梅斯

# MedSci Healthcare Holdings Limited
# 梅 斯 健 康 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

Stock code : 2415

# 2023 ANNUAL REPORT

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# CORPORATE INFORMATION

## EXECUTIVE DIRECTORS

Dr. Zhang Fabao (張發寶博士) *(Chairman of the Board)*
Dr. Li Xinmei (李欣梅博士) *(Chief Executive Officer)*
Mr. Fan Jie (樊傑先生) *(Co-Chief Executive Officer)*
Mr. Wang Shuai (王帥先生)

## NON-EXECUTIVE DIRECTORS

Mr. Hu Xubo (胡旭波先生)
Mr. Yan Shengfeng (閆盛楓先生)

## INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Liu Tao (劉濤女士)
Mr. Yu Mingyang (余明陽先生)
Mr. Lau Yiu Kwan Stanley (劉耀坤先生)

## JOINT COMPANY SECRETARIES

Mr. Yang Chun (楊春先生)
Ms. Kwan Sau In (關秀妍女士) *(ACG, HKACG)*

## AUDIT COMMITTEE

Ms. Liu Tao (劉濤女士) *(Chairwoman)*
Mr. Yu Mingyang (余明陽先生)
Mr. Lau Yiu Kwan Stanley (劉耀坤先生)

## REMUNERATION COMMITTEE

Mr. Yu Mingyang (余明陽先生) *(Chairman)*
Dr. Li Xinmei (李欣梅博士)
Ms. Liu Tao (劉濤女士)

## NOMINATION COMMITTEE

Dr. Zhang Fabao (張發寶博士) *(Chairman)*
Mr. Yu Mingyang (余明陽先生)
Mr. Lau Yiu Kwan Stanley (劉耀坤先生)

## AUTHORISED REPRESENTATIVES

Dr. Li Xinmei (李欣梅博士)
Ms. Kwan Sau In (關秀妍女士) *(ACG, HKACG)*

## AUDITOR

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Registered Public Interest Entity Auditor
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## HONG KONG LEGAL ADVISER

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Hong Kong

## REGISTERED OFFICE

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Grand Cayman, KY1-9009
Cayman Islands

## HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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PRC

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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# CORPORATE INFORMATION

## PRINCIPAL BANKS

China Construction Bank Co. Ltd.
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PRC

Bank of Shanghai Co., Ltd.
Minhang Branch
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PRC

China Merchants Bank Co., Ltd.
Shanghai Branch
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## PRINCIPAL SHARE REGISTRAR

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89 Nexus Way
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## HONG KONG SHARE REGISTRAR

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## STOCK CODE

2415

## COMPANY WEBSITE

http://medscihealthcare.com/

# CHAIRMAN'S STATEMENT

Dear Shareholders,

First of all, on behalf of the Board of Directors, I would like to express my sincere gratitude to all shareholders for your continued trust and support.

MedSci Healthcare is committed to persistently integrating innovative technologies into the physician platform, serving the development of China's pharmaceutical industry, and facilitating the early and precision application of more outstanding medical devices to patients, thus bringing better health safeguards to patients.

In 2023, the pharmaceutical industry witnessed an extraordinary year with certain fluctuations. Under the Company's strategy, however, all employees of MedSci Healthcare have persevered with our strategic focus, achieving higher-quality development by enhancing technology and increasing the Company's gross profit margin.

## OUR MISSION

MedSci Healthcare has consistently upheld the mission and vision of "improving medical quality", and wishes to provide precision digital healthcare solutions through big data and artificial intelligence, achieving dissemination, connection, empowerment, and change of medical technologies. This will ultimately improve the current landscape of unbalanced medical environment and resources, improving the public health. Furthermore, we are committed to providing a reliable platform to a wider base of patients in third- and fourth-tier cities, ensuring that more individuals have access to adequate healthcare services.

## STRENGTHENING THE ADVANTAGES OF THE PHYSICIAN PLATFORM

The physician platform represents the cornerstone of digital academic marketing in the pharmaceutical industry, and is also crucial for the sustainable development of the Company's various businesses. Despite the industrial fluctuations, the advantages of the Group's physician platform continue to experience rapid development in terms of registered users, level of activity, and business. In the coming year, we will continue to strengthen the advantages of the physician platform, and further satisfy the requirements of physicians, including the expansion of the physician platform to the digital research requirements of physicians, and the understanding and satisfaction of physicians' changing requirements from active acquisition by physicians of knowledge and information from the platform to our active outreach to the physician community.

## TRANSITION OF DIGITAL ACADEMIC MARKETING FROM SERVICES TO PRODUCTS

Traditional digital academic marketing continues to focus on services, with business leaning towards comparatively personalized approaches, resulting in higher costs. In 2023, we observed the characteristics of different segmented fields, and gradually standardized traditional services to create more standardized products. This has made service quality more consistent, results more effective, efficiency higher, and customers more satisfied.

## UPGRADE OF SERVICE PRODUCTS FROM INNOVATIVE MEDICAL DEVICES TO FULL CATEGORY

The Group has traditionally focused on serving innovative medical device products. We take pride in our services, as such services have been seen bringing the attention of more physicians to a number of innovative medical devices, alongside prescriptions given to patients, benefiting patients. However, innovative medical devices are only part of the entire pharmaceutical market. During the year, we are pleased to witness that we can also rejuvenate certain mature products.

Looking ahead, we staunchly uphold the mission of "improving medical quality", by continuing to strive hard for greater success through our strategic focus.

## BUILDING A SOUND ESG GOVERNANCE FRAMEWORK

We develop a sound ESG governance framework, integrating ESG governance with corporate strategy and daily operations. In 2023, the Company made significant progress in ESG governance. In terms of environmental protection, the Company conducted its first official greenhouse gas inventory based on the GHG PROTOCOL to lay a more accurate, traceable, and comparable foundation in terms of data. We have formulated rules for environmental management systems, and will gradually develop climate mitigation strategies based on corporate emission sources in the future. The Company keeps track of compliant operations by establishing a compliance committee during the reporting period and establishing a standardized operation mechanism. Furthermore, we conducted comprehensive employee training and education. In addition, we provide our employees with a diverse, fair, and inclusive workplace, while offering clear training and development paths to build a strong talent pool. In the future, we will continue to fulfill our commitment to sustainable development and make active contributions to social responsibility.

Finally, on behalf of the Board of Directors, I would like to express my heartfelt appreciation to all Shareholders, users, customers, and business partners for their long-term trust and steadfast support. I also express my deep gratitude to the management and all employees for their wholehearted dedication. We shall continue to devote ourselves wholeheartedly, serve more customers, provide more products, and benefit more patients sooner, creating greater value for the shareholders of MedSci Healthcare.

**Dr. Zhang Fabao**
*Chairman and Executive Director*

28 March 2024

# FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last four financial years is set out below:

| | **2023** | 2022 | 2021 | 2020 |
|---|---|---|---|---|
| | **RMB'000** | RMB'000 | RMB'000 | RMB'000 |
| Revenue | **349,194** | 348,950 | 297,731 | 215,854 |
| Gross profit | **216,607** | 206,321 | 189,810 | 117,032 |
| (Loss)/profit for the year | **55,042** | (99,881) | (151,030) | 28,914 |
| (Loss)/profit for the year attributable to owners of the parent | **55,042** | (99,881) | (151,030) | 28,914 |
| Non-current assets | **28,591** | 31,661 | 23,818 | 28,218 |
| Current assets | **1,267,010** | 714,854 | 685,395 | 322,722 |
| Total assets | **1,295,601** | 746,515 | 709,213 | 350,940 |
| Non-current liabilities | **644** | 724,975 | 603,663 | 2,910 |
| Current liabilities | **174,578** | 163,804 | 172,765 | 151,318 |
| Total liabilities | **175,222** | 888,779 | 776,428 | 154,228 |
| Total equity/(Deficiency in assets) | **1,120,379** | (142,264) | (67,215) | 196,712 |
| Total equity attributable to owners of the parent | **1,120,379** | (142,264) | (67,215) | 196,712 |

# FINANCIAL HIGHLIGHTS

| | For the year ended 31 December | | Year-on-year movement* |
|---|---|---|---|
| | **2023 (RMB'000)** | 2022 (RMB'000) | % |
| Revenue | **349,194** | 348,950 | 0.1 |
| Cost of sales | **132,587** | 142,629 | −7.0 |
| Gross profit | **216,607** | 206,321 | 5.0 |
| Profit/(Loss) for the period | **55,042** | −99,881 | NA |
| Profit/(Loss) attributable to owners of the parent | **55,042** | −99,881 | NA |
| Non-IFRS adjusted net profit** | **55,507** | 45,553 | 21.9 |

* Year-on-year movement% represents a comparison between the Reporting Period and the Corresponding Period.

** Non-IFRS adjusted net profit was derived from the unaudited profit for the year adjusted by excluding the relevant listing expenses and fair value gains/losses on convertible redeemable preferred shares.

## Revenue by solution category

| | For the year ended 31 December | | | | Year-on-year movement* |
|---|---|---|---|---|---|
| | **2023** | | 2022 | | |
| | **(RMB'000, except percentages)** | | | | |
| | | **%** | | % | % |
| Revenue | | | | | |
| Precision omni-channel marketing solutions | **173,764** | **49.8** | 198,508 | 56.9 | −12.5 |
| Physician platform solutions | **120,045** | **34.4** | 89,136 | 25.5 | 34.7 |
| RWS solutions | **55,385** | **15.9** | 61,306 | 17.6 | −9.7 |
| Total | **349,194** | **100** | 348,950 | 100 | 0.1 |

* Year-on-year movement% represents a comparison between the Reporting Period and the Corresponding Period.

Revenue increased by approximately RMB0.2 million, or approximately 0.1%, from approximately RMB349.0 million for the year ended 31 December 2022 to approximately RMB349.2 million for the year ended 31 December 2023.

Profit attributable to owners of the parent arising from continuing operations for the year ended 31 December 2023 was approximately RMB55.0 million, representing an increase of approximately RMB154.9 million or 155.1% as compared to the year ended 31 December 2022.

The basic and diluted earnings per share for 2023 amounted to approximately RMB0.11 and RMB0.08 respectively.

The Board does not recommend the payment of a final dividend for the year ended 31 December 2023 (2022: nil).

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

The Group operates online professional physician platforms in China. As at 31 December 2023, our platform had approximately 3.1 million registered physician users and our average MAU reached approximately 2.9 million in 2023. Our *MedSci* platform also features a high percentage of experienced physician users with the title of associate-chief physician (副主任醫師) and above. The total number of registered physician users on our *MedSci* platform who had the title of associate-chief physician and above represented 72% of the total number of physicians in China who had obtained the title of associate-chief physician and above, based on the latest published information from the NHC. Our *MedSci* platform is accessible through multiple channels such as website, mobile application, WeChat mini-program and WeChat public account. The platform proactively engages physicians through means such as email, phone calls, WeChat, and WeChat groups. Contents available on our platform are principally and independently published by *MedSci*. Furthermore, third parties, including pharmaceutical and medical device companies, industry associations, and individual self-media, are provided with ancillary support for their release of information.

