product Maintenance Management System", "Product Sales Management System", "Management System for the Calibration of Facilities and Equipment", "Management System for the Approximate Period of Expiry of Products", "Management System for Product Recalls", "Management System for Confirmation and Disposal of Substandard Products", "Management System for Quality Education, Training and Assessment of Personnel", "Management System for Online Pharmacy Service", "Management System for Auditing and Dispensing of Prescriptions" and along with additional guidelines covering the entire process of warehousing, storage, transport and sales. In addition, the Company reinforces the training of employees on an on-going basis, to further ensure the safety and quality of products in the warehousing process.

The Group has developed a comprehensive quality control framework, with roles such as quality officer, quality manager, quality controller, acceptance inspector and caretaker, etc., to establish clear responsibilities and division of labor. Each role is responsible for ensuring compliant operation of the quality control system, which includes auditing the qualifications of medical products and suppliers, acceptance and maintenance of products, as well as supervising the implementation of the quality control system, thus creating an efficient management system with checks and balances. In accordance with the quality control system, the quality control department conducts weekly on-site inspections of warehouses, and reports the inspection results on a regular basis. In addition, the Company has enacted a cross-checking mechanism between departments to bolster internal oversight and further enhance the efficiency and effectiveness of quality control.

Annually, quality control department organizes joint audit assessments with departments to identify and rectify problems in a timely manner. In addition, the Company holds monthly interdepartmental meetings to coordinate the communication and collaboration among the purchasing, finance, operation and logistics departments, to optimize business processes and ensure efficient implementation of the quality control system.

Product and service complaint response

Guided by a "Customer First" ethos based on the professionalism and reliability of its services, the Group aims to continually improve its service processes and service quality. We have developed the "Customer Service Department Operating Guidelines", "Quality Inspection and Evaluation Standards", and "Internal Management System" to standardize the customer service process and monitor service behavior in real time, ensuring that our customers receive a high-quality experience.

The Company collects customers' opinions through multiple channels, optimizes after-sales service and platform experience, and protects consumers' rights and interests. The Company has adopted a model of online plus telephone customer service. In response to customer complaints, the Company has implemented an "inquiry responsibility system", established a full-process responsibility tracking mechanism, and intervened to proactively resolve potential regulatory risks. As of December 31, 2024, the company did not have any outstanding unresolved product quality or safety related complaints, and the relevant complaint rate during the Reporting Period was less than 0.05%.

In order to enhance customer service expertise, the Company conducts ongoing quality checks of online replies and call recordings, and conducts regular quality review meetings and service training to improve service levels and provide customers with a better service experience.

Logistics and transport services

The Group is committed to providing users with fast and efficient logistics services through collaboration with qualified third party logistics providers. For medical products with temperature requirements, the Company employs professional cold chain transport in collaboration with third parties to ensure that the temperature of products during transit remains within the specified limits. This approach ensures that customers receive products within the correct temperature range, while also enhancing customers' confidence in the safety of their use.

Safety in the use of medicines

The Group places a high priority on the safety of medications for users and has implemented a number of safety measures including developing a comprehensive medical service system, integrating advanced technology to improve medication safety, establishing a rigorous drug management system, offering convenient medication management services for users, and enhancing user education and health literacy. In addition, the Group strictly adheres to product recall management systems and standards. During the Reporting Period, the Group did not encounter any product recalls due to health and safety issues.

Product quality control

The Group's product appraisal process involves multiple stages, including product procurement, receipt, acceptance, storage, stocking, maintenance, dispatch review, and delivery logistics. The Company employs a comprehensive quality control system to ensure product safety for end-users.

In the selection and review of products and suppliers, the Company has implemented a three-tiered review system consisting of an initial review by the Purchasing Department, a follow-on review by the Quality Control Department, and final approval by the head of quality control to ensure that products purchased meet all necessary quality and compliance standards, and are provided through suppliers with the proper legal qualifications. According to the "Initial Enterprise and Product Review Management System," supplier and product qualifications are rigorously reviewed to ensure compliance with regulatory requirements. The Company also employs robust systems for ongoing management of supplier and product qualifications, and counterparties with expired qualifications are automatically blocked until such qualifications have been renewed.

– Product sourcing process

  The Group implements procurement plans and enters into quality assurance agreements with suppliers to clearly outline responsibilities for ensuring the quality of purchased products.

– Product receiving process

  In accordance with the "Product Receiving Management System", the Group's receiving officer, based on the procurement plan, inspects the suppliers' accompanying documents and information, rigorously reviews all delivery notes and seals, and verifies that the transportation vehicle and conditions meet required standards. We also inspect the external packaging of the products to confirm that items have been delivered intact. Only products that meet the requirements can be received, and then placed into the inspection area for inspection. At the same time, the receiving officer retains relevant documentary evidence to ensure the completeness, authenticity and effectiveness of the suppliers' information.

– Product acceptance process

  In accordance with the "Product Acceptance Management System", the Group's acceptance personnel strictly inspect each batch of the purchased products in accordance with national standards, relevant laws and regulations and related provisions, as well as the Company's product acceptance standards, including evaluation of inspection reports, sampling, product quality status, records, etc.

  In its supplier agreements, the Company outlines quality standards for product delivery, transportation, and returns. The quality control department conducts sample inspections to assess the appearance, packaging, labeling, and documentation of each product, with particular attention to quality issues such as package seals, damage, contamination, leakage, and other issues. If any defective products are identified, the Company promptly rejects them and returns them to the supplier for disposal.

– Product advertisement

The Company strictly adheres to the “Advertising Law” and the “Measures for the Administration of Drug Advertising Review”.

– Product warehousing and stocking

The Group strictly adheres to the requirements of the “Product Stocking Management System”, specifying that only products passing quality control can be stocked and stored by inventory management personnel.

The Company has leveraged its robust technological capabilities to develop a standardized warehouse management system for its logistics center. We have also developed “Inventory Placement Management Procedures” to organize products based on type, storage temperature, management category, location, etc., and assigning a unique inventory code to each product based on its batch number. PDA scanning technology is used to verify the shelving, warehousing, and checkout of products, reducing human error and ensuring efficient storage, tracking, and transfer of inventory.

Product stocking strictly complies with the “Good Supply Practice for Pharmaceutical Products”, ensuring spacing, height, and wall and floor distancing meet all relevant requirements. Pharmaceuticals and non-pharmaceuticals, topical medications and other drugs, as well as full cases and single items, are stored separately. Traditional Chinese medicine ingredients are also managed independently. Meanwhile, storage facilities such as shelves and trays are kept in clean and well-maintained condition. Products with quality issues such as damaged packaging, contamination, missing labels, or inconsistent content are prohibited from being stocked, and are immediately reported to the Quality Control Department.

– Product storage and maintenance process

The Group has developed the “Product Storage and Maintenance Management System,” which sets clear requirements for facilities and equipment, warehouse environmental conditions, and the storage and display of products based on their category and attributes. The Company has dedicated product maintenance personnel responsible for product maintenance tasks based on warehouse conditions, the external environment, product characteristics, and other factors. If maintenance personnel discover any concerns during the maintenance process, they immediately lock the system inventory to prevent further sales and notify the Quality Control Department for evaluation and additional handling. Maintenance personnel closely monitor the storage conditions of inventory stock, and if any quality issues arise, they immediately remove the products from stock and report the issue to the Quality Control Department, ensuring that defective products are not restocked for sale.

– Review and release of products for distribution

The Group employs PDA devices for product picking operations in our warehouse. During picking, product name, specification, quantity, and batch number for each order are verified to ensure accuracy and prevent errors or omissions. Upon completion of picking, a responsible officer reviews the products, with a focus on product name, specification, batch number, and packaging quality condition to ensure that the quality of products delivered for sale meets the required standards.

According to the "Product Picking Management System" and "Pharmaceuticals Check-out and Review Management System", if the operators find that the products have quality problems such as visual defects, contamination, poor sealing, etc., they will pause picking, dispose of the products immediately and notify the maintenance officer to report the incident to the Quality Control Department.

– Product transport and delivery process

The Group has established the "Product Packaging Management System" to standardize check-out packaging operations and ensure product quality and safety during transportation. Products of different formulation are packed separately, for example, oral liquids and tablets are placed in separate containers to prevent damage or contamination from transportation. Liquid products require reinforced bottle caps or individual air cushion packaging. For refrigerated or frozen pharmaceuticals, operations strictly follow validated procedures, using pre-cooled packaging materials and refrigerated containers that meet temperature control requirements. Coolants are isolated from pharmaceuticals to prevent quality impacts. If packaging defects such as damage, contamination, or sealing issues are detected, products are prohibited from being packed and delivered, and must be reported to maintenance officers and the Quality Control Department.

In order to safeguard product quality during transportation, the Group has also established the "Product Transportation Management System" and "Product Delivery Management System". The Group forecasts a delivery time based on distance, road conditions and other factors, and selects appropriate delivery tools and methods according to business needs, delivery scope, and timeliness so as to prevent packaging units from being affected by external factors such as rain, high temperatures, and extreme cold during the transportation process, thereby ensuring safe delivery of products to customers.

Product returns and recalls

The recall of the Group's products is carried out in strict accordance with the Product Recall Management System and the Product Return Management System.

– Product recall procedures

The Group actively assists in investigating and assessing products with potential quality issues or safety hazards, and works proactively to fulfill recall obligations. In accordance with recall plans, the Group promptly communicates recall information to ensure timely retrieval of drugs with quality problems or safety risks.