At the same time, the government will continue with the anti-corruption campaign in the pharmaceutical sector, which will curb traditional pharmaceutical marketing models implemented by traditional pharmaceutical enterprises and facilitate their shift towards the digital marketing model. The key of digital marketing lies in three factors, including the activity level of a platform for physicians, medical academic competence, and digitalisation technology. By persisting in the development model driven by both medicine and digitalisation, *MedSci* continues to strengthen its medical academic competence, and achieve a balanced development of the above three capabilities in the omni-channel academic marketing, so that we will secure a more advantageous position.

*MedSci* operates as a platform focusing on the individual growth of physicians. It is exactly this element that has been actively attracting a large number of physicians for registration and their ongoing attention, resulting in a high level of user activities, which is also perceived as the cornerstone of commercialisation. However, due to a fairly short history of commercialisation, our *MedSci* platform's reputation among a large number of pharmaceutical and medical device enterprises remains limited. As the industry transitions its marketing models to digital marketing, with pharmaceutical and medical device enterprises deepening their understanding of our *MedSci* platform, a solid foundation will be laid for the sustained exploration of its commercial potential in the future.

The Group maintains a comparatively balanced development in precision omni-channel marketing, physician platforms, and real-world clinical study (RWS) businesses. By rendering support to precision omni-channel marketing and RWS business, our platform effectively safeguards the foundation and sustainability of our business operations. The Group's precision omni-channel marketing largely differs from the majority of digital marketing companies in the following ways: (i) the Group's precision omni-channel marketing mainly features the integration of academic marketing and digital marketing, which persists in the dual drive of medicine and digitalisation to promote the transformation of the pharmaceutical marketing model from traditional marketing models to digital and academic approaches, as pure digital marketing easily leads to the phenomenon where bad money drives out good money. As affected by policies including volume-based procurement and current anti-corruption campaigns in the healthcare industry, pharmaceutical and medical device enterprises have witnessed significant reduction in both revenue and profit, and therefore are actively seeking digital and academic marketing models, as well as marketing solutions to improve efficiency at lower costs, comply with regulations, and implement precise, value-based medicine, which aims to align with the current strict anti-corruption policies and identify alternatives to traditional marketing models; (ii) the Group's precision omni-channel marketing does not contradict digital marketing or on-ground marketing. It flexibly adopts multimodal marketing approaches according to different stages of product lifecycles. For example, in the early stages of launching innovative drug products, the Group closely integrates digital academic marketing with the ground sales teams of our clients to achieve the omni-channel coverage for greater marketing effectiveness; and (iii) value-based healthcare orientation. By persisting in the development model driven by both medicine and digitalisation, the Group explores the academic highlights of pharmaceutical and medical device products, which are used to identify the clinical application differences among different products. This allows the products to accurately match suitable patients, which is conducive to promoting rational use of drugs in clinical settings and facilitating the clinical recognition of the therapeutic value of the products, and ultimately benefits patients, as well as pharmaceutical and medical device enterprises.

In response to the requirements of pharmaceutical and medical device enterprises for precision omni-channel marketing and RWS, the Group has developed targeted digital academic marketing products based on the features of therapeutic fields and product lifecycles: (i) as sales of these prescription drug products manifest their seasonality and unpredictability, traditional marketing models find themselves in a difficult position to adapt to rapid seasonal changes, whereas digital marketing is characterised by speed and a wide coverage, quickly making products known to physicians for prescription; (ii) as for rare disease products, due to the specificity of rare diseases, pharmaceutical sales representatives find it challenging to pursue the traditional offline marketing strategy. In contrast, online marketing demonstrates the advantages of speed and low cost, while online education also makes it easier for more physicians to participate in screening, diagnosis, and treatment processes. The Group has created the iDocEco ecosystem and iPatflow digital patient classification product for these types of products, facilitating their faster identification of potential patients and subsequent diagnosis and treatment; (iii) as for targeted therapeutic drugs for segmented targets, unlike major targets, segmented targets cover a limited number of patients with more dispersed distribution. Through online marketing, it is easier to screen and gather more target patients, thus allowing companies to achieve more efficient marketing outcomes. This type of marketing adopts digital academic marketing products, such as iDocEco ecosystem and iPatflow, for products similar to rare diseases; and (iv) as for innovative prescription drugs related to chronic diseases, with the product life cycles shortening, pharmaceutical and medical device enterprises implementing traditional marketing models find it challenging to promptly deliver their products to a broad market. The digital marketing model makes it easier to cover a vast market and serve as an important supplement to traditional marketing techniques. The Company has developed a three-tier promotion digital product, which facilitate the marketing of such products. Through digital marketing, it rapidly enhances the public awareness and sales of such products, such as those related to weight reduction and diabetes. Currently, these solutions have achieved significant marketing outcomes for multiple rare disease products and innovative drugs for certain specific therapeutic areas, providing timely diagnosis and treatment for many patients suffering from rare diseases.

In 2023, 390 pharmaceutical and medical device enterprises utilised our Group's precision omni-channel marketing and RWS services, including 484 medical device-related products. With favourable policies surrounding innovative pharmaceuticals and medical devices, it will contribute to the sustainable development of the Group's future business.

# MANAGEMENT DISCUSSION AND ANALYSIS

As regards research and development, for the large language model (LLM), we conducted internal testing of our exclusive artificial intelligence (AI) program called MSchat in https://mschat.medsci.cn in 2023. AI is currently applied in two major aspects. On one hand, AI is fully promoted throughout the Group for internal daily work to improve work efficiency and quality. As the application of AI deepens, the Group will further enhance its work efficiency, increasing the human efficiency ratio and securing an advantageous position among the fierce competition. On the other hand, AI is embedded in products available to clients, improving the product experience and intelligence, which also enhances product competitiveness. Indeed, AI currently witnesses rapid development, with many open-source products available. The Group mainly focuses on the application of AI in specific products to improve product experience, as well as application efficiency and quality. Meanwhile, the Group has actively deployed various AI applications across different business segments. Currently, AI technology has been fully implemented in a variety of departments including research and development, as well as medical department, to enhance efficiency and quality. The physician platform business, as the cornerstone of the Group's development, primarily caters to the ongoing medical education and clinical research requirements of healthcare professionals. By providing our website and mobile application services, we offer comprehensive support to physicians in clinical practice and research, including access to cutting-edge information, research skill development, and research tool support. This business segment maintains a steady growth trajectory, which will further strengthen our leading position in this field.

The Group's revenue increased by approximately 0.1% from approximately RMB349.0 million for the year ended 31 December 2022 to approximately RMB349.2 million for the year ended 31 December 2023. Our gross profit amounted to approximately RMB216.6 million for the year ended 31 December 2023, representing an increase of approximately 5.0% as compared to approximately RMB206.3 million for the year ended 31 December 2022. The gross profit margin for the year ended 31 December 2023 continued to maintain a high level at 62.0%. The net profit for the year ended 31 December 2023 was approximately RMB55.0 million as compared to net loss of approximately RMB99.9 million for the year ended 31 December 2022. The adjusted net profit for the year ended 31 December 2023 was approximately RMB55.5 million, representing an increase of approximately 21.9% as compared to approximately RMB45.6 million for the year ended 31 December 2022. The Group's net profit margin (calculation of which is based on the profit for the year) grew from approximately −28.6% for the year ended 31 December 2022 to approximately 15.8% for the year ended 31 December 2023. The adjusted net profit margin for the year ended 31 December 2023 was approximately 15.9%, representing an increase of 2.8 percentage points as compared to approximately 13.1% for the year ended 31 December 2022.

# MANAGEMENT DISCUSSION AND ANALYSIS

## OUTLOOK

Although the pharmaceutical sector faces numerous challenges amid the ongoing adjustments of the overall economic conditions, our *MedSci* platform as the physician platform remains confident about the future. In 2024, the Group will consolidate its position as China's leading physician platform through the following strategies:

(i) We continue to build multiple targeted precision omni-channel marketing products based on the features of the therapeutic field and product lifecycle. In the earlier stages, the Group mainly focuses its service products on innovative drugs and medical devices, particularly innovative medications.

In the context of the comprehensive rollout of centralised procurement and the intensified anti-corruption efforts in the pharmaceutical sector, the Group persists in the value-based medical concept and upholds the development model driven by both medical academia and digitalisation. This aligns well with policy developments and the demand for digital academic marketing transformation from customers. Due to the accumulation of a large customer base, industry experience, and best practices in previous years, our *MedSci* platform will be in a favourable position to benefit from the industry's digital and academic marketing transformation.

(ii) Mature pharmaceutical and medical device products continue to hold a dominant position in the overall market share. Historically, the Company's omni-channel marketing of mature products was comparatively limited. In 2024, the Company plans to explore digital marketing for mature products in specific fields with reference to the success of the "three-tier promotion" products in the chronic disease sector, and it is expected to generate additional revenue in 2024.

(iii) The LLM AI application in the healthcare and pharmaceutical sectors has gained widespread usage due to the rapid development of AI technology. The Group actively embraces AI and expects to enhance service quality and efficiency to reduce relative costs as AI applications deepen. Furthermore, in 2024, specific applications based on MSchat, which are targeted at pharmaceutical and medical device enterprises, will be launched.

(iv) Specialisation and segmentation of the physician platform. The Group's physician platform is comprehensive, allowing doctors across different disciplines to exchange knowledge and enabling specialist practitioners to learn interdisciplinary knowledge. In recognition of the value of vertical medical platforms, however, the Group will develop a specialist platform for vertical fields to further refine the platform's value and user experience, laying the foundation for future commercialisation.

(v) In 2024, the Group will pursue a dual-track strategy of internal expansion and external acquisitions. Based on the current needs of the healthcare and pharmaceutical industries, the Group actively explores new business directions to identify the second growth curve for the business. Internal expansion primarily involves the continuity of developing innovative products and extending services to explore new business growth engines. External acquisitions are focused on identifying suitable acquisition targets to supplement the breadth and depth of the business.

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW

### Revenue

In 2023, we generated revenue primarily from three main business lines, namely (i) precision omni-channel marketing solutions; (ii) physician platform solutions; and (iii) RWS solutions. Our total revenue increased by 0.1% from approximately RMB349.0 million for the Corresponding Period to approximately RMB349.2 million for the Reporting Period, mainly attributable to increase in revenue from the physician platform solutions.