In order to ensure the safety of pharmaceutical products for the public, the Company has formulated the Drug Recall Management System in compliance with the Drug Administration Law of the People's Republic of China, the Good Supply Practice for Pharmaceutical Products, and other relevant regulations. The system clarifies the drug recall process and classifies recalls into Level 1, Level 2 and Level 3 according to the severity of the safety hazards, which are handled in strict accordance with the recall procedures. For products sold with quality problems or potential safety hazards, the Company immediately suspends sale and usage, takes measures to recover the products, and maintains records in order mitigate potential risks and hazards.

Upon receiving recall notifications from the marketing authorization holder, suppliers, or drug regulatory authorities, we respond immediately and develop a detailed recall plan within the specified timeframe. The plan outlines the drug name, specifications, reason for recall, and deadline. After the plan is approved, we promptly implement the recall by locking down relevant batch numbers and quarantine the relevant products. We suspend the product's storage, shipping, and sales, and use sales records to identify customer information. We notify buyers by phone, assign follow-up personnel, and promptly resolve any emergency situations.

Recalled products are strictly inspected according to the "Product Return Management System" and stored in a designated area with clear labeling. Products requiring special storage conditions must comply with relevant regulations during storage and transportation. Products that need to be returned to the manufacturer are handled according to the "Drug Return Management System"; non-compliant products are stored in a non-compliant area and processed for disposal or destruction according to the "Non-Compliant Drug Handling Management System". During the recall process, we promptly complete the "Drug Recall Record" and report to the drug regulatory authorities as necessary. Drug disposal must be completed under the supervision of relevant functional departments. After the recall work is completed, the company evaluates the entire process and retains the evaluation results to continuously optimize the recall mechanism. During the Reporting Period, the Company did not handle any health and safety related warnings or recalls for pharmaceutical products.

– Product return process

In accordance with the requirements of the Product Return Management System, the Group inspects products returned by customers, with a focus on determining if any products are unfit for resale. The returned products are inspected in strict accordance with the GSP for the Drug Acceptance Management System with additional inspection procedures specifically aimed at returned pharmaceuticals products. Any products not originally dispatched by the Company are prohibited from entering the warehouse, and products found to be of substandard quality after inspection are not permitted for resale.

3.2.3 Intellectual property system

In order to enhance the Company's competitiveness and to promote its sustainable development, the Group has formulated the Fangzhou Inc. Intellectual Property Management System in accordance with the rights stipulated in the Patent Law, Copyright Law, Trademark Law, Law Against Unfair Competition and other relevant laws of China.

Intellectual property management

The Company's intellectual property management is overseen by the Intellectual Property Management Office, which has established a High-Value Patent Development Center and an independent Intellectual Property Management Committee.

The Intellectual Property Management Office has developed robust management systems and operational guidelines that clearly define the responsibilities and authority of each committee member. The Company has implemented a high-value patent development model, where the Intellectual Property Management Committee oversees deliberations, the Intellectual Property Department handles implementation, and patent engineers carry out execution. We have also established a consultation-based decision-making process for major issues. Technical experts contribute by evaluating the technical value of high-value patents; intellectual property managers are tasked with identifying and implementing practical development strategies; legal experts offer assessments and judgments on legal issues; and industry experts help to assess market value.

Management of intellectual property awards

For employees and staff who have made outstanding contributions in the creation, protection, management of intellectual property rights and the transformation of scientific and technological achievements, or those who have made remarkable achievements in effectively stopping the infringement of intellectual property rights and safeguarding the legitimate rights and interests of the Company, the Company will, in accordance with the specific provisions of the state and its own specific provisions, provide rewards such as awards and gratuities, and job promotions.

3.2.4 Consumer data protection

Data security governance

The Group places paramount importance on data security as a critical component of our sustainable development. To ensure robust oversight and management, we have established a dedicated Data Security Leadership Team. This team is responsible for guiding our data security and protection efforts across the organization. The Data Security Leadership Team is led by our Chief Executive Officer, with the Vice President of Technology serving as deputy leader. The team comprises senior representatives from various business and functional departments, ensuring a comprehensive approach to data security. The head of Operations and Maintenance serves as the primary point of contact for day-to-day operations. In support of the Data Security Leadership Team, the Data Security Working Group is headed by the head of the Operations and Maintenance Department. This group includes key personnel from the Operations and Maintenance Department, who are responsible for implementing decisions made by the Data Security Leadership Team. They also coordinate and organize data security and protection activities as outlined in our Data Security Management System.

With respect to data security compliance systems, the Company has established a series of policies and procedures, including the “Information Technology Risk Management Policy”, “Data Security Management System”, “Personal Data Protection System”, “Information Technology Management System”, “Personal Data Rights Response System,” and “Emergency Response Plan for Network and Data Security Incidents.” Based on these management systems, the Company has established a framework for permissions and authorization, incident supervision, and post-incident inspection, along with procedures to safeguard the execution of these processes. The Company regularly organizes internal personnel training on the above systems and processes, and has signed confidentiality agreements with internal personnel, requiring them to develop reliable operating practices in their daily work and enhance their awareness of information security, data security, network security, and personal information protection. Meanwhile, the Company has formulated contingency plans and procedures for information security incidents and conducts regular drills to continuously improve the Company’s emergency response capability and efficiency in dealing with such incidents.

Data security protection measures

The Group has implemented comprehensive security protection measures across three key dimensions: data security, personal information protection, and network security, to ensure the safety of customer data.

In terms of data security, the Company has established a holistic management framework based on the Data Security Management System. This framework provides full life cycle security protection for data assets, encompassing all stages from collection to storage, backup, recovery, use, transmission, outsourced processing, and sharing.

– Data collection

The Company informs consumers of the purpose, manner, and scope of the possible collection and use of their personal information through its privacy policy and software functions, and obtains their consent or other lawful authorization. Apps and mini-apps developed and operated by the Company support the exercise of personal information rights, including the right to be informed, the right to make decisions, the right to restriction, the right to refusal, the right to access, the right to copy, the right of corrections, and the right to deletion.

– Data storage

The Company has categorized and prioritized its data, implementing robust encryption for sensitive information, including consumer personal data. To enhance system security at the data storage perimeter, the Company deploys advanced security measures such as firewalls, secure gateways, intrusion detection systems, threat detection tools, and other specialized security solutions. Furthermore, the Company ensures that all data collected and generated within the People's Republic of China is stored domestically, in compliance with data localization requirements.

– Data backup and recovery

Based on a set of data classification standards, the Company has adopted a backup scheme combining local, off-site, real-time and off-line approaches to provide hot backup of servers and cold backup of critical data at off-site locations. The Company regularly reviews backup operations and conducts backup and recovery data consistency testing to ensure data integrity and recoverability.

– Data access

The Company restricts internal personnel to access only the minimum necessary data required for their duties through access control mechanisms, and sensitive data such as consumers' personal information is displayed in an anonymized manner. To ensure traceability, the Company uses digital watermarking technology for managing images in its backend systems, and employs digital signatures to maintain the integrity of critical PDF documents. For bulk access or download of data, or data access outside of an individual's designated permission level, the Company has implemented an authorization approval process. In addition, the Company keeps comprehensive logs of data usage with regular inspections.

– Data transmission

The Company employs secure protocols during the data transmission process in order to maintain data security and integrity, and prevent transmission of data to external parties.

– Data processing and sharing

Before processing or sharing consumer personal information, the Company complies with the "Data Security Management System" and the "Personal Data Protection System". We obtain user authorization through legal means, such as direct consent. In addition, we conduct audits and assessments of our partners and aim to sign data processing agreements to ensure information security.

Regarding personal data protection, the company has established a comprehensive set of guidelines covering collection, storage, use, sharing, public disclosure, and cross-border transmission of personal data in order to protect the rights and interests of data subjects. For the data of minors, additional data protection rules ensure that such information is collected or used only after obtaining the consent of guardians. The Company responds to personal information security incidents through the "Personal Information Subject Rights Response System" and the "Network and Information Security Incident Emergency Plan".

In terms of network security, the Company has established a robust, multi-layered defense, leveraging firewalls, host-based firewalls, and secure gateways to minimize potential vulnerabilities. We employ advanced security measures, including threat detection scanning, intrusion detection, and virus scanning to create a real time monitoring and alert system, allowing us to promptly identify and respond to network threats, and ensure the integrity and security of our systems.

Emergency response to data security incidents

Based on the “Emergency Response Plan for Network and Information Security Incidents”, the Group has established processes and plans for handling cyber security incidents. These plans clearly define the composition of the response team, the criteria for categorizing and grading security incidents, and the detailed response approach. Our typical process involves monitoring, assessment, processing, recovery verification, review, and ongoing refinement. We have developed a suite of emergency response plans to address a range of incidents, including malicious software attacks, cyber-attacks, data security breaches, phishing attacks, equipment failures, operational anomalies, security risks, and other anomalous or force majeure events. To enhance preparedness, we organize regular employee drills based on these plans, which strengthen the team’s ability to handle emergency information security incidents quickly and effectively. As part of this response system, the Company conducts regular data recovery drills to ensure that data can be restored promptly in the event of data loss, thereby maintaining business continuity.

Enhancing employee safety awareness

In order to enhance the safety awareness of our employees, the Group has established an information security training system and conducts regular training covering information security laws and regulations, data security, personal information protection, network security, application security, and physical security, and reinforces the safety awareness of our employees with case studies. In addition, when the Company learns of potential security risks, it proactively disseminates security tips and offers an intranet feedback portal to facilitate the timely identification of potential threats. The Company also conducts regular simulation drills to enhance employees’ emergency response readiness.

Security assessment and monitoring

The Company has developed set of information system and maintenance operations aligned with the Information System Management Framework. This framework governs the management of information system operations and maintenance, ensuring their safe and stable operation. To enhance its monitoring and early warning capabilities, the Company has implemented an automated system that covers physical server rooms, operating systems, networks, application systems, databases, security systems, and batch processing tasks. The Company has also established an IT inspection procedure, which includes regular security assessments, vulnerability scanning, and penetration testing to validate the effectiveness of its information security measures. In addition, the Company undergoes annual independent third-party security assessments and audits to evaluate the efficacy of its information security system and identify areas for improvement. The Company’s online pharmacy and Internet hospital systems have also successfully completed the Information System Security Protection Level 3 filing and annual assessment.

3.2.5 Analysis of enterprise anti-corruption measures

The Group strictly complies with the Company Law of the People’s Republic of China, the Anti-Monopoly Law of the People’s Republic of China, the Anti-Unfair Competition Law of the People’s Republic of China, and other relevant anti-corruption laws and regulations. The Company provides anti-corruption training to its directors and employees, covering laws and regulations relating to anti-corruption, bribery, extortion, fraud, money laundering and other business ethics, as well as procedures and routes for complaints and reports.

The Company has zero tolerance for fraudulent behavior and is committed to creating an atmosphere of honesty and integrity. To foster a strong culture of compliance among employees, the Company begins by integrating these values into its corporate culture. In addition, the employee handbook outlines a zero-tolerance policy for fraudulent behavior, which is further detailed in the Company's "Rules for Building Corporate Integrity". To encourage transparency and accountability, the Company has established a dedicated whistle-blower reporting mailbox and telephone number. Upon verification, whistleblowers are rewarded for their contributions. The Company also allows suppliers and partners to report potential compliance violations. In order to protect the legitimate rights and interests of whistleblower, the Company has implemented an anonymous reporting mechanism, which includes confidentiality measures (in compliance with relevant laws and regulations) to ensure the whistleblower's identity remains protected. Our process for handling reports is clearly defined to ensure timely and fair resolution of all matters. To the best of the Issuer's knowledge, during the Reporting Period, there were no legal cases regarding corrupt practices brought against the Issuer or its employees.

3.3 CORPORATE SOCIAL RESPONSIBILITY

The Company's corporate social responsibility initiatives are primarily coordinated and led by the Corporate Strategy, HR, PR, and Media departments, with additional support from the Office of the CEO. These departments comprise a total of 68 employees, and their efforts are further enhanced by participation from employees across the organization.

3.3.1 Active engagement with community development funds

As part of its commitment to corporate social responsibility, the Company partners with community development funds, contributing to rural revitalization, ecosystem preservation, and youth assistance projects through financial donations and technical support. The company also employs its digital healthcare platform to provide more convenient health services to rural residents in order to promote rural development and digital transformation.

Case 1: Supporting children and families through community development fund collaboration

On January 22, 2024, Guangzhou's Huangpu District held a SME forum focused on high-quality development, and showcasing the "Illuminate Initiative" SME Public Welfare Project. At the event, the Company made a financial contribution to support the second phase of the project, focusing on providing aid to needy children and families. These initiatives are designed to make a meaningful difference in the district, and highlight the Company's continued dedication to corporate social responsibility.

The Group donates funds to the "Illuminate Initiative"

Case 2: Community development fund contribution for the ecosystem revitalization of a Green Guangdong

On May 13, 2024, the Company supported the "Adding Color to Green and Beautiful Guangdong (為綠美廣東添彩)" event by sponsoring tree planting and adoption initiatives, thus demonstrating its commitment to the principle that "clear waters and lush mountains are priceless assets".

Case 3: Community development fund supporting rural revitalization

In June 2024, the Company provided a donation to support rural revitalization efforts contributing to the "High-Quality Development Project for 100 Counties, 1,000 Towns, and 10,000 Villages" (百縣千鎮萬村高質量發展工程), and promoting coordinated regional development. Rural residents are also able to use our Jianke Doctor app to access remote healthcare management services, including online follow-up consultations, medication guidance, and health education. By improving the healthcare and pharmaceutical experience for rural residents, we aim to leverage our technological solutions to support rural revitalization efforts, and help drive the digital transformation of rural economies.

Case 4: Engaging with community development funds to support the 2024 Guangdong Province "100 Counties, 1,000 Towns, 10,000 Villages" initiative

In July 2024, the Company donated funds for a special project to support the implementation of a rural digital development project, with the goal of enhancing the efficiency and effectiveness of grassroots governance. The project contributed to rural revitalization and the goal of integrated urban-rural development.

3.3.2 Building community healthcare partnerships and health awareness

Through technology enabled collaboration with community organizations, the Company has supported major medical projects, the promotion of traditional Chinese medicine concepts, and the implementation of the “dual-channel” social healthcare insurance directives, in order to improve the efficiency of patient management and service quality. By leveraging Internet-based medical platforms and digital innovation, the Company has helped to expand basic healthcare resources, making medical services more efficient and accessible, and ultimately improving public health and well-being.

Case 1: Collaborating with community organizations, leveraging Internet technologies to enhance the efficiency of patient care

From April 12 to 14, 2024, the “2024 Greater Bay Area Liver Disease International Forum and Viral Hepatitis Elimination Conference” was held in Guangzhou, attracting 136 liver disease experts and scholars. The conference, which combined online and offline formats, drew over 500 on-site attendees. The Company’s Chairman and CEO, Xie Fangmin, attended the event and engaged in in-depth discussions with experts on topics such as “Hepatitis Elimination Full-Course Treatment Management Experience” and “Smart Integration to Create a Closed-Loop Chronic Disease Management System.” The Company discussed its Internet healthcare platform, and collaboration with top industry experts and partners to apply innovative Internet technologies to broader aspects of liver disease management in order to deliver improved care for hepatitis patients.

Case 2: Collaboration with community organizations for more effective patient management

On August 23, 2024, the Company participated in a traditional Chinese medicine (TCM) fair that brought together partners from healthcare, business, and cultural backgrounds. The Company demonstrated the TCM module of its H2H service platform, which patients could access through the Jianke Doctor WeChat mini-program, thereby enhancing their understanding of TCM concepts.

Opening ceremony of the Chinese Medicine Cultural Fair

Case 3: Empowering community healthcare through technology and innovation

The Guangzhou Medical Insurance Service Center's Huangpu Branch, in collaboration with the Huangpu District Health and Wellness Bureau, hosted a collective signing ceremony for Huangpu District's newly designated "dual-channel" medical institutions at the Guangzhou Huangpu Development Zone Hospital on March 22, 2024. The Group, as a Huangpu District "dual-channel" designated retail pharmacy, attended the signing ceremony and shared with leaders and guests in attendance the community-friendly initiatives enabled by our digital healthcare platform.

Medical institution signing ceremony
in Huangpu District, Guangzhou

Case 4: Promoting health awareness and guidance for community residents

The Company collaborated with the Katai Community in Huangpu District, Guangzhou, which houses approximately 3,500 residents. On October 25, 2024, we launched the "Promoting Health" initiative. The program provided community residents with evidence-based insights into health and wellness issues, along with general medication guidance. We also demonstrated to residents how to use our Internet hospital for follow-up consultations and prescription renewals without leaving home, which proved especially helpful for the elderly in the community.

"Promoting Health" initiative for community residents

3.3.3 Fostering talent and supporting employment opportunities

The Group collaborates closely with government agencies, universities, and the broader community, focusing on talent development and public-private partnerships, while pioneering new models for university-enterprise collaboration. By deepening industry-academia-research institute collaboration and facilitating cross-regional talent mobility, we seek to catalyze the innovative development of the healthcare industry and the high-quality regional economic growth.

Case 1: Collaboration with the Guangzhou Municipal Human Resources and Social Security Bureau, focused on development priorities and talent resources

On August 9, 2024, the Group hosted government personnel during the "Human Resources and Social Security Bureau Chiefs Thousand Enterprises Visit" event in Guangzhou. A research team from the Guangzhou Municipal Human Resources and Social Security Bureau conducted a Company headquarters tour. Both sides engaged in in-depth discussions on expanding youth employment opportunities, better alignment of talent supply with the needs of enterprises, and human resources and social security policies which could potentially help support enterprises in their mission.

Guangzhou 2024 "Human Resources and
Social Security Bureau Chiefs Thousand Enterprises Visit"

Case 2: Exploring new models of university-enterprise education to build a talent development pipeline

On September 9, 2024, a research team from the School of Management, Sun Yat-sen University, visited the Company. The two sides held extensive discussions on high-quality talent development and industry-academia-research collaboration. They agreed to further share resources and leverage their complementary advantages in areas such as talent development, research projects, and industry-academia-research integration. The partnership aims to develop high-quality management talent, driving the innovative development of China's healthcare sector.

The Research Team from the School of Management,
Sun Yat-sen University, visiting the Group

Case 3: Partnership with the Guangdong-Hong Kong-Macao University Marketing Research Alliance, supported by funding from the National Natural Science Foundation of China

In August 2024, the Guangdong-Hong Kong-Macao University Alliance for Marketing Research and the Company collaborated on a project to examine "The Effects and Mechanisms of AI Avatars in Enhancing Online Customer Retention". This research was awarded funding from the National Natural Science Foundation of China (Approval No. 72472163). As the sole corporate partner, the Company is leveraging its existing AI-enabled marketing systems according to agreed upon variables and scenarios, with the goal of better understanding consumer behavior and attitudes towards AI-assisted marketing interactions.