*(i) Precision omni-channel marketing solutions*

Revenue from precision omni-channel marketing solutions is primarily derived from fees paid by pharmaceutical and medical device companies in engaging us for precision detailing services, medical content creation services and online survey services. Revenue from precision omni-channel marketing solutions decreased by approximately 12.5% from approximately RMB198.5 million for the year ended 31 December 2022 to approximately RMB173.8 million for the year ended 31 December 2023, mainly attributable to project delays as certain ongoing projects were suspended in the third quarter of 2023 due to the internal compliance review of pharmaceutical and medical device companies in the context of combating corruption in healthcare industry. In the fourth quarter of 2023, such projects were relaunched, and we have entered into more contracts due to our academic and compliant marketing plans but the revenue will be recognized in 2024.

*(ii) Physician platform solutions*

Revenue from physician platform solutions is primarily derived from (i) service fees paid by physicians for engaging us for clinical study assistance services; and (ii) subscription fees paid by physicians for accessing certain premium academic medical contents on the *MedSci* platform. Revenue from physician platform solutions increased by approximately 34.7% from approximately RMB89.1 million for the year ended 31 December 2022 to approximately RMB120.0 million for the year ended 31 December 2023, mainly attributable to (i) the rapid increase in the demand of physician platform solutions as physicians pay more attention to their professional growth in the context of combating corruption in healthcare industry; and (ii) our expansion in clinical study business as clinical study has become a key investment direction for hospitals with the continuous upgrading of primary hospitals and high-quality development of hospitals.

*(iii) RWS solutions*

Revenue from RWS solutions is primarily derived from service fees paid by pharmaceutical and medical device companies in engaging us to design, administer and execute real-world evidence-based research projects to help expand their medical products' indication and recognition. Revenue from RWS solutions decreased by approximately 9.7% from approximately RMB61.3 million for the year ended 31 December 2022 to approximately RMB55.4 million for the year ended 31 December 2023, mainly attributable to project delays as pharmaceutical and medical device companies and hospitals were required to conduct compliance review of the ongoing RWS projects in the third quarter of 2023 in the context of combating corruption in healthcare industry.

## Cost of Sales

Our cost of sales primarily consists of (i) staff salaries and benefits relating to employee benefit expenses incurred for employees involved in operating our platform and offering our solutions to customers; (ii) content development costs primarily relating to content development fees paid to various content contributors, copyright owners and other third parties to produce contents for our solutions offering; (iii) meeting affair charge relating to offline academic conferences we organised; and (iv) various other miscellaneous expenses such as, among others, office expenses and depreciation and amortisation incurred during the ordinary course of our business. Our cost of sales decreased by approximately 7.0% from approximately RMB142.6 million for the year ended 31 December 2022 to approximately RMB132.6 million for the year ended 31 December 2023, mainly attributable to decrease in content development costs. Our content development costs decreased by approximately 17% from approximately RMB85.2 million for the year ended 31 December 2022 to approximately RMB70.6 million for the year ended 31 December 2023, mainly attributable to our improvement in output per capita as we have improved efficiency of human resources management.

## Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased by approximately 5.0% from approximately RMB206.3 million for the year ended 31 December 2022 to approximately RMB216.6 million for the year ended 31 December 2023. For the year ended 31 December 2023, our gross profit margin was approximately 62.0%, representing a slight increase as compared to approximately 59.1% in 2022.

## Other Income and Gains

Our other income primarily consists of (i) bank interest income; (ii) tax incentives granted by local authorities; (iii) government grants; (iv) value-added tax; and (v) others. We also recognised gains for the year ended 31 December 2023 which primarily includes fair value gains on financial assets through profit or loss. For the year ended 31 December 2023, our other income and gains were approximately RMB35.3 million, as compared to approximately RMB13.8 million for the Corresponding Period. The increase was mainly attributable to increase in income interest from bank deposits.

## Selling and Distribution Expenses

Our selling and distribution expenses primarily consist of (i) staff salaries and benefits mainly including expenses paid to employees performing selling and distribution functions; (ii) traveling expenses mainly including traveling fees incurred by our employees in performing selling and distribution functions; (iii) professional fees in relation to fees paid to external lecturers in hosting our online courses; (iv) business development expenses mainly including marketing-associated costs in relation to various online and offline campaigns; and (v) other miscellaneous expenses, such as, office expenses and depreciation and amortisation in relation to property, office equipment and electronic equipment in association with selling and distribution functions. Our selling and distribution expenses decreased by approximately 4.6% from approximately RMB94.9 million for the year ended 31 December 2022 to approximately RMB90.5 million for the year ended 31 December 2023, mainly attributable to (i) improvement of ability of our business personnel as we have strengthened their professional training; and (ii) our improvement in output per capita as we have improved efficiency of human resources management.

# MANAGEMENT DISCUSSION AND ANALYSIS

### Research and Development Expenses

Our research and development expenses primarily consist of (i) salaries and benefits for employees performing research and development functions, (ii) professional fees in relation to third-party software and technology required to build our platform infrastructure and (iii) other miscellaneous expenses such as, among others, traveling expenses, depreciation and amortization and office expenses incurred during the research and development process. Our research and development expenses increased by approximately 13.8% from approximately RMB35.0 million for the year ended 31 December 2022 to approximately RMB39.9 million for the year ended 31 December 2023, mainly due to the establishment of large-scale research and development projects by the Company in mid-2022. The purpose of these projects is to enhance the content quality of the Company's platform, increase user activity and stickiness, thereby increasing our marketing business volume. As our research and development activities are on-going, it will lead to an increase in our research and development expenses.

### Administrative Expenses

Our administrative expenses primarily consist of (i) staff salaries mainly including salaries and benefits paid to employees performing administrative functions; (ii) depreciation and amortisation in relation to property, office equipment and electronic equipment in association with administrative functions; (iii) external consulting fees in relation to auditing fees, service fees paid for external training and service fees paid to employment agencies; (iv) office expenses in relation to administrative functions; (v) share-based payment in relation to the equity incentive plan; (vi) listing expenses in relation to the Global Offering; and (vii) other miscellaneous fees such as travelling expenses and utility expenses incurred during the ordinary course of our business when performing administrative functions. Our administrative expenses decreased by approximately 23.1% from approximately RMB73.4 million for the year ended 31 December 2022 to approximately RMB56.4 million for the year ended 31 December 2023, mainly attributable to the decrease in listing expenses in respect of the Global Offering.

### Finance Costs

Our finance costs primarily represent interest on our lease liabilities. Our finance costs decreased by approximately 22.7% from approximately RMB0.4 million for the year ended 31 December 2022 to approximately RMB0.3 million for the year ended 31 December 2023, mainly attributable to the decrease in leasing liabilities as we have strategically managed our leasing properties.

### Profit/(Loss) before Tax

As a result of the foregoing, we generated profit before tax of approximately RMB60.5 million for the Reporting Period as compared to a loss before tax of approximately RMB96.3 million for the Corresponding Period.

### Income Tax Expenses

Our income tax expense increased from approximately RMB3.6 million for the year ended 31 December 2022 to approximately RMB5.4 million for the year ended 31 December 2023, mainly attributable to increase in profit before tax in 2023.

### Profit/(Loss) for the Year and Profit/(Loss) Attributable to Owners of the Parent

As a result of the foregoing, our loss of approximately RMB99.9 million for the year ended 31 December 2022 was turnaround to become a profit of approximately RMB55.0 million for the year ended 31 December 2023, while the loss attributable to owners of the parent of approximately RMB99.9 million for the year ended 31 December 2022 was turnaround to become profit attributable to owners of the parent of approximately RMB55.0 million for the year ended 31 December 2023. Our net profit margin (calculation of which is based on profit for the period) increased from approximately −28.6% for the year ended 31 December 2022 to approximately 15.8% for the year ended 31 December 2023.

# MANAGEMENT DISCUSSION AND ANALYSIS

### Adjusted Net Profit (Non-IFRS measures)

To supplement the Group's consolidated financial statements which are presented in accordance with IFRS, the Company also used unaudited non-IFRS adjusted net profit as an additional financial measure in order to evaluate its financial performance by eliminating the impact of items that we do not consider indicative of the performance of our business. The term "adjusted net profit" is not defined under IFRS. Other companies in the industry which the Group operates in may calculate such non-IFRS item differently from the Group. The use of adjusted net profit has material limitations as an analytical tool, as adjusted net profit does not include all items that impact the Group's net profit for the Reporting Period and should not be considered in isolation or as a substitute for analysis of the Group's results as reported under IFRS.

The following table sets out the calculation of adjusted net profit for the periods indicated:

| | For the year ended 31 December | |
|---|---|---|
| | **2023** | 2022 |
| | **RMB'000** | RMB'000 |
| Profit/(Loss) for the period | **55,042** | (99,881) |
| Add: | | |
| Relevant listing expenses | **13,250** | 36,084 |
| Fair value (gains)/losses on convertible redeemable preferred shares | **(12,785)** | 109,350 |
| Adjusted net profit | **55,507** | 45,553 |

For the year ended 31 December 2023, the adjusted net profit (adjusted by excluding the relevant listing expenses and fair value gains/losses on convertible redeemable preferred shares) amounted to approximately RMB55.5 million, representing an increase of approximately 21.9% as compared to approximately RMB45.6 million for the year ended 31 December 2022.

The adjusted net profit margin for the year ended 31 December 2023 was approximately 15.9%, representing an increase of 2.8 percentage points as compared to approximately 13.1% for the Corresponding Period.

## LIQUIDITY AND CAPITAL RESOURCES

For the year ended 31 December 2023, we mainly finance our capital requirements through cash generated from our business operations, and the net proceeds from the Global Offering.

We currently do not anticipate any changes to the availability of financing to fund our operations in the near future. The unutilised portion of the net proceeds raised by the Company from the Global Offering was placed with the licensed financial institutions as short-term deposits.

### Banking Facilities

For the year ended 31 December 2023, we did not have any banking borrowings or other interest-bearing borrowings, nor did we have outstanding bank and other borrowings and other debts, save for the lease liabilities for the relevant lease terms amounting to approximately RMB4.6 million in aggregate.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Financial Assets at Fair Value through Profit or Loss

The Group's financial assets at fair value through profit or loss increased from approximately nil as at 31 December 2022 to approximately RMB501.9 million as at 31 December 2023, primarily due to an increase in the wealth management products invested.

As part of the Group's treasury management, the Group may from time to time purchases low to medium-risk wealth management products using internal resources without utilising proceeds from the Global Offering to improve utilisation of the Group's cash on hand on a short-term basis. The Group has implemented internal policies and rules setting out overall principles and the approval process to manage such investment activities. As a policy, the Group considers a number of criteria when assessing a proposal to invest in wealth management products, including but not limited to the following:

i. the Group has idle cash and bank balances and no major cash outflow is needed in the foreseeable future;

ii. the investment in high-risk wealth management products, such as futures and other financial derivatives, are prohibited;

iii. the investment return will be in line with the level of risk and liquidity; and

iv. the management of such investments will align with the Group's development strategies and will not affect the business operation of the Group.

## Gearing Ratio

As at 31 December 2023, the gearing ratio, which is calculated by dividing borrowings by total equity, is zero as there was no debt.

## Charge on Assets

As at 31 December 2023, we did not pledge any of our assets.

## Capital Expenditure

As at 31 December 2023, we did not have any significant capital expenditure.

## Capital Commitment

As at 31 December 2023, we did not have any significant capital commitment.

## Contingent Liabilities

As at 31 December 2023, we did not have any material contingent liabilities.

## Employees and Remuneration Policies

As at 31 December 2023, the Group had a total of 545 full-time employees, all of who are based in Mainland China. In particular, 14 employees are responsible for the Group's management, 240 employees for platform operation and customer services, 56 employees for research and development, 31 employees for general and administration, and 204 employees for sales and marketing.

For the year ended 31 December 2023, the total staff cost incurred by the Group was approximately RMB180.7 million, as compared to approximately RMB177.0 million for the year ended 31 December 2022.

We provide our employees with salaries and bonuses, as well as employee benefits, including employee retirement benefit schemes, medical and vocational injury insurance schemes and housing provident fund schemes. Our employees located in China are covered by the mandatory social security schemes defined by PRC local practice and regulations, which are essentially defined contribution schemes.

The Group provides orientation and training to new recruits as well as ongoing in-house training for junior employees, which the Group believes can enhance the skills and productivity of its employees. The Group compensates employees with base salaries and performance-based bonuses.

## OTHER INFORMATION

### Compliance with the Corporate Governance Code

The Company is committed to maintaining and promoting high standards of corporate governance, which is essential to the Company's development and protection of the interests of its shareholders. The Company has adopted the relevant code provisions of the Corporate Governance Code as the basis for its corporate governance practices.

The Board is of the view that the Company has complied with all the applicable code provisions as set out in the Corporate Governance Code since the Listing Date and up to 31 December 2023, except for the code provision C.5.1 as more particularly described in the section headed "Corporate Governance Report" in this annual report. The Board will continue to review and monitor the corporate governance practices of the Company with the aim of maintaining a high standard of corporate governance.

### Compliance with Model Code

The Company has adopted the Model Code as its code of conduct regarding dealings in the securities of the Company by the Directors and the Group's employees who, because of his/her office or employment, are likely to possess inside information. Specific enquiries have been made by the Company to all Directors, and the Directors have confirmed that they have complied with the Model Code since the Listing Date and up to 31 December 2023. No incident of non-compliance of the Model Code by the employees was identified by the Company since the Listing Date and up to 31 December 2023.

### Purchase, Sale or Redemption of Listed Securities

Since the Listing Date and up to 31 December 2023, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Use of Proceeds

The 66,789,000 new Shares were listed on the Main Board of the Stock Exchange on the Listing Date at HKD9.10 per share, with net proceeds received by the Company from the Global Offering in the amount of approximately HKD526.8 million after deducting underwriting commissions and all related expenses. The following table sets forth the Company's use of the proceeds from the Global Offering as at 31 December 2023:

| | Approximate % of the total net proceeds | Net proceeds from the Global Offering<br>HKD'million | Actual utilised amount as at 31 December 2023<br>HKD 'million | Unutilised amount as at 31 December 2023<br>HKD 'million | Expected timeline of full utilization |
|---|---|---|---|---|---|
| Business expansion | 45 | 237.1 | – | 237.1 | Before December 2025 |
| Further technology development | 35 | 184.4 | 21.7 | 162.7 | Before December 2025 |
| Potential investments and acquisitions or strategic alliance with companies that can generate synergies with our business | 15 | 79.0 | – | 79.0 | Before December 2025 |
| Working capital and general corporate purposes | 5 | 26.3 | 26.3 | – | Before December 2024 |
| Total | 100.0 | 526.8 | 48 | 478.8 | |

The net proceeds have been and will be utilized in accordance with the purposes set out in the Prospectus. The expected timeline for utilizing the remaining proceeds is based on the best estimation of the future progress of business expansion and market conditions made by the Company. It will be subject to change based on the current and future development of market conditions.

## Significant Investments, Acquisition and Disposals

Except for investment in subsidiaries, there were no significant investments held by the Group as at 31 December 2023. The Group had no other material acquisitions or disposal of subsidiaries, associates and joint ventures during the Reporting Period.

## Future Plans for Material Investments and Capital Assets

Save as disclosed in the aforementioned paragraph headed "Use of proceeds" in this section, the Group did not have plan for material investments and capital assets as at the date of this report.

## Foreign Exchange Exposure

The Group currently does not have any hedging policy for foreign currencies in place. However, the Board will remain alert to any relevant risks and, if necessary, consider to hedge any material potential foreign exchange risk.

# CORPORATE GOVERNANCE REPORT

The Board is committed to maintaining and promoting high standards of corporate governance, which is essential to the Company's development and protection of the interests of its shareholders. The Company has adopted the relevant code provisions of the Corporate Governance Code contained in Appendix C1 to the Listing Rules as the basis for its corporate governance practices. The Board is of the view that during the year ended 31 December 2023, the Company has complied with all applicable code provisions as set out in the CG Code,except for the code provision C.5.1 as more particularly described below.

## MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its code of conduct regarding dealings in the securities of the Company by the Directors and the Group's employees who, because of his/her office or employment, are likely to possess inside information. Specific enquiries have been made by the Company to all Directors, and the Directors have confirmed that they have complied with the Model Code since the Listing Date and up to 31 December 2023. No incident of non-compliance of the Model Code by the employees was identified by the Company since the Listing Date and up to 31 December 2023.

## BOARD OF DIRECTORS

As at the date of this report, the Board consists of four executive directors, two non-executive directors and three independent non-executive directors. As the independent non-executive directors made up at least one-third of the Board, the current Board size is considered appropriate with regard to nature and scope of the Group's operations. The Board members bring with them a wealth of knowledge, expertise and experience to contribute valuable direction and insight to the Group. The composition of the Board is disclosed in the section headed "Directors' Report" of this annual report.

The Board, which meets at least four times a year, manages the business and affairs of the Group, approves the Group's corporate and strategic direction, appoints directors and key personnel, approves annual budgets and major funding and investment proposals, and reviews the financial performance of the Group.

For effective management, certain functions have been delegated to various board committees, each of which has its own written terms of reference and whose actions are reported to and monitored by the Board.

The Company has internal guidelines in regard to matters that require Board approval. Material transactions that need Board approval are as follows:

a. approval of interim results announcement;

b. approval of annual results and accounts;

c. declaration of interim dividends and proposal of final dividends;

d. convening of shareholders' meeting;

e. approval of corporate strategy;

f. authorization of merger and acquisition transactions; and

g. authorization of major transactions.

# CORPORATE GOVERNANCE REPORT

Each member of the Board, Dr. Zhang Fabao, Dr. Li Xinmei, Mr. Fan Jie, Mr. Wang Shuai, Mr. Hu Xubo, Mr. Yan Shengfeng, Ms. Liu Tao, Mr. Yu Mingyang and Mr. Lau Yiu Kwan Stanley participated in continuous professional development in the form of either directors' training sessions, corporate governance conference, accounting standard seminar and/or reading relevant materials, to ensure that their contribution to the Board remains informed and relevant. All directors have provided to the Company their records of training received during year 2023 which include conference, seminar and/or reading materials relevant to the Company's business or to the directors' duties and responsibilities.

The term of appointment of Directors is set out in the section headed "Directors' Report" of this Annual Report.

The biographical information of the Directors is set out in the section headed "Directors and Senior Management" of this Annual Report. The relationships between the Directors are disclosed in the respective Director's biography under the section "Directors and Senior Management" of this Annual Report. Save as disclosed above, there is no relationships (including financial, business, family or other material/relevant relationship(s)) between the Board members and in particular, between the Chairman and the Chief Executive Officer.

## INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

During the period from the Listing Date to 31 December 2023, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his/her independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent.

## RESPONSIBILITIES AND DELEGATION

The Board is responsible for the leadership and control of the Company, directing and supervising the Company's affairs and acting in the best interests of the Company and its Shareholders.

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

All Directors, including non-executive Directors and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. All Directors have full and timely access to all the information of the Company, and may upon request, seek independent professional advice in appropriate circumstances at the Company's expenses for discharging their duties to the Company. The Directors have disclosed to the Company details of other offices held by them.

The Board reserves its discretion on all major matters relating to policy matters, strategies and budgets, risk management and internal control, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and coordinating the daily operation and management of the Company are delegated to the chief executive officer and management. The delegated functions and responsibilities are periodically reviewed by the Board. Approval has to be obtained from the Board prior to any significant transactions entered into by the aforesaid officers.

## BOARD MEETING

Regular Board meetings should be held at least four times a year involving active participation, either in person or through electronic means of communication, of a majority of Directors.

## DIRECTORS' ATTENDANCE RECORDS

The attendance record of each Director at the Board meetings, the Board Committee meetings and the general meetings of the Company held during the period from the Listing Date to the end of the Reporting Period is set out in the table below:

| | Board of Directors Meeting | | Remuneration Committee Meeting | | Nomination Committee Meeting | | Audit Committee Meeting | | Independent Non-Executive Directors Meeting with Chairman | Annual General Meeting |
|---|---|---|---|---|---|---|---|---|---|---|
| | Position | No. attended/ held | Position | No. attended/ held | Position | No. attended/ held | Position | No. attended/ held | No. attended/ held | No. attended/ held |
| **Executive Director** | | | | | | | | | | |
| Dr. Zhang Fabao | C | 2/2 | – | – | C | – | – | – | 1/1 | 1/1 |
| Dr. Li Xinmei | M | 2/2 | M | – | – | – | – | – | – | 0/1 |
| Mr. Fan Jie | M | 2/2 | – | – | – | – | – | – | – | 0/1 |
| Mr. Wang Shuai | M | 2/2 | – | – | – | – | – | – | – | 1/1 |
| **Non-executive Director** | | | | | | | | | | |
| Mr. Hu Xubo | M | 2/2 | – | – | – | – | – | – | – | 0/1 |
| Mr. Yan Shengfeng | M | 1/2 | – | – | – | – | – | – | – | 0/1 |
| **Independent Non-executive Director** | | | | | | | | | | |
| Ms. Liu Tao | M | 2/2 | M | – | – | – | C | 1/1 | 1/1 | 0/1 |
| Mr. Yu Mingyang | M | 2/2 | C | – | M | – | M | 1/1 | 1/1 | 0/1 |
| Lau Yiu Kwan Stanley | M | 2/2 | – | – | M | – | M | 1/1 | 1/1 | 0/1 |

Notes:

(1) Code provision C.5.1 of the Corporate Governance Code recommend that our Board should meet regularly and Board meetings should be held at least four times a year at approximately quarterly intervals. Our Company listed on the Main Board of the Stock Exchange on 27 April 2023, from which date our Corporate Governance Code commenced. Since the Listing Date and until the end of the Reporting Period, we had held 2 Board meetings, 1 Audit Committee meeting and 1 meeting held between the Chairman and the Independent Non-executive Directors. Our Board has been in regular communication with one another and, going forward, will continue to meet regularly to update themselves on our Company's affairs.