Case 4: Supporting Guangdong University of Foreign Studies, and promoting cross-regional talent mobility and exchange among universities in Hong Kong, Macao, and Mainland China

July 16, 2024 marked the launch of the 2024 Hong Kong-Macao-Mainland University Teacher-Student Exchange Program at an event held in the Guangzhou Development District. This event featured two flagship initiatives: the Guangdong-Hong Kong-Macao Greater Bay Area High-Tech Industrial Cluster Exchange Camp and the Greater Bay Area & Global Economic Governance Innovation Practice Summer Camp (the "Ten Thousand Talents Program"). As a corporate representative, the Company presented insights on career opportunities within the digital healthcare sector. The Group has actively supported cross-regional talent development initiatives to bring greater innovation to the Internet healthcare sector. Through collaborative efforts with academic institutions and government partners, the Company seeks to advance healthcare goals across the Greater Bay Area, aligning with broader goals of advancing universal health outcomes. Looking ahead, the Company remains committed promoting sustainable employment opportunities, and cultivating specialized talent – all critical components of Guangzhou's strategy for high-quality economic development.

Corporate representative of the Company
presented completion certificates to the participants of
the Ten Thousand Talents Program

To the shareholders of Fangzhou Inc.
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Fangzhou Inc. (the "Company") and its subsidiaries (the "Group") set out on pages 120 to 176, which comprise the consolidated statement of financial position as at December 31, 2024, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes, comprising material accounting policy information and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2024 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* ("the Code") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the Cayman Islands, and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

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

Valuation of inventories	
Refer to accounting policy note 2(k) and note 3(b) to the consolidated financial statements	
Key audit matter	**How our audit addressed the key audit matter**
Inventories of the Group mainly comprised pharmaceutical and healthcare products. The carrying amount of the Group's inventories at December 31, 2024 amounted to RMB141,421,000, which represented 21% of the Group's total assets. The Group's inventories are valued at the lower of cost and net realizable value, which is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale. Management estimates the net realizable value for inventories based on current market conditions and historical experience on similar inventories, taking into account the aging information of the pharmaceutical and healthcare products. We identified the valuation of inventories as a key audit matter because of its significance to the Group's total assets, and because determining the net realizable value involves significant management judgement and estimation, which can be inherently subjective, and increase the risk of error or potential management bias.	Our audit procedures to assess the valuation of inventories included the following: • evaluating the design, implementation and operating effectiveness of management's key internal controls over the assessment for the net realizable value of inventories; • assessing the appropriateness of the Group's inventory provisioning policy with reference to the requirements of the prevailing accounting standards; • evaluating the reasonableness of the net realizable value by comparing with latest selling price, less selling and distribution expenses, on a sample basis; • re-performing the calculation of the inventory write-down amount based on the Group's inventory provisioning policy; • assessing, on a sample basis, whether items in the inventory ageing report were classified within the appropriate ageing bucket by comparing individual items in the report with underlying supporting documents such as goods receipt notes; and • assessing the historical accuracy of management's process for calculating the provision for inventories by comparing the prior year's provision with the utilization or release of the provision recorded at the end of the previous financial year during the current year and whether there was any indication of management bias.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

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

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Fung Hong Ning.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

21 March 2025

Consolidated Statement of Profit or Loss and Other Comprehensive Income

(Expressed in Renminbi ("RMB"))

	Note	2024 RMB'000	2023 RMB'000
Revenue	4	**2,707,368**	2,434,308
Cost of sales		**(2,191,427)**	(1,946,901)
Gross profit		**515,941**	487,407
Other net loss	5	**(28,062)**	(23,915)
Selling and distribution expenses		**(355,769)**	(343,770)
Administrative expenses		**(909,469)**	(171,477)
Recognition of impairment losses	6(c)	**(334)**	(140)
Loss from operations		**(777,693)**	(51,895)
Finance costs	6(a)	**(77,160)**	(144,816)
Loss before taxation	6	**(854,853)**	(196,711)
Income tax	7	**(32)**	(77)
Loss and total comprehensive income for the year		**(854,885)**	(196,788)
Loss per share			
Basic and diluted (in RMB)	10	**(0.88)**	(0.35)

The accompanying notes form part of the consolidated financial statements.

	Note	As at December 31, 2024 RMB'000	2023 RMB'000
Non-current assets			
Property, plant and equipment	11	**53,455**	51,639
Intangible assets	12	**2,239**	2,275
Other non-current assets		**75**	100
		55,769	54,014
Current assets			
Financial assets measured at fair value through profit or loss ("FVPL")	14	**86,870**	–
Inventories	15	**141,421**	136,045
Trade and other receivables	16	**90,224**	101,142
Other current assets	17	**32,943**	34,761
Prepayments		**16,664**	18,474
Restricted bank deposits	18	**65,565**	30,615
Cash and cash equivalents	19(a)	**174,638**	146,317
		608,325	467,354
Current liabilities			
Trade and other payables	20	**457,497**	440,451
Contract liabilities	21	**22,450**	19,873
Bank loans	22	**3,001**	5,005
Lease liabilities	23	**16,801**	15,346
Other current liabilities		**1,537**	1,252
Current taxation	25(a)	**14**	15
		501,300	481,942
Net current assets/(liabilities)		**107,025**	(14,588)
Total assets less current liabilities		**162,794**	39,426

Consolidated Statement of Financial Position

(Expressed in RMB)

	Note	As at December 31, 2024 RMB'000	2023 RMB'000
Non-current liabilities			
Lease liabilities	23	**31,090**	29,368
Convertible redeemable preferred shares ("Preferred Shares")	26	**–**	1,911,521
		31,090	1,940,889
NET ASSETS/(LIABILITIES)		**131,704**	(1,901,463)
CAPITAL AND RESERVES			
Share capital	27(c)	**189**	86
Reserves		**131,515**	(1,901,549)
TOTAL EQUITY/(DEFICIT)		**131,704**	(1,901,463)

Approved and authorized for issue by the Board on March 21, 2025.

XIE Fangmin
Executive Director

ZHOU Feng
Executive Director

The accompanying notes form part of the consolidated financial statements.

	Note	Share capital RMB'000 Note 27(c)	Share premium RMB'000 Note 27(f)(i)	Other reserves RMB'000 Note 27(f)(ii)	Shares held for the RSU Incentive Plan RMB'000 Note 27(d)	Share-based payments reserve RMB'000 Note 27(f)(iii)	Accumulated losses RMB'000	Total (deficit)/equity RMB'000
Balance at January 1, 2024		**86**	**36,993**	**(785,509)**	**(8)**	**7,919**	**(1,160,944)**	**(1,901,463)**
Changes in equity for 2024								
Loss and total comprehensive income for the year		**–**	**–**	**–**	**–**	**–**	**(854,885)**	**(854,885)**
Issuance of ordinary shares		**18**	**–**	**–**	**(18)**	**–**	**–**	**–**
Issuance of shares under initial public offering, net of issuance expenses	27(f)(i)	**3**	**144,733**	**–**	**–**	**–**	**–**	**144,736**
Equity settled share-based transactions	27(f)(iii)	**–**	**–**	**–**	**–**	**743,330**	**–**	**743,330**
Shares vested under the restricted share units incentive plan ("RSU Incentive Plan")	27(f)(iii)	**–**	**732,126**	**–**	**24**	**(732,150)**	**–**	**–**
Conversion of Preferred Shares	26	**82**	**–**	**1,999,904**	**–**	**–**	**–**	**1,999,986**
Balance at December 31, 2024		**189**	**913,852**	**1,214,395**	**(2)**	**19,099**	**(2,015,829)**	**131,704**
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	27(f)(iii)	–	–	–	–	5,233	–	5,233
Shares vested under the RSU Incentive Plan	27(f)(iii)	–	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 consolidated financial statements.

Consolidated Statement of Cash Flows

(Expressed in RMB)

	Note	2024 RMB'000	2023 RMB'000
Operating activities			
Cash generated from operations	19(b)	**19,574**	22,356
Income tax paid	25(a)	**(33)**	(74)
Net cash generated from operating activities		**19,541**	22,282
Payment for purchase of financial assets measured at FVPL		**(107,595)**	–
Repayments of borrowings by related parties	29(b)	**–**	12,032
Payments for purchases of property, plant and equipment and intangible assets		**(3,913)**	(5,648)
Proceeds from disposal of other non-current assets		**–**	10,000
Proceeds from sale of property, plant and equipment		**–**	34
Net cash (used in)/generated from investing activities		**(111,508)**	16,418
Financing activities			
Proceeds from the capital contributions		**13**	–
Proceeds from issuance of shares under initial public offering		**177,571**	–
Proceeds from bank loans	19(c)	**19,042**	25,601
Payments for restricted bank deposits		**(147,701)**	(60,615)
Proceeds from maturity of restricted bank deposits		**112,751**	55,000
Repayments of bank loans	19(c)	**(21,041)**	(30,601)
Capital element of lease rentals paid	19(c)	**(18,769)**	(16,904)
Interest element of lease rentals paid	19(c)	**(1,715)**	(1,377)
Interest paid	19(c)	**(527)**	(412)
Net cash generated from/(used in) financing activities		**119,624**	(29,308)
Net increase in cash and cash equivalents		**27,657**	9,392
Cash and cash equivalents at the beginning of the year		**146,317**	134,907
Effect of foreign exchange rate changes		**664**	2,018
Cash and cash equivalents at the end of the year	19(a)	**174,638**	146,317

The accompanying notes form part of the consolidated financial statements.

1 CORPORATE INFORMATION

Fangzhou Inc. (the "Company") was incorporated in the Cayman Islands on September 26, 2019 as an exempted company with limited liability under the Companies Act (As Revised) (as consolidated and revised) of the Cayman Islands.

The Company and its subsidiaries (together, the "Group") are principally engaged in online retail pharmacy services, comprehensive medical services, wholesale and customized content and marketing solutions.

The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on July 9, 2024 (the "Listing").

2 MATERIAL ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange. Material accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain amendments to HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current accounting period reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended December 31, 2024 comprise the Company and its subsidiaries (together referred to as the "Group").