(2) There are 2 Board meetings, 1 Remuneration Committee meeting, 1 Nomination Committee meeting and 1 Audit Committee meeting were held before the Listing date which are not shown in the table above.

(3) There is an annual general meeting held on 30 June 2023 during the year.

## CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Dr. Zhang Fabao ("Dr. Zhang") currently holds the offices of chairman of the Board ("Chairman"). Dr. Zhang is responsible for the overall strategic development, corporate governance and management of our Group. He has in-depth professional knowledge of, and extensive experience in the physician industry and full cognizance of the workings of the business operations of the Group. In view of this, the Board would like him to continue with some executive functions. The balance of power and authority is ensured by the participation and input of the other Board members who are highly qualified and experienced professionals. The roles of the respective executive directors and senior management who are in charge of different disciplinary functions complement the role of the Chairman and Chief Executive Officer. The Board believes that this structure is conducive to strong and consistent leadership enabling the Group to make and implement decisions promptly and efficiently.

## APPOINTMENT AND RE-ELECTION OF DIRECTORS

All the Directors are subject to retirement by rotation and re-election at the annual general meetings. Under the Articles of Association of the Company, at each annual general meeting, one-third of the Directors for the time being, or if their number is not three of a multiple of three, the number nearest to but not less than one-third shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years. The Company's Articles of Association also provides that all Directors appointed to fill a casual vacancy or as addition to the Board shall hold office until the first annual general meeting after appointment. The retiring Directors shall be eligible for re-election.

## BOARD INDEPENDENCE EVALUATION

The Company has established a board independence evaluation mechanism ("Board Independence Evaluation Mechanism") which sets out the processes and procedures to ensure a strong independent element on the Board, which allows the Board effectively exercises independent judgment to better safeguard Shareholders' interests.

The objectives of the evaluation are to improve Board effectiveness, maximise strengths, and identify the areas that need improvement or further development. The evaluation process also clarifies what actions of the Company need to be taken to maintain and improve the Board performance, for instance, addressing individual training and development needs of each Director. Pursuant to the board independence evaluation mechanism, the Board has reviewed the implementation and effectiveness of the Board Independence Evaluation Mechanism and the results were satisfactory.

## REMUNERATION COMMITTEE

We have established the Remuneration Committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code. The Remuneration Committee consists of one executive Director, namely Dr. Li Xinmei, and two independent non-executive Directors, namely, Ms. Liu Tao and Mr. Yu Mingyang. Mr. Yu Mingyang is the chairman of the Remuneration Committee.

The primary duties of the Remuneration Committee include, without limitation, the following:

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

b. to determining the delegated responsibility and the remuneration packages of individual executive Directors and senior management, or alternatively, making recommendations to the Board on such remuneration packages; and

c. ensuring that the performance-related elements of remuneration form a significant proportion of the total remuneration package of executive Directors and are designed to align their interests with those of Shareholders and to give our Directors incentives to perform at the highest levels.

During the Reporting Period, the Remuneration Committee has convened 1 meeting (before the Listing Date) and performed the following major tasks:

- Reviewed the remuneration policy and remuneration packages of the Directors and the senior management of the Company with reference to their performances and the corporate goals and objectives resolved by the Board.
- Conducted regular reviews on the level of remuneration with reference to companies with comparable business or scale.
- Consult with the Chairman of the Board about the performance of senior executives.

## NOMINATION COMMITTEE

We have established the Nomination Committee with written terms of reference in compliance with Rule 3.27A of the Listing Rules and the Corporate Governance Code. The Nomination Committee consists of one executive Director, namely Dr. Zhang Fabao, and two independent non-executive Directors, namely, Mr. Yu Mingyang and Mr. Lau Yiu Kwan Stanley. Dr. Zhang Fabao is the chairman of the Nomination Committee.

The primary duties of the Nomination Committee include, without limitation:

a. reviewing the structure, size and composition of the Board,

b. assessing the independence of independent non-executive Directors and making recommendations to the Board of Directors on matters relating to the appointment of Directors.

During the Reporting Period, the Nomination Committee has convened 1 meeting (before the Listing Date) and performed the following major tasks:

- Reviewed the structure, size and composition of the Board and its committees to ensure that they have a balance of expertise, skills and experience appropriate to the requirements for the business of the Group.
- Assessed the independence of all the independent non-executive Directors.
- Recommended the re-election of the retiring Directors at the 2023 annual general meeting of the Company.
- Reviewed the board diversity policy and the policy for the nomination of directors during the Reporting Period.

# CORPORATE GOVERNANCE REPORT

## DIVERSITY

We are committed to promoting the culture of diversity in our Company. We have strived to promote diversity to the extent practicable by taking into consideration a number of factors in our corporate governance structure.

We have adopted the board diversity policy which sets out the objective and approach to achieve and maintain diversity of our Board in order to enhance the effectiveness of our Board. Pursuant to the board diversity policy, we seek to achieve Board diversity through the consideration of a number of factors, including but not limited to age, race, gender, language, cultural background, educational background, industry experience and professional experience. Our Directors have a balanced mix of knowledge, skills and experience in the areas of information technology, finance, accounting, investment and healthcare. The ages of our Directors range from 31 to 68 years old.

Our Board currently consists of two female Directors and seven male Directors with a balanced mix of knowledge and skills, including but not limited to overall management and strategic development, finance, accounting and risk management, as well as professional experiences in investment industry. The Board of Directors is of the view that our Board satisfies our board diversity policy.

We are also committed to adopting a similar approach to promote diversity within management (including but not limited to the senior management) of our Company to enhance the effectiveness of corporate governance of our Company as a whole.

Our Nomination Committee is delegated by our Board to be responsible for compliance with relevant codes governing board diversity under the Corporate Governance Code. Based on our existing business model, business needs and the background of our Directors, our Directors believe that our current Board composition satisfies the principles under the board diversity policy. Our Nomination Committee will continue to review the board diversity policy from time to time to ensure its continued effectiveness, and we will disclose in our corporate governance report about the implementation of the board diversity policy on an annual basis. In recognizing the particular importance of gender diversity, our Nomination Committee will use its best endeavors to actively identify and recommend additional suitably qualified female candidates to be nominated as members of the Board (keeping in mind the importance of management continuity and the timeline for retirement and reappointment of Directors under the Articles) in order to further enhance our Board's gender diversity in the long run. We will also continue to ensure that there is gender diversity when recruiting staff at mid to senior level so that we will have a pipeline of female senior management and potential successors to our Board in due time to ensure gender diversity of our Board. Our Group will continue to emphasize training of female talent and providing long-term development opportunities for our female staff.

## DIRECTOR NOMINATION POLICY

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

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

The Nomination Committee will recommend to the Board for the nomination, appointment of new Directors in accordance with the following procedures and process: (a) the Nomination Committee shall first review and assess factors relating to the diversity of the Board, including but not limited to professional experience, skill, knowledge and length of service, gender, age, cultural and education background, and give consideration to the candidate's willingness to devote adequate time to the Board and independence of each independent non-executive directors based on the requirements of the Listing Rules as amended from time to time; and (b) the Nomination Committee shall then nominate suitable candidates to the Board based on the then-current and anticipated future leadership needs of the Company, with a view to achieving a sustainable and balanced development of the Company.

For the re-election of Directors at the general meeting, the Nomination Committee shall review the overall contribution and service to the Company of the retiring Directors, including its attendance at Board meetings, Board committee meetings and general meetings (if applicable), and his/her level of participation and performance on the Board. The Nominating Committee shall require the nominee to submit updated biographical information and the consent to be re-elected as a Director; and should review and determine whether retiring Directors still meet the criteria for Director selection.

The Nominating Committee shall then make recommendations to the Board on the re-election of Directors. The Nomination Committee shall also monitor and review the implementation of the nomination policy, as appropriate from time to time, and will report to the Board annually.

## GENDER DIVERSITY

The Company values gender diversity across all levels of the Group. The following table sets out the gender ratio in the workforce of the Group, including the Board and senior management as at 31 December 2023:

| Name of Substantial Shareholder | Female | Male |
|---|---|---|
| Board | 22%<br>(2) | 78%<br>(7) |
| Overall workforce (information as at 31 December 2023) | 33% (180) | 67% (365) |

The Board targets to maintain at least the current level of female representation and will continue to take steps to promote gender diversity at the Board of our Company. Going forward, 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. To further ensure gender diversity of our Board in a long run, our Group will also identify and select several female individuals with a diverse range of skills, experience and knowledge in different fields from time to time, and maintain a list of such female individuals who possess qualities to become our Board members, which will be reviewed by our nomination committee periodically in order to develop a pipeline of potential successors to our Board to promote gender diversity of our Board.

The gender ratio of male to female in the workforce (including senior management) for Reporting Period is approximately 67:33. The total gender diversity of the Group is balanced and satisfied the requirement of employee gender diversity. The Group will continue to maintain the gender diversity in workforce. For further details of gender ratio and initiatives taken to improve gender diversity together with the relevant data, please refer to the disclosure in the "Environmental, Social and Governance Report" which is to be published on the same day with this report.

## CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the corporate governance duties under the following terms of reference:

a. to develop and review the Company's policies and practices on corporate governance and make recommendations on changes and updating;

b. to review and monitor the training and continuous professional development of directors and senior management;

c. to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

d. to develop, review and monitor the code of conduct and compliance manual applicable to employees and directors; and

e. to review the Company's compliance with the code and disclosure in the Corporate Governance Report.

## AUDIT COMMITTEE

The Audit Committee consists of three independent non-executive Directors, namely, Ms. Liu Tao, Mr. Yu Mingyang and Mr. Lau Yiu Kwan Stanley.

Ms. Liu Tao is the chairwoman of the Audit Committee and has the related financial management expertise as required under Rules 3.10(2) and 3.21 of the Listing Rules. The primary duties of the Audit Committee include, without limitation, assisting our Board by providing an independent view of the effectiveness of the financial controls, internal control and risk management systems of our Group and overseeing the audit process. The members of the Audit Committee have years of experience in business management, accounting, and finance services. The Board is of the view that the members of the Audit Committee have sufficient accounting and financial management expertise and experience to discharge the Audit Committee functions.

The Audit Committee convened two meetings (1 meeting was convened before the Listing Date) during 2023. The Audit Committee met up with the external auditors at least twice a year. Details of members and their attendance records are provided in the above table.