Item included in the consolidated financial statements 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. Consolidated financial statements is presented in RMB, rounded to the nearest thousand unless otherwise indicated.

The measurement basis used in the preparation of the consolidated financial statements is the historical cost basis except the investments in debt and equity securities are stated at their fair value as explained in note 2(e).

2 MATERIAL ACCOUNTING POLICIES *(Continued)*

(b) Basis of preparation of the financial statements *(Continued)*

The preparation of the consolidated financial statements 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 consolidated financial statements and major sources of estimation uncertainty are discussed in note 3.

(c) Changes in accounting policies

New and amended HKFRSs

The Group has applied the following new and amended HKFRSs issued by the HKICPA to these financial statements for the current accounting period:

- Amendments to HKAS 1, *Presentation of financial statements – Classification of liabilities as current or non-current* and amendments to HKAS 1, *Presentation of financial statements – Non-current liabilities with covenants*

- Amendments to HKFRS 16, *Leases – Lease liability in a sale and leaseback*

- Amendments to HKAS 7, *Statement of cash flows* and HKFRS 7, *Financial instruments: Disclosures – Supplier finance arrangements*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. None of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented.

2 MATERIAL ACCOUNTING POLICIES *(Continued)*

(d) Consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of the subsidiaries are included in the consolidated financial statements from the date on which control commences until the date that control ceases.

Intra-group balances and transactions, and any unrealized income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated. 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.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

When the Group loses control of a subsidiary, it derecognizes the assets and liabilities of the subsidiary and other components of equity. Any resulting gain or loss is recognized in profit or loss. Any interest retained in that former subsidiary is measured at fair value when the control is lost.

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

(ii) Subsidiaries controlled through contractual arrangements

In order to comply with the laws in the People's Republic of China (the "PRC") 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 Guangdong Fangfeng Technology Co., Ltd. (" Fangfeng Technology"), at the discretion of Fangfeng Technology;

2 MATERIAL ACCOUNTING POLICIES *(Continued)*

(d) Consolidation *(Continued)*

(ii) Subsidiaries controlled through contractual arrangements (Continued)

- 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.

(e) Other investments in securities

The Group's policies for investments in securities, other than investments in subsidiaries, are set out below.

Investments in securities are recognized/derecognized on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at FVPL for which transaction costs are recognized directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see note 28.

(f) Property, plant and equipment

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

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

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, and is generally recognized in profit of loss.

The estimated useful lives for the current and comparative periods are as follows:

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

2 MATERIAL ACCOUNTING POLICIES *(Continued)*

(f) Property, plant and equipment *(Continued)*

The Group's interests in buildings situated on leasehold land are depreciated over the shorter of the unexpired term of lease and the buildings' estimated useful lives, being no more than 50 years after the date of completion.

Depreciation methods, useful lives and residual value, if any, are reviewed annually.

(g) 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.

(h) Intangible assets

Intangible assets that are acquired by the Group and have finite useful lives are measured at costs less accumulated amortization and any accumulated impairment losses (see note 2(j)).

Amortization is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, if any, and is generally recognised in profit or loss.

The estimated useful lives for the current and comparative periods are as follows:

Computer software	5 years
License	5 years
Trademark	10 years

Amortisation methods, useful lives and residual values are reviewed annually and adjusted if appropriate.

(i) 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.

2 MATERIAL ACCOUNTING POLICIES *(Continued)*

(i) Leased assets *(Continued)*

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(j)).

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.

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.

2 MATERIAL ACCOUNTING POLICIES *(Continued)*

(j) 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. Generally, credit losses are measured as the present value of all expected cash shortfalls between contractual and expected amounts.

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.

2 MATERIAL ACCOUNTING POLICIES *(Continued)*

(j) Credit losses and impairment of assets *(Continued)*

(i) Credit losses from financial instruments (Continued)

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.

2 MATERIAL ACCOUNTING POLICIES *(Continued)*

(j) Credit losses and impairment of assets *(Continued)*

(i) Credit losses from financial instruments (Continued)

Significant increases in credit risk *(Continued)*

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.

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(j)(i) apply.

(ii) Impairment of other non-current assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units ("CGU"s).

2 MATERIAL ACCOUNTING POLICIES *(Continued)*

(j) Credit losses and impairment of assets *(Continued)*

(ii) Impairment of other non-current assets (Continued)

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs of disposal. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated to reduce the carrying amounts of the assets in the CGU on a pro rata basis.

An impairment loss is reversed only to the extent that the resulting carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with HKAS 34, *Interim financial reporting*, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see note 2(j)(i)).

(k) 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.

2 MATERIAL ACCOUNTING POLICIES *(Continued)*

(l) Contract liabilities

A contract liability is recognized when the customer pays non-refundable consideration before the Group recognizes the related revenue (see note 2(t)). 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(m)).

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

(m) Trade and other receivables

A receivable is recognized when the Group has an unconditional right to receive consideration and only the passage of time is required before payment of that consideration is due.

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

(n) 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 and 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(j).

(o) 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.

(p) Preferred Shares

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 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.

2 MATERIAL ACCOUNTING POLICIES *(Continued)*

(q) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequently, these borrowings are stated at amortised cost using the effective interest method. Interest expense is recognized in accordance with note 2(x).

(r) 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.

2 MATERIAL ACCOUNTING POLICIES *(Continued)*

(s) 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 the year, 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 the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of the reporting period 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.

2 MATERIAL ACCOUNTING POLICIES *(Continued)*

(s) Income tax *(Continued)*

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.

(t) 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.

2 MATERIAL ACCOUNTING POLICIES *(Continued)*

(t) Revenue and other income *(Continued)*

(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) Wholesale

Revenue from wholesale 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.

2 MATERIAL ACCOUNTING POLICIES *(Continued)*

(t) Revenue and other income *(Continued)*

(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.

(u) Translation of foreign currencies

Foreign currency transactions during the year 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 the reporting period. 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.

(v) 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).

2 MATERIAL ACCOUNTING POLICIES *(Continued)*

(v) Related parties *(Continued)*

(b) *(Continued)*

(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.

(w) Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, 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.

(x) Borrowing costs

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

3 ACCOUNTING JUDGEMENT AND ESTIMATES

Key sources of estimation uncertainty

Notes 24 and 28 contains information about the assumptions and their risk factors relating to fair value of shares granted and financial instruments, respectively. Other key sources of estimation uncertainty in the process of applying the Group's accounting policies are as follows:

3 ACCOUNTING JUDGEMENT AND ESTIMATES *(Continued)*

Key sources of estimation uncertainty *(Continued)*

(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) 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, wholesale 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:

	2024 **RMB'000**	2023 RMB'000
Revenue from contracts with customers within the scope of HKFRS 15		
Online retail pharmacy services	**1,404,790**	1,297,106
Comprehensive medical services	**646,549**	983,654
Wholesale	**550,949**	66,502
Customized content and marketing solutions	**105,080**	87,046
	2,707,368	2,434,308

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

	2024 **RMB'000**	2023 RMB'000
Disaggregated by timing of revenue recognition		
– Point in time	**2,602,288**	2,312,533
– Over time	**105,080**	121,775
	2,707,368	2,434,308

No revenue from individual customer contributes over 10% of total revenue of the Group during the years ended December 31,2024 and 2023.

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.

4 REVENUE AND SEGMENT REPORTING *(Continued)*

(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 four 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

	2024 **RMB'000**	2023 RMB'000
Disaggregated by segment		
Online retail pharmacy services		
Revenue	**1,404,790**	1,297,106
Gross profit	**317,925**	263,191
Comprehensive medical services		
Revenue	**646,549**	983,654
Gross profit	**110,985**	149,738
Wholesale		
Revenue	**550,949**	66,502
Gross profit	**8,878**	2,201
Customized content and marketing solutions		
Revenue	**105,080**	87,046
Gross profit	**78,153**	72,277
Reportable segment gross profit derived from the Group's external customers	**515,941**	487,407

4 REVENUE AND SEGMENT REPORTING *(Continued)*

(b) Segment Reporting *(Continued)*

(ii) Reconciliations of reportable segment profit

	2024 RMB'000	2023 RMB'000
Disaggregated by segment		
Reportable segment profit derived from the Group's external customers	**515,941**	487,407
Other net loss	**(28,062)**	(23,915)
Selling and distribution expenses	**(355,769)**	(343,770)
Administrative expenses	**(909,469)**	(171,477)
Recognition of impairment losses	**(334)**	(140)
Finance costs	**(77,160)**	(144,816)
Loss before taxation	**(854,853)**	(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 year ended December 31, 2024 are generated from the PRC market.

5 OTHER NET LOSS

	2024 RMB'000	2023 RMB'000
Government grants (note)	**415**	1,026
Foreign exchange loss	**(12,878)**	(28,444)
Fair value loss on financial assets measured at FVPL	**(20,725)**	–
Others	**5,126**	3,503
	(28,062)	(23,915)

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

6 LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

		2024 RMB'000	2023 RMB'000
(a)	***Finance costs***		
	Interest on lease liabilities (note 11(b))	**1,715**	1,377
	Interest on bank loans	**522**	263
	Changes in the carrying amount of Preferred Shares (note 26)	**74,923**	143,176
		77,160	144,816
(b)	***Staff costs (including directors' emoluments)***		
	Salaries, wages and other benefits	**138,727**	132,169
	Equity settled share-based transactions (note 24)	**743,330**	5,233
	Contributions to defined contribution retirement plan (i)	**5,246**	9,643
		887,303	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 29(a)).