The primary duties of the Audit Committee include, without limitation, the following:

a. to review the audit plans of the internal auditors of the Company and ensure the adequacy of the Company's system of accounting controls and co-operation of the Company's management with the external and internal auditors;

b. to review the interim and annual financial statements and the auditors' report on the annual financial statements of the Company before submission to the Board;

c. to review effectiveness of the Company's material internal controls, including financial, operational and compliance controls and risk management through reviews conducted by the internal auditors;

d. to ensure the duty is discharged by directors in relation to the responsibility of directors to conduct an annual review of the adequacy of resources, qualifications and experience of staff for the issuer's accounting and financial reporting function, and training programmes and budget;

e. to meet with the external auditors, other committees, and management in separate executive sessions regarding matters that these parties believe should be discussed privately with the Audit Committee;

f. to review the cost effectiveness and the independence and objectivity of the external auditors; and

g. to recommend to the Board the compensation of the external auditors, and review the scope and results of the audit.

The Audit Committee has the power to conduct or authorize investigations into any matters within the Audit Committee's scope of responsibility.

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

As our Company's Shares were listed on the Stock Exchange on 27 April 2023, one Audit Committee meeting was held after the Listing date and up to the end of the Reporting Period for reviewing (1)interim results and interim report for the six months ended 30 June 2023 and (2) external auditors' plans. Our Audit Committee has also reviewed the continuing connected transactions of our Group, the significant issues on the financial reporting, operational and compliance controls, the effectiveness of the risk management and internal control systems and internal audit function, the appointment of external auditor and engagement of non-audit services and relevant scope of works, and the arrangements for employees to raise concerns about possible improprieties.

## EXTERNAL AUDITORS AND AUDITORS REMUNERATION

The external auditors' reporting responsibilities on the financial statements are stated in the Company's Annual Report.

The external auditors' remuneration (excluding out of pocket and miscellaneous expenses) for annual audit services for year 2023 is RMB2,680,000.

## DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, price-sensitive and/or inside information announcements and other disclosures required under the Listing Rules and other regulatory requirements.

The senior management provides such explanation and information to the Board so as to enable the Board to make an informed assessment of the financial information and position of the Company.

# CORPORATE GOVERNANCE REPORT

## RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility for the Group's risk management and internal control systems and reviewing their effectiveness. Annual review is conducted on the internal controls of the Company and its subsidiaries, including financial, operational and compliance control and risk management functions.

The Group's system of internal controls includes the setting up of a management structure with authority limits, and is designed to help the Group achieve its business objectives, protects its assets against unauthorised use or disposition, ensures the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensures compliance with relevant laws and regulations. The risk management and internal control systems are designed to provide reasonable, and not absolute assurance, against material misstatement or loss and manages rather than eliminates risks of failure to achieve the Company's business objectives, safeguard assets, ensure the maintenance of proper accounting records, the reliability of financial information, compliance with appropriate legislation, regulation and best practice, and the identification and containment of business risk.

The Company's internal auditors continually review the effectiveness of the Company's risk management and internal control systems, including financial, operational and compliance controls according to their audit plans. Any material non-compliance or failures in internal controls together with recommendations for improvements were reported to the Audit Committee accordingly.

The Group makes every effort to comply with the requirements of the Securities and Futures Ordinance ("SFO") and the Listing Rules. It discloses every applicable inside information to the public as soon as reasonably practicable. Such information is kept strictly confidential until it is disclosed to the public. It is committed to ensure that all information to the public are presented in a clear and balanced way. It also ensures that information contained in announcements or circulars are not false or misleading as to a material fact, or false or misleading through the omission of a material fact.

The Board confirms that, in the absence of any evidence to the contrary, the risk management and internal control systems maintained by the Group and that were in place throughout the financial year and up to the date of this report, are adequate and effective and has been reviewed on an ongoing basis.

## JOINT COMPANY SECRETARIES

Mr. Yang Chun ("Mr. Yang") and Ms. Kwan Sau In, a manager of corporate services of Tricor Services Limited are the joint company secretaries of the Company. The primary corporate contact person of our Company is Mr. Yang who is our joint company secretary and vice president.

The joint company secretaries have complied with Rule 3.29 of the Listing Rules by taking no less than 15 hours of the relevant professional training during the year ended 31 December 2023.

During the Reporting Period, all Directors have access to the advice and services of the joint company secretaries on corporate governance and board practices related matters.

## COMMUNICATION WITH SHAREHOLDERS

Our Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor understanding of our Group's business performance and strategies. Our Company endeavours to maintain an on-going dialogue with Shareholders and in particular, through annual general meetings and other general meetings. At the annual general meeting, Directors (or their delegates as appropriate) are available to meet Shareholders and answer their enquiries.

To safeguard Shareholder interests and rights, separate resolution should be proposed for each substantially separate issue at general meetings, including the election of individual Director. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of our Company and of the Stock Exchange after each general meeting.

The Company has established a range of communication channels between itself and its Shareholders, investors and other stakeholders:

### (1) Corporate Website

The Company also has a website at https://www.medsci.cn/ containing corporate communications documents, listings documents, announcements, reports, company information and other documents published by the Company on the website of the Stock Exchange for public inspection. The Company's website serves as a platform for communication with shareholders and investors.

### (2) Shareholders' Meetings

Shareholders are encouraged to participate in general meetings or to appoint proxies to attend and vote at the meetings for and on their behalf if they are unable to attend the meetings. Appropriate arrangements for the annual general meetings will be in place to encourage shareholders' participation. The process of the Company's general meeting will be monitored and reviewed on a regular basis, and if necessary, changes will be made to ensure that shareholders' needs are best served. Board members, in particular, the chairmen of Board committees or their delegates, appropriate senior management will attend annual general meetings to answer Shareholders' questions.

### (3) Enquiries about Shareholdings

The Board will maintain an on-going dialogue with the shareholders and will review shareholders' communication policy regularly to ensure its effectiveness. Shareholders may at any time make a request for the Company's information to the extent such information is publicly available.

Shareholders and investors may also write to the Company's principal place of business and headquarters in the PRC at 18/F, Building 34, No. 258, Xinzhuan Road, Songjiang District, Shanghai, PRC for enquiries. Such enquiries will be fully responded to as soon as possible.

After reviewing the various measures, the Board is of the view that the Shareholders' Communication Policy for the year ended 31 December 2023 has been properly implemented and effective.

# CORPORATE GOVERNANCE REPORT

## CHANGE IN CONSTITUTIONAL DOCUMENTS

Pursuant to a special resolution of Shareholders passed on 30 March 2023, the current amended and restated memorandum and articles of association of the Company were adopted with effect from the Listing Date.

For the full text of the Amended Articles of Association, please refer to the website of Hong Kong Stock Exchange (https://www.hkexnews.hk) and the website of the Company (http://medscihealthcare.com/).

## DIVIDEND POLICY

Our Company has adopted a Dividend Policy on payment of dividends. Our Company do not have any pre-determined dividend payout ratio. Depending on the financial conditions of our Company and our Group, the prevailing economic environment and the conditions and factors as set out in the Dividend Policy, dividends may be proposed and/or declared by our Board during a financial year and any final dividend(s) for a financial year will be subject to our Shareholders' approval.

## PUTTING FORWARD ENQUIRIES TO THE BOARD

For putting forward any enquiries to the Board of the Company, shareholders may send their enquiries or requests to the following:

Address: 18th Floor, Building 34, No. 258, Xinzhuan Road, Songjiang District, Shanghai, PRC
Email: ir@medsci.cn

For the avoidance of doubt, shareholders must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address, apart from the registered office of the Company, and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

Shareholders may call the Company at +86 21 5448 0588 for any assistance.

Note: The Company will not normally deal with verbal or anonymous enquiries.

## PUTTING FORWARD PROPOSALS AT GENERAL MEETINGS

There are no provisions under the Articles of Association or the Companies Act of the Cayman Islands regarding procedures for Shareholders to put forward proposals at a general meeting. Shareholders who wish to submit a proposal may request our Company to convene a general meeting in accordance with the procedure set out in the following paragraph, to consider the matters specified in the request.

## CONVENING AN EXTRAORDINARY GENERAL MEETING BY SHAREHOLDERS

Pursuant to the Article 64 of the Articles of Association, our Board may, whenever it thinks fit, convene an extraordinary general meeting. One or more members (including a member which is a recognized clearing house (or its nominee(s))), holding as at the date of deposit of the requisition, in aggregate not less than one-tenth of the voting rights, on a one vote per share basis, in the share capital of our Company, shall at all times have the right, by written requisition signed by the requisitionist(s) deposited at the principal office of our Company in Hong Kong or, in the event our Company ceases to have such a principal office, our registered office, to require an extraordinary general meeting to be called for the transaction of any business specified in such requisition and/or add resolutions to the meeting agenda (if any). If our Board does not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further 21 days, the requisitionist(s) themselves or any of them representing more than one-half of the voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by our Board provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of our Board shall be reimbursed to them by our Company.

# DIRECTORS' REPORT

The Board is pleased to present this annual report together with the audited consolidated financial statements of the Group for the Reporting Period.

## PRINCIPAL ACTIVITIES

The Group is principally engaged in provision of physician platform solutions, precision omni-channel marketing solutions, and real-world study solutions in PRC. During the Reporting Period and up to the date of this report, there has been no major change in the nature of the Group's principal business activities.

## PERFORMANCE REVIEW

A review of the Group's business during the Reporting Period, which includes an analysis of the Group's performance using key financial performance indicators, particulars of important events affecting the Group during the Reporting Period, and an indication of likely future development in the company's business are set out in the section headed "Management Discussion and Analysis" in this annual report.

## ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is highly aware of the importance of environment protection and has not noted any material non-compliance with all relevant laws and regulations in relation to its business including environmental protection, health and safety, workplace conditions, employment and the environment. The Group has established detailed internal rules regarding environmental protection and adopted effective measures to achieve efficient use of resources, waste reduction and energy saving.

A comprehensive review of the Group's environmental policy and performance in 2023 is set out in the "Environmental, Social and Governance Report" published at the same date with this annual report on the websites of the Company at http://medscihealthcare.com/ and the Stock Exchange at www.hkexnews.hk.

## COMPLIANCE WITH LAWS AND REGULATIONS

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Group has complied in all material aspects with the relevant laws and regulations that have a significant impact on the Group during the Reporting Period.

## PRINCIPAL RISKS AND UNCERTAINTIES

The following list is a summary of certain principal risks and uncertainties faced by the Group, some of which are beyond its control.

- Any damage to the reputation and recognition of our brand names, or failure to maintain or enhance users' trust in our platform, may materially and adversely affect our business operations and prospects.

- Our physician platform solutions and RWS solutions rely on physicians, pharmaceutical and medical device companies, hospitals and other supporting staff to update and enrich healthcare data through their diagnosis and research activities. We cannot guarantee the accuracy, quality and timeliness of such data.

- We are subject to extensive and evolving regulatory requirements. We may be adversely affected by the complexity, uncertainties and changes in PRC regulations relating to healthcare, digital healthcare and Internet-related business, as well as pharmaceutical, biotechnology and medical devices industries.

- Our business processes a large amount of data. Complying with evolving laws and regulations regarding including, among others, cybersecurity, information security, privacy and data protection may be expensive and force us to make adverse changes to our business. Many of these laws and regulations are subject to changes and uncertain interpretations, and any failure or perceived failure to comply with these laws and regulations could result in negative publicity, legal proceedings, suspension or disruption of operations, increased cost of operations, or otherwise harm our business.

- Our ability to access, process and analyze data from various sources could be restricted, which may in turn adversely impact our ability to deliver our services and solutions.

- The proprietary technologies that comprise our technology infrastructure may include design or performance defects and may not achieve their intended results, any of which could lead to legal liabilities against us and adversely affect our business, results of operations and financial performance.

- If we fail to obtain and maintain the requisite licenses, permits and approvals applicable to our business as a result of the complexity and uncertainties of laws and regulations, or fail to obtain additional licenses that become necessary as a result of new enactment or promulgation of laws and regulations or the expansion of our business, our business and results of operations may be materially and adversely affected.

- We may be subject to intellectual property infringement claims or other allegations, which could result in payment of substantial damages, penalties and fines and removal of data or technology from our system.

- We rely on network and mobile infrastructure and our ability to maintain and scale our business and maintain competitiveness. Any significant interruptions or delays in service on our apps or websites or any undetected errors or design faults could adversely affect our business, financial condition, and results of operations.

- We operate our business under the Contractual Arrangements, and are therefore subject to the related risks which are summarized in the paragraph headed "Contractual Arrangements — Risks associated with the Contractual Arrangements" in this Directors' Report.

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

# DIRECTORS' REPORT

## RELATIONSHIPS WITH KEY STAKEHOLDERS

The Group actively communicates with stakeholders such as customers, employees, investors and shareholders, suppliers and partners, and attaches great importance to the suggestions and feedback of stakeholders, which the Group regards as an important basis for improving operational management and sustainable development standards. In order to fully listen to the voices of stakeholders, the Group has established a variety of communication channels to ensure open and transparent information and efficient communication processes. We are fully aware that communication with stakeholders is an important and continuous process. In the future, we will continue to improve the communication mechanism, actively respond to the demands of stakeholders, optimize the management and operation standards of the Company, and enhance the sustainable development performance of the Group.

Details of the Company's key relationships with its employees, customers, suppliers and others that have a significant impact on the Group are set out in the "Environmental, Social and Governance Report".

## MAJOR CUSTOMERS AND SUPPLIERS

During the Reporting Period, revenue generated from the Group's five largest customers in aggregate accounted for less than 30% of the Group's total revenue.

During the Reporting Period, purchases attributable to the Group's largest supplier and the five largest suppliers in aggregate accounted for 16.6% and 38.8% respectively of the Group's total purchase.

During the Reporting Period, none of the Directors, any of their close associates or any Shareholder (which to the knowledge of the Directors owns more than 5% of the number of the issued Shares of the Company) was interested in the five largest suppliers of the Group.

## DIRECTORS

The Directors since Listing Date and up to the date of this annual report were:

### Executive Directors

Dr. Zhang Fabao (張發寶博士) (Chairman of the Board)
Dr. Li Xinmei (李欣梅博士) (Chief Executive Officer)
Mr. Fan Jie (樊傑先生) (Co-Chief Executive Officer)
Mr. Wang Shuai (王帥先生)

### Non-executive Directors

Mr. Hu Xubo (胡旭波先生)
Mr. Yan Shengfeng (閆盛楓先生)

### Independent non-executive Directors

Ms. Liu Tao (劉濤女士)
Mr. Yu Mingyang (余明陽先生)
Mr. Lau Yiu Kwan Stanley (劉耀坤先生)

## BIOGRAPHIES OF THE DIRECTORS AND SENIOR MANAGEMENT

Biographies of our Directors, the senior management and the company secretary of our Group are set out in the section headed "Directors and Senior Management" of this annual report.

## SERVICE CONTRACTS OF THE DIRECTORS

Each of the executive Directors and non-executive Director has entered into a service contract with the Company. Pursuant to their respective service contracts, they agreed to act as executive Directors or non-executive Director for an initial term of three years commencing from the date of appointment. Either party has the right to give not less than three months' written notice to terminate the agreement.

Each of the independent non-executive Directors has entered into an appointment letter with our Company. The initial term of their appointment shall be three years from 17 April 2023 (being the date of the Prospectus), and may be terminated by either party giving to the other not less than three months' prior notice in writing. Under their respective appointment letters, each of the independent non-executive Directors will receive a fixed directors' fee.

The above appointments are subject to the provisions of retirement and rotation of Directors under the Articles of Association.

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

## PERMITTED INDEMNITY PROVISION

Pursuant to the Articles of Association, every Director shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which he/she shall or may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty or supposed duty in their respective offices except such as he/she shall incur or sustain through their own fraud or dishonesty.

The Company has taken out and maintained liability insurance to provide appropriate coverage for the Directors since the Listing Date.

## MANAGEMENT CONTRACTS

Save as disclosed in the paragraph headed "Contractual Arrangements" in this Directors' Report, 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 during the Reporting Period.

## INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his/her independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent.

# DIRECTORS' REPORT

## DIRECTORS' INTERESTS IN COMPETING BUSINESSES

During the Reporting Period, none of the Directors or their respective associates had engaged in or had any interest in any business which competes or may compete with the business of the Group.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

During the Reporting Period, the Company did not grant any rights to any Directors or their respective spouse or children under the age of 18 to acquire beneficial interests by means of the acquisition of Shares in, or debentures of, the Company, and none of the above persons have exercised the said rights. The Company, its holding company, or any of its subsidiaries or fellow subsidiaries were not a party to any arrangements to enable the Directors to acquire such rights in any other body corporate.

## DIRECTORS' AND CONTROLLING SHAREHOLDERS'S INTERESTS IN TRANSACTION, ARRANGEMENT OR CONTRACT OF SIGNIFICANCE

Save as disclosed in this annual report, no Directors or any entity connected with the Directors had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party subsisted during or at the end of the Reporting Period.

Save as disclosed in this annual report, no contract of significance was entered into between the Group and the Controlling Shareholders or any of its subsidiaries during the Reporting Period.

## CONNECTED TRANSACTIONS

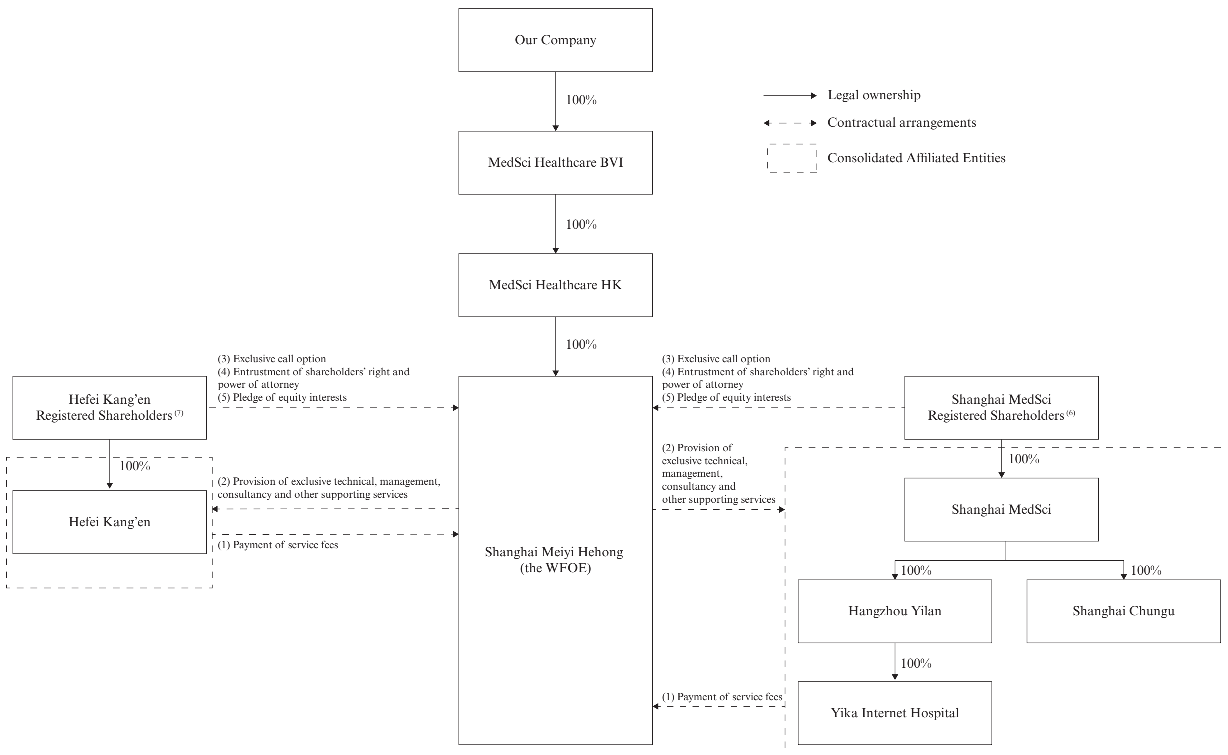
Details of the related party transactions of the Group during the Reporting Period are set out in note 29 to the Financial Statements set out in this annual report. None of those related party transactions constitutes a connected transaction or continuing connected transaction (both as defined under Chapter 14A of the Listing Rules) which is subject to disclosure requirements.

Save as disclosed in the paragraph headed "Contractual Arrangements" in this Directors' Report, the Group did not enter into any connected transactions or continuing connected transactions that are required to be disclosed in this annual report in accordance with Chapter 14A of the Listing Rules.

## CONTRACTUAL ARRANGEMENTS

We are principally engaged in provision of physician platform solutions, precision omni-channel marketing solutions, and real-world study solutions in the PRC. We conduct our business through our Consolidated Affiliated Entities. As the PRC laws and regulations currently restrict foreign investment in value-added telecommunications services and prohibit foreign investment in the production of radio and television video and programs, our Company is unable to own or hold any direct or indirect equity interest in our Consolidated Affiliated Entities. For further details of our businesses/operations that are subject to foreign investment restriction or prohibition, please refer to the section headed "Contractual Arrangements — PRC Laws and Regulations relating to Foreign Ownership Restrictions" of the Prospectus. As a result of the foregoing, (i) the WFOE, our PRC Affiliated Entities and Shanghai MedSci Registered Shareholders have entered into the Shanghai MedSci Contractual Arrangements, and (ii) the WFOE, Hefei Kang'en and the Hefei Kang'en Registered Shareholders have entered into the Hefei Kang'en Contractual Arrangements, such that we can conduct our business operations in the PRC through our Consolidated Affiliated Entities while complying with applicable PRC law and regulations. For the avoidance of doubt, the Consolidated Affiliated Entities does not operate any business where foreign investment is not restricted or prohibited.