6 LOSS BEFORE TAXATION *(Continued)*

		2024 RMB'000	2023 RMB'000
(c)	***Other items***		
	Amortization		
	– intangible assets (note 12)	**871**	795
	Depreciation (note 11)		
	– property, plant and equipment	**3,910**	3,591
	– right-of-use assets	**19,335**	15,929
		23,245	19,520
	Recognition of impairment losses		
	– trade debtors (note 28(a))	**334**	140
	Auditors' remuneration	**2,400**	–
	Research and development costs (i)	**41,608**	41,532
	Listing expenses	**19,484**	25,081
	Cost of inventories (note 15(b)) (ii)	**2,144,549**	1,955,804

Notes:

(i) During the year ended December 31, 2024, research and development costs includes staff costs, depreciation and amortization of RMB40,233,000 (2023: RMB41,180,000), which amount is also included in the respective total amounts disclosed separately above or in note 6(b) for each of these types of expenses.

(ii) During the year ended December 31, 2024, cost of inventories includes staff costs, depreciation and amortization of RMB4,141,000 (2023: RMB4,465,000), which amount is 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:

	2024 RMB'000	2023 RMB'000
Current tax		
Provision for the year	**32**	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.

7 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME *(Continued)*

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

(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 reporting period.

(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 the following subsidiaries:

Fangzhou Information Technology Co., Ltd was certified as “High and New Technology Enterprises” and entitled to the preferential income tax rate of 15% for the years ended December 31, 2024 and 2023.

Certain subsidiaries 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 RMB3 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:

	2024 RMB’000	2023 RMB’000
Loss before taxation	**(854,853)**	(196,711)
Notional tax on loss before taxation, calculated at the rates applicable to loss in the jurisdictions concerned	**5,428**	2,617
Tax concessions	**(3,233)**	(770)
Tax effect of non-deductible expenses	**877**	1,026
Tax effect of temporary differences and tax losses not recognized in current year	**(784)**	(930)
Additional deduction of qualified research and development costs (note)	**(2,256)**	(1,866)
Actual tax expenses	**32**	77

Note: According to the relevant laws and regulations promulgated by the State Administration of Taxation of the PRC, an additional 100% of qualified research and development costs incurred is allowed to be deducted from taxable income.

8 DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

		2024					
	Note	Directors' fees RMB'000	Salaries, allowances and other benefits RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Equity settled share-based transactions RMB'000	Total RMB'000
Executive directors							
Mr. Xie Fangmin (chief executive)		–	5,615	1,068	81	190,350	197,114
Mr. Zhou Feng		–	3,100	1,068	–	175,866	180,034
Mr. Zou Yuming		–	1,739	–	33	86,715	88,487
Non-executive director							
Mr. David Mckee Hand		–	–	–	–	–	–
Independent non-executive directors							
Mr. Wang Haizhong	(a)	46	–	–	–	24	70
Mr.Kang Wei	(a)	46	–	–	–	24	70
Mr. Zhu Xiaolu	(a)	46	–	–	–	24	70
Total		138	10,454	2,136	114	453,003	465,845

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

Note:

(a) Independent non-executive directors were appointed on July 9, 2024 when the Company's shares were listed on the Stock Exchange.

(b) For the years ended 31 December 2023 and 2024, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, three (2023: three) are directors whose emoluments are disclosed in note 8. The aggregate of the emoluments in respect of the other two (2023: two) individuals are as follows:

	2024 RMB'000	2023 RMB'000
Salaries and other benefits	**2,397**	2,016
Discretionary bonuses	**340**	1,156
Retirement scheme contributions	**137**	86
Equity settled share-based transactions	**2,759**	434
	5,633	3,692

The emoluments of the two (2023: two) individuals with the highest emoluments are within the following bands:

	2024	2023
HKD1,000,001 – HKD1,500,000	**1**	1
HKD2,500,001 – HKD3,000,000	**–**	1
HKD4,000,001 – HKD4,500,000	**1**	–
	2	2

10 LOSS PER SHARE

The calculation of basic loss per share is based on the loss attributable to ordinary equity shareholders of the Company of RMB854,885,000 (2023: RMB196,788,000) and the weighted average of 975,922,000 ordinary shares (2023: 557,687,000 ordinary shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2024 '000	2023 '000
Issued ordinary shares at January 1	**617,562**	617,562
Effect of shares held for the Company's RSU Incentive Plan at January 1 (note 27(d))	**(57,429)**	(64,377)
Effect of ordinary shares issued upon the Listing (note 27(c))	**11,411**	–
Effect of conversion of Preferred Shares to ordinary shares (note 27(c))	**274,085**	–
Effect of deemed issue of shares upon vesting under the Company's RSU Incentive Plan (note 24)	**130,293**	4,502
Weighted average number of ordinary shares at December 31	**975,922**	557,687

10 LOSS PER SHARE *(Continued)*

Diluted loss per share

For the years ended December 31, 2024 and 2023, Preferred Shares as disclosed in note 26 and restricted share units as disclosed in note 24 were not included in the calculation of diluted loss per share, as their effect would have been anti-dilutive. Accordingly, diluted loss per share for the years ended December 31, 2024 and 2023, were the same as basic loss per share.

11 PROPERTY, PLANT AND EQUIPMENT

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

	Machinery and equipment RMB'000	Motor vehicles RMB'000	Furniture, fixtures and other equipment RMB'000	Leasehold improvement RMB'000	Right-of-use assets RMB'000	Total RMB'000
Cost:						
At 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**
Additions	**488**	**63**	**1,658**	**893**	**22,157**	**25,259**
Disposals	**(3)**	**–**	**(54)**	**(177)**	**(12,754)**	**(12,988)**
At December 31, 2024	**4,641**	**1,465**	**8,912**	**10,109**	**74,439**	**99,566**
Accumulated depreciation:						
At 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)**
Charge for the year (note 6(c))	**(240)**	**(318)**	**(1,721)**	**(1,631)**	**(19,335)**	**(23,245)**
Written back on disposals	**3**	**–**	**53**	**168**	**12,566**	**12,790**
At December 31, 2024	**(2,502)**	**(1,275)**	**(5,616)**	**(8,160)**	**(28,558)**	**(46,111)**
Net book value:						
At December 31, 2024	**2,139**	**190**	**3,296**	**1,949**	**45,881**	**53,455**
At December 31, 2023	1,891	445	3,360	2,696	43,247	51,639

11 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

(b) Right-of-use assets

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

	2024 **RMB'000**	2023 RMB'000
Depreciation charge of right-of-use assets by class of underlying asset:		
– Pharmacies	**1,599**	1,452
– Warehouses	**6,690**	6,574
– Offices	**10,430**	7,533
– Dormitories	**616**	370
	19,335	15,929
Expense relating to short-term leases	**2,215**	426
Interest on lease liabilities (note 6(a))	**1,715**	1,377

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in notes 19(c) and 23, 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 3 to 59 months. Lease payments are usually increased by each year to reflect market rentals.

12 INTANGIBLE ASSETS

	Computer software RMB'000	License RMB'000	Trademark RMB'000	Total RMB'000
Cost:				
At 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**
Additions	**700**	**56**	**79**	**835**
At December 31, 2024	**2,581**	**2,791**	**210**	**5,582**
Accumulated amortization:				
Balance at 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)**
Charge for the year (note 6(c))	**(261)**	**(598)**	**(12)**	**(871)**
Balance at December 31, 2024	**(581)**	**(2,732)**	**(30)**	**(3,343)**
Carrying amounts:				
At December 31, 2024	**2,000**	**59**	**180**	**2,239**
At December 31, 2023	1,561	601	113	2,275

13 INVESTMENT IN SUBSIDIARIES

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group.

Company name	Place of incorporation/ establishment and operation	Registered capital	Issued capital	Proportion of ownership interest: Equity interest	Proportion of ownership interest: Held through contractual arrangements	Principal activities
Direct held by the Company						
Fangzhou Limited	Hong Kong	Hong Kong Dollar ("HKD") 10,000	HKD10,000	100%	–	Investment holding
Indirect held by the Company						
Guangzhou Fangzhou Pharmaceutical Co., Ltd. 廣州方舟藥業有限公司 (note)	Mainland China	RMB5,000,000	RMB580,000	100%	–	Wholesale and supply chain
Guangzhou Fangzhou Medicine Co., Ltd. 廣州方舟醫藥有限公司 (note)	Mainland China	RMB20,000,000	RMB70,000	–	100%	Retail
Guangdong Qishi Hospital Management Co., Ltd. 廣東啟石醫院管理有限公司 (note)	Mainland China	RMB10,000,000	RMB5,000,000	–	100%	Medical Service

Note: The English translation of these companies' names are for reference only. The official names of these companies are in Chinese. These companies were incorporated in Mainland China are registered as limited liability companies under PRC laws.

14 FINANCIAL ASSETS MEASURED AT FVPL

	2024 RMB'000	2023 RMB'000
Listed securities	**14,129**	–
Units in private funds	**72,741**	–
	86,870	–

15 INVENTORIES

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

	2024 RMB'000	2023 RMB'000
Pharmaceutical and healthcare products	**141,421**	136,045

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

	2024 RMB'000	2023 RMB'000
Carrying amount of inventories sold	**2,180,053**	1,912,293
Write-down of inventories	**5,563**	43,511
Reversal of write-down of inventories (note)	**(41,067)**	–
	2,144,549	1,955,804

Note: The reversal of write-down of inventories made in prior years arose due to an increase in the estimated net realizable value as a result of a change in market condition.

16 TRADE AND OTHER RECEIVABLES

	2024 RMB'000	2023 RMB'000
Trade debtors	**36,775**	24,299
Less: loss allowance	**(496)**	(203)
	36,279	24,096
Purchase rebates with suppliers	**35,117**	60,944
Deposits	**11,612**	10,487
Other receivables	**7,216**	5,615
	90,224	101,142

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

16 TRADE AND OTHER RECEIVABLES *(Continued)*

Ageing analysis:

As at the end of December 31, 2023 and 2024, the ageing analysis of trade debtors (which are included in trade and other receivables), based on the invoice date and net of loss allowance, is as follows:

	2024 **RMB'000**	2023 RMB'000
Within 3 months	**23,099**	17,012
Over 3 months but within 6 months	**9,520**	5,160
Over 6 months but within 1 year	**3,047**	1,336
Over 1 year	**613**	588
	36,279	24,096

Trade debtors are generally due within 120 days from the date of billing. Further details on the Group's credit policy are set out in note 2(j).

17 OTHER CURRENT ASSETS

	2024 **RMB'000**	2023 RMB'000
Input value-added tax to be verified or credited	**32,943**	30,778
Others (note)	**–**	3,983
	32,943	34,761

Note: The balance mainly represented the listing expenses to be deducted from equity upon the Listing.

18 RESTRICTED BANK DEPOSITS

As at December 31, 2024, deposits with bank RMB65,565,000 (December 31, 2023: RMB30,615,000) were pledged as securities for bills payable.

19 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents comprise:

	2024 RMB'000	2023 RMB'000
Cash on hand	**141**	52
Cash at bank	**164,970**	129,436
Cash equivalents placed at payment platforms	**9,527**	16,829
	174,638	146,317

As at December 31, 2024, the Group's cash and cash equivalents situated in Mainland China amounted to RMB125,348,000 (December 31, 2023: RMB105,756,000). 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 operations:

	Note	2024 RMB'000	2023 RMB'000
Loss before taxation		**(854,853)**	(196,711)
Adjustments for:			
Recognition of impairment losses	6(c)	**334**	140
Expense of equity settled share-based transactions	24(b)	**743,330**	5,233
Finance costs	6(a)	**77,160**	144,816
Fair value loss on financial assets measured at FVPL	5	**20,725**	–
Foreign exchange loss	5	**12,878**	28,444
Net gain on disposal of property, plant and equipment		**(13)**	(21)
Depreciation	6(c)	**23,245**	19,520
Amortization of intangible assets	6(c)	**871**	795
Changes in working capital:			
Increase in inventories		**(5,376)**	(9,581)
Decrease in prepayments		**1,810**	45,525
Decrease in trade and other receivables and other current assets		**(20,445)**	(23,275)
Increase in trade and other payables		**17,046**	84,216
Increase/(decrease) in contract liabilities		**2,577**	(69,495)
Increase/(decrease) in other current liabilities		**285**	(7,250)
Cash generated from operations		**19,574**	22,356

19 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION *(Continued)*

(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 statement of cash flows as cash flows from financing activities.

	Convertible redeemable preferred shares RMB'000 (note 26)	Lease liabilities RMB'000 (note 23)	Bank loans RMB'000 (note 22)	Total RMB'000
At January 1, 2024	**1,911,521**	**44,714**	**5,005**	**1,961,240**
Changes from financing cash flows:				
Proceed from bank loans	–	–	19,042	19,042
Repayment of bank loans	–	–	(21,041)	(21,041)
Interest paid	–	–	(527)	(527)
Capital element of lease rentals paid	–	(18,769)	–	(18,769)
Interest element of lease rentals paid	–	(1,715)	–	(1,715)
Total changes from financing cash flows	–	(20,484)	(2,526)	(23,010)
Other changes:				
Foreign exchange loss	13,542	–	–	13,542
Changes in the carrying amount of convertible redeemable preferred shares (note 6(a))	74,923	–	–	74,923
Conversion of redeemable preferred shares (note 26)	(1,999,986)	–	–	(1,999,986)
Interest expenses (note 6(a))	–	1,715	522	2,237
Increase in lease liabilities from entering into new leases during the year	–	22,157	–	22,157
Disposal on lease liabilities	–	(211)	–	(211)
Total other changes	(1,911,521)	23,661	522	(1,887,338)
At December 31, 2024	**–**	**47,891**	**3,001**	**50,892**

19 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION *(Continued)*

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

	Convertible redeemable preferred shares RMB'000 (note 26)	Lease liabilities RMB'000 (note 23)	Bank loans RMB'000 (note 22)	Total 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 convertible redeemable preferred shares (note 6(a))	143,176	–	–	143,176
Interest expenses (note 6(a))	–	1,377	263	1,640
Increase in lease liabilities from entering into new leases during the year	–	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

20 TRADE AND OTHER PAYABLES

	2024 RMB'000	2023 RMB'000
Total trade and bills payables (ii)	**348,627**	292,944
Staff cost payables	**32,439**	53,829
Other tax payables	**12,842**	20,480
Deposits	**1,962**	1,444
Other payables and accrued charges	**61,627**	71,754
	457,497	440,451

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 year end of the reporting period, the ageing analysis of total trade and bills payables (which are included in trade and other payables), based on the invoice date, is as follows:

	2024 RMB'000	2023 RMB'000
Within 1 month	**154,351**	181,163
1 to 3 months	**133,623**	110,683
Over 3 months but within 6 months	**60,485**	842
Over 6 months but within 1 year	**11**	169
Over 1 year but within 2 years	**157**	87
	348,627	292,944

21 CONTRACT LIABILITIES

	2024 **RMB'000**	2023 RMB'000
Advances from customers	**17,408**	15,254
Customers' loyalty points program	**5,042**	4,619
Total	**22,450**	19,873

Movements in contract liabilities:

	Contract liabilities RMB'000
Balance at 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
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	(19,873)
Increase in contract liabilities as a result of billing in advance	17,408
Increase in contract liabilities as a result of customers' loyalty points program	5,042
Balance at December 31, 2024	22,450

As at December 31, 2024, no receipts in advance from customers of the Group are expected to be recognized as income after more than one year.

22 BANK LOANS

As at December 31, 2024, all the Group's bank loans are unsecured and repayable within 1 year, the unutilized banking facilities of the Group amounted to RMB111,697,000 (December 31, 2023: RMB48,899,500). The Group was not subject to the fulfilment of covenants for the banking facilities.

23 LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities at the end of the year:

	As at December 31,			
	2024		2023	
	Present value of the minimum lease payments RMB'000	**Total minimum lease payments RMB'000**	Present value of the minimum lease payments RMB'000	Total minimum lease payments RMB'000
Within 1 year	**16,801**	**18,285**	15,346	16,770
After 1 year but within 2 years	**14,485**	**15,380**	10,194	11,136
After 2 years but within 5 years	**16,605**	**17,128**	19,174	20,057
	31,090	**32,508**	29,368	31,193
	47,891	**50,793**	44,714	47,963
Less: total future interest expenses		**(2,902)**		(3,249)
Present value of lease liabilities		**47,891**		44,714

24 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 Listing shall be void.

(Expressed in RMB unless otherwise indicated)

24 EQUITY SETTLED SHARE-BASED TRANSACTIONS *(Continued)*

(a) RSU Incentive Plan *(Continued)*

(i) Movements in RSUs granted are as follows:

	Number of shares
Outstanding as of January 1, 2023	14,350,012
Shares vested during the year	(6,948,763)
Outstanding as of December 31, 2023 and January 1, 2024	7,401,249
Cancellation during the period	(1,596,250)
Granted on April 1, 2024	178,865,898
Shares vested during the year	(174,466,209)
Outstanding as of December 31, 2024	10,204,688

As at December 31, 2024, the weighted average remaining vesting periods for the shares granted was 3.1 years (2023: 1.3 years).

(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	**April 1, 2024**
Fair value at measurement date (USD)	0.5963
Expected volatility	51.3%
Expected dividend yield	–
Risk-free interest rate	4.7%

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.

24 EQUITY SETTLED SHARE-BASED TRANSACTIONS *(Continued)*

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

	2024 RMB'000	2023 RMB'000
Administrative expenses	**733,012**	3,207
Selling and distribution expenses	**10,318**	2,026
	743,330	5,233

25 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

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

	2024 RMB'000	2023 RMB'000
At the beginning of the year	**15**	12
Provisions for PRC corporate income tax (note 7(a))	**32**	77
Income tax paid	**(33)**	(74)
At the end of the year	**14**	15

(b) Deferred tax assets not recognized

In accordance with the accounting policy set out in note 2(s), 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,	
	2024 RMB'000	2023 RMB'000
Cumulative tax losses	**264,310**	262,827
Deductible temporary differences	**50,854**	65,314
Total	**315,164**	328,141

25 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION *(Continued)*

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

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,	
	2024	2023
	RMB'000	RMB'000
2024	**–**	5,569
2025	**12,641**	22,837
2026	**106,460**	120,720
2027	**68,497**	76,433
2028	**36,689**	37,268
2029	**40,023**	–
Total	**264,310**	262,827

26 PREFERRED SHARES

Since the date of incorporation, the Company has completed several rounds of financing arrangements by issuing Preferred Shares.

The movements of the financial liabilities arising from the Preferred Shares during the years ended December 31, 2024 and 2023 are as follows:

	Present value of redemption amount
	RMB'000
At January 1, 2023	1,737,882
Changes in the carrying amount of Preferred Shares (note 6(a)):	
– Changes in present value of redemption amount	143,176
– Exchange differences	30,463
At December 31, 2023	**1,911,521**
Changes in the carrying amount of Preferred Shares (note 6(a)):	
– Changes in present value of redemption amount	**74,923**
– Exchange differences	**13,542**
– Conversion of Preferred Shares	**(1,999,986)**
At December 31, 2024 (note)	**–**

Note: All of the Preferred Shares were automatically converted into ordinary shares on a one to one ratio upon the Listing on July 9, 2024 and the carrying amount of the Preferred Shares was transferred to share capital and share premium.

27 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 RMB'000	Share premium RMB'000	Other reserves RMB'000	Shares held for the RSU Incentive Plan RMB'000	Share-based payments reserve RMB'000	Accumulated losses RMB'000	Total (deficit)/ equity RMB'000
Balance at 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)**
Changes in equity for 2024:							
Loss and total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**(873,419)**	**(873,419)**
Issuance of ordinary shares	**18**	**-**	**-**	**(18)**	**-**	**-**	**-**
Issuance of shares by initial public offering, net of share issuance expenses	**3**	**144,733**	**-**	**-**	**-**	**-**	**144,736**
Equity settled share-based transactions	**-**	**-**	**-**		**743,330**	**-**	**743,330**
Shares vested under the RSU Incentive Plan	**-**	**732,126**	**-**	**24**	**(732,150)**	**-**	**-**
Conversion of Preferred Shares (note 26)	**82**	**-**	**1,999,904**	**-**	**-**	**-**	**1,999,986**
Balance at December 31, 2024	**189**	**913,852**	**1,670,365**	**(2)**	**19,099**	**(1,460,681)**	**1,142,822**

* Less than RMB1,000

(b) Authorized share capital

The authorized share capital of the Company was USD50,000 divided into 2,500,000,000 shares of a nominal value of USD0.00002 each.

(c) Issued share

The Company adopted a dual-class share structure effective immediately prior to the completion of the Listing. 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 Listing, respectively, on any resolution tabled at the Company's general meetings. The weighted voting rights structure is cancelled upon the Listing.

27 CAPITAL AND RESERVES *(Continued)*

(c) Issued share *(Continued)*

At December 31, 2024, the details of the changes in the issued ordinary shares of the Company was as follows:

	Number of ordinary shares	Nominal value of ordinary shares USD'000	Nominal value of ordinary shares RMB'000
Ordinary shares, Issued			
At January 1, 2023, December 31, 2023, and January 1, 2024	617,562,340	12	86
Issued during the year (note)	151,042,178	3	21
Conversion of Preferred Shares (note 26)	571,662,939	11	82
At December 31,2024	1,340,267,457	26	189

Note: In May 2024, the Company allotted and issued 127,242,178 Class A Ordinary Shares of par value of USD0.00002 each to the platforms for RSU Incentive Plan.

On July 9, 2024, the Company completed its Listing on the Stock Exchange, the Company issued 23,800,000 shares.

(d) Shares held for the RSU Incentive Plan

As at December 31, 2024, 10,204,688 shares (2023: 57,428,719 shares) were held by the Special Purpose Vehicles on behalf of the Company, which was equivalent to RMB1,500 (2023: RMB7,500).

(e) Dividends

The directors of the Company did not propose any declaration of dividend for the years ended December 31, 2024 and 2023.

27 CAPITAL AND RESERVES *(Continued)*

(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 and the excess of the total proceeds received from the Company on the Listing over the total par value of shares issued of RMB144,733,000.

(ii) Other reserves

The balance of other reserves mainly represent the reserve arising from the conversion of the Preferred Shares of RMB1,999,904,000.

(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 as disclosed in note 24.

(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.

28 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:

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

(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. 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, 2024 and 2023, 33% 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, 2024 and 2023:

	As at December 31, 2024		
	Expected loss rate %	**Gross carrying amount RMB'000**	**Loss allowance RMB'000**
Within 6 months (inclusive)	**0.60%**	**32,816**	**(197)**
Over 6 months but within 1 year (inclusive)	**3.00%**	**3,141**	**(94)**
Over 1 year (inclusive)	**25%**	**818**	**(205)**
		36,775	**(496)**

	As at December 31, 2023		
	Expected loss rate %	Gross carrying amount RMB'000	Loss allowance 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)

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

(a) Credit risk *(Continued)*

Trade receivables (Continued)

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 years ended December 31, 2024 and 2023 is as follows:

	2024	2023
	RMB'000	RMB'000
Balance at January 1	**203**	146
Amounts recognized during the year (note 6(c))	**334**	140
Amounts written-off during the year	**(41)**	(83)
Balance at December 31	**496**	203

Other receivables

Other receivables mainly included deposits and rebate from suppliers. As at December 31, 2024 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.

(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.

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

(b) Liquidity risk *(Continued)*

The following tables show the remaining contractual maturities at the years ended December 31, 2024 and 2023 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 RMB'000	**More than 1 year but less than 2 years RMB'000**	**More than 2 years but less than 5 years RMB'000**	**Total RMB'000**	**Carrying amount at December 31, 2024 RMB'000**
Trade and other payables	**457,497**	**–**	**–**	**457,497**	**457,497**
Bank loans	**3,092**	**–**	**–**	**3,092**	**3,001**
Lease liabilities	**18,285**	**15,380**	**17,128**	**50,793**	**47,891**
	478,874	**15,380**	**17,128**	**511,382**	**508,389**

	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	Total RMB'000	Carrying amount at December 31, 2023 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

(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 year end, including restricted bank deposits, bank loans, lease liabilities and 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.

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

(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 year end 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 year end.

	Exposure to foreign currencies	
	2024	2023
	USD	USD
	RMB'000	RMB'000
Cash and cash equivalents	**65,402**	55,918
Convertible redeemable preferred shares	**–**	(1,911,521)
Net exposure arising from recognized assets and liabilities	**65,402**	(1,855,603)

(ii) Sensitivity analysis

As at December 31, 2024, it is estimated that a general increase/decrease of 100 basis points in foreign exchange rates, with all other variables held constant, would have decreased/increased the Group's loss after tax and accumulated losses of RMB654,000 (2023: increased/decreased RMB18,556,000).

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 year end. The analysis is performed on the same basis during each year end.

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

(e) Fair value measurement

Financial assets and liabilities measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the year on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

- Level 3 valuations: Fair value measured using significant unobservable inputs

	Fair value at December 31, 2024	Fair value measurements as at December, 31 2024 categorized into		
		Level 1	Level 2	Level 3
	RMB'000	RMB'000	RMB'000	RMB'000
Recurring fair value measurements				
Assets:				
Listed securities (note 14)	14,129	14,129	–	–
Units in private funds (note 14)	72,741	–	72,741	–
Total	86,870	14,129	72,741	–

During the years ended December 31, 2023 and 2024, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognize transfers between levels of fair value hierarchy as at the end of the year in which they occur.

The fair value of assets using Level 2 is determined based on the the expected return from the the financial assets counterparties, taking into account of the observable market inputs.

29 MATERIAL RELATED PARTY TRANSACTIONS

Name of related parties

(i) Entities controlled by Mr Xie Fangmin

Guangdong Fangming Technology Co., Ltd. (廣東方銘科技有限公司) *
Shanghai Zhouzhi Pharmaceuticals Technology Co., Ltd. (上海舟致醫藥科技有限公司) *

(ii) Directors of the Company

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

* 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:

	2024 RMB'000	2023 RMB'000
Directors' fees	**138**	–
Salaries, wages and other benefits	**12,851**	12,441
Discretionary bonuses	**2,476**	3,316
Retirement scheme contributions	**251**	187
Equity settled share-based transactions	**455,762**	434
	471,478	16,378

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

(b) Related parties transactions

	2024 RMB'000	2023 RMB'000
Repayments of borrowings by related parties	**–**	12,032

30 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	2024 RMB'000	2023 RMB'000
Non-current assets			
Property, plant and equipment		**1,079**	331
Investment in a subsidiary		**696,482**	680,094
		697,561	680,425
Current assets			
Financial assets measured at FVPL		**86,870**	–
Amount due from a subsidiary		**329,767**	364,737
Trade and other receivables		**158**	–
Other current assets		**–**	3,983
Prepayments		**51**	29
Cash and cash equivalents		**49,301**	1,021
		466,147	369,770
Current liabilities			
Amounts due to subsidiaries		**6,009**	–
Other payables		**13,800**	10,149
Lease liabilities		**554**	336
		20,363	10,485
Net current assets		**445,784**	359,285
Total assets less current liabilities		**1,143,345**	1,039,710
Non-current liabilities			
Lease liabilities		**523**	–
Preferred Shares		**–**	1,911,521
		523	1,911,521
NET ASSETS/(LIABILITIES)		**1,142,822**	(871,811)
CAPITAL AND RESERVES	27(a)		
Share capital		**189**	86
Reserves		**1,142,633**	(871,897)
TOTAL EQUITY/(DEFICIT)		**1,142,822**	(871,811)

(Expressed in RMB unless otherwise indicated)

31 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

At December 31, 2024, the directors consider the immediate and ultimate controlling party of the Group to be Mr. Xie Fangmin and Mr. Zhou Feng by entering into an acting-in-concert arrangement since the incorporation of the Company.

32 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED DECEMBER 31, 2024

Up to the date of the issue of these financial statements, the HKICPA has issued a number of new or amended standards, which are not yet effective for the year ended December 31, 2024 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group:

	Effective for accounting periods beginning on or after
Amendments to HKAS 21, *The effects of changes in foreign exchange rates – Lack of exchangeability*	January 1, 2025
Amendments to HKFRS 9, *Financial instruments* and HKFRS 7, *Financial instruments: disclosures – Amendments to the classification and measurement of financial instruments*	January 1, 2026
Annual improvements to HKFRS Accounting Standards – Volume 11	January 1, 2026
HKFRS 18, *Presentation and disclosure in financial statements*	January 1, 2027
HKFRS 19, *Subsidiaries without public accountability: disclosures*	January 1, 2027

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 consolidated financial statements.