The following simplified diagram sets forth the structure of the Contractual Arrangements:




Notes:

(1) See "— Summary of the Contractual Arrangements — (2) Exclusive Technical Service and Management Consultancy Agreements" below for details.

(2) See "— Summary of the Contractual Arrangements — (2) Exclusive Technical Service and Management Consultancy Agreements" below for details.

(3) See "— Summary of the Contractual Arrangements — (3) Exclusive Call Option Agreements" below for details.

(4) See "— Summary of the Material Terms of the Contractual Arrangements — (5) Shareholders' Rights Entrustment Agreements" and "— Summary of the Contractual Arrangements — (6) Shareholders' Powers of Attorney" below for details.

(5) See "— Summary of the Contractual Arrangements — (4) Equity Pledge Agreements" below for details.

(6) The registered shareholders of Shanghai MedSci include Dr. Li Xinmei, Dr. Zhang Fabao, Mr. Yang Chun, Suzhou Qiming Ronghe Venture Capital Investment Partnership (Limited Partnership) (蘇州啟明融合創業投資合夥企業(有限合夥)), Shanghai Meiyue Management Consulting Partnership (Limited Partnership) (上海梅躍管理諮詢合夥企業(有限合夥)), Shihezi Meilong Equity Investment Partnership (Limited Partnership) (石河子市梅隆股權投資合夥企業), Shanghai Weita Enterprise Management Consulting Partnership (Limited Partnership) (上海魏獺企業管理(有限合夥)諮詢合夥企業), Suzhou Qisi Enterprise Management Consultancy Partnership (Limited Partnership) (蘇州啟斯企業管理(有限合夥)諮詢合夥企業), Beijing Kechuang Borui Investment Partnership (Limited Partnership) (北京科創博睿投資合夥企業(有限合夥)), Gongqingcheng Yachang Hongkai Equity Investment Partnership (Limited Partnership) (共青城亞昌宏愷股權投資合夥企業(有限合夥)), Shanghai Hongpan One Enterprise Management Center (Limited Partnership) (上海泓磐壹企業管理中心(有限合夥)) and Huzhou Jingwo Equity Investment Partnership (Limited Partnership) (湖州璟沃股權投資合夥企業(有限合夥)).

(7) The registered shareholders of Hefei Kang'en include Dr. Zhang Fabao and Mr. Yang Chun.

## The Importance and Financial Contribution of the Consolidated Affiliated Entities to the Group

As a result of the Contractual Arrangements, the Company has obtained control of the Consolidated Affiliated Entities through the WFOE and, at the Company's sole discretion, can receive all of the economic interest returns generated by the Consolidated Affiliated Entities. The total revenue and net assets of the Consolidated Affiliated Entities that are subject to the Contractual Arrangements amounted to approximately RMB347.1 million for the year ended 31 December 2023 and RMB337.7 million as at 31 December 2023, respectively.

## Summary of the Contractual Arrangements

### *(1) Exclusive Business Cooperation Agreements*

Pursuant to the exclusive business cooperation agreement (the "**Shanghai MedSci Exclusive Business Cooperation Agreement**") entered into among Shanghai MedSci, Hangzhou Yilan, Shanghai Chungu, Yika Internet Hospital, the Shanghai MedSci Registered Shareholders and the WFOE on 5 November 2021, which was further amended by a supplemental agreement (the "**Shanghai MedSci Supplemental Agreement**") among the parties dated 17 April 2022, the WFOE shall provide exclusive technical, management, consultancy and other supporting services, and in return, our PRC Affiliated Entities shall make payments accordingly.

To ensure the due performance of the Contractual Arrangements, each of our PRC Affiliated Entities agreed to comply, and procure any of its subsidiaries (to be established if any) to comply with, and the Shanghai MedSci Registered Shareholders agreed to procure our PRC Affiliated Entities or their subsidiaries (to be established if any) to comply with the obligations as prescribed under the Shanghai MedSci Exclusive Business Cooperation Agreement set forth as follows:

(a) to carry out the operations of internet platforms and medical information business in a prudent and efficient manner in accordance with good financial and business standards while maintaining the asset value of our PRC Affiliated Entities or their subsidiaries and the quality and standard of private education;

(b) to prepare development plans and annual working plans in accordance with the instructions of the WFOE;

(c) to carry out the operations of internet platforms, medical information business and other relevant business under the assistance of the WFOE;

(d) to carry out and manage its daily operations and financial management in accordance with the recommendations, advice, principles and other instructions of the WFOE;

(e) to execute and act upon the recommendations of the WFOE in terms of employment and removal of senior management and staff;

(f) to adopt the advice, guidance and plans given by the WFOE in relation to their respective strategic development;

(g) to carry out its business operations and renew and maintain its respective necessary licenses;

(h) to provide its business operation and financial information upon request by the WFOE and promptly inform the WFOE of the circumstances which have or may have material adverse effect on our business operation, as well as make every effort to prevent such circumstances and/or the expansion of losses; and

(i) to purchase from insurers recognized by the WFOE and maintain relevant insurance for the assets and business of our PRC Affiliated Entities, of which the insurance amount and type shall be consistent with those normally purchased by companies operating in similar businesses or owning similar property or assets in the region.

In addition, pursuant to the Shanghai MedSci Exclusive Business Cooperation Agreement:

(a) each of Shanghai MedSci Registered Shareholders who are individuals undertakes to the WFOE that, in the event of death, loss of or restriction on capacity, divorce or other circumstances which may affect the exercise of his/her direct or indirect equity interests in Shanghai MedSci, he/she shall have made all necessary arrangements and sign all necessary documents such that his/her successor, guardian, spouse and any other person which may as a result of the above events obtain the equity interests or relevant rights shall not prejudice or hinder the enforcement of the Contractual Arrangements;

(b) each of Shanghai MedSci Registered Shareholders which are institutions undertakes to the WFOE that, in the event of dissolution, liquidation, revocation or other circumstances which may affect the exercise of its direct or indirect equity interests in Shanghai MedSci, it shall have made all necessary arrangement and sign all necessary documents such that its successor, administrator and liquidator and any other person which may as a result of the above events obtain the equity interests or relevant rights shall not prejudice or hinder the enforcement of the Contractual Arrangements;

# DIRECTORS' REPORT

(c) in the event of the dissolution, liquidation, bankruptcy or reorganization of the WFOE: (i) Shanghai MedSci Registered Shareholders and our PRC Affiliated Entities unconditionally agree that, other persons designated by our Company shall inherit the rights and obligations of the WFOE under the Contractual Arrangements, and sign all necessary documents in addition to all necessary measures to make sure all the aforementioned rights and obligations can be taken over smoothly by the designated persons; (ii) Shanghai MedSci Registered Shareholders agree that, Shanghai MedSci Registered Shareholders shall sell or dispose of their direct or indirect interests in and/or assets of our PRC Affiliated Entities in accordance with the instructions of our Company and transfer all receivable at nil consideration to our Company or other persons designated by our Company; or (iii) Shanghai MedSci Registered Shareholders agree that, Shanghai MedSci Registered Shareholders shall procure to sell or dispose of part or all of the interests in and/or assets of our PRC Affiliated Entities in accordance with the instructions of our Company and procure the transfer of all receivable at nil consideration to our Company or other persons designated by our Company;

(d) Shanghai MedSci Registered Shareholders undertake that, in the event of the dissolution or liquidation of our PRC Affiliated Entities: (i) the WFOE and/or its designated person shall have the right to exercise all shareholders' rights on our PRC Affiliated Entities (including but not limited to, deciding to dissolve and liquidate our PRC Affiliated Entities, instructing and delegating the liquidation group and or its agent of our PRC Affiliated Entities, as well as approving liquidation plan and report); (ii) the shareholders of our PRC Affiliated Entities shall transfer all assets received or receivable in its capacity as shareholders of each of our PRC Affiliated Entities as a result of the dissolution or liquidation of our PRC Affiliated Entities to the WFOE or other persons designated by our Company at nil consideration, and instruct the liquidation group of our PRC Affiliated Entities to transfer such assets directly to the WFOE or other persons designated by our Company; and (iii) if consideration is required for such transfer under the then applicable PRC laws, Shanghai MedSci Registered Shareholders shall compensate the WFOE or the person as designated by our Company the amount and ensure that the WFOE or other persons as designated by our Company does not suffer any loss;

(e) our PRC Affiliated Entities agreed that, without the prior written consent of the WFOE, our PRC Affiliated Entities shall not declare or pay to Shanghai MedSci Registered Shareholders any return or other interest or benefit; in the event that the Registered Shareholders receive any reasonable return or other interest or benefit, Shanghai MedSci Registered Shareholders shall unconditionally and without compensation transfer such amount to the WFOE; and

(f) without the consent of the WFOE, Shanghai MedSci Registered Shareholders shall not increase the registered capital of Shanghai MedSci, while Shanghai MedSci Registered Shareholders agreed and confirmed that, they will pledge the corresponding increased equity interests to the WFOE to perform their respective obligations and guarantees in respect of any debt under these Contractual Arrangements; each of the parties has undertaken that, each party shall prepare all necessary documents before the aforesaid capital increase and sign the equity pledge agreements on the date of completion of the capital increase registration, and to complete the pledge registration as soon as practicable.

In order to prevent the leakage of assets and values of our PRC Affiliated Entities, Shanghai MedSci Registered Shareholders and our PRC Affiliated Entities have undertaken that, without the prior written consent of the WFOE or its designated party, Shanghai MedSci Registered Shareholders and our PRC Affiliated Entities shall not conduct or cause to conduct any activity or transaction which may have any actual impact (i) on the assets, business, staff, obligations, rights or operations of our PRC Affiliated Entities or (ii) on the ability of Shanghai MedSci Registered Shareholders and each of our PRC Affiliated Entities to perform the obligations under the Contractual Arrangements.

Furthermore, each of Shanghai MedSci Registered Shareholders undertook to the WFOE that, unless with the prior written consent of the WFOE, Shanghai MedSci Registered Shareholders (severally or jointly) shall not: (i) directly or indirectly engage, participate in, conduct, acquire or hold any business or activities which compete or may potentially compete with any of our PRC Affiliated Entities and their subsidiaries ("**Competing Business**"); (ii) use information obtained from any of our PRC Affiliated Entities or its subsidiaries for the Competing Business; and (iii) obtain any benefit from any Competing Business. Each of the Shanghai MedSci Registered Shareholders further consents and agrees that, in the event that the Shanghai MedSci Registered Shareholders (severally or jointly) directly or indirectly engage, participate in or conduct any Competing Business, the WFOE and/or other entities as designated by our Company shall be granted an option to require the entity engaging in the Competing Business to enter into an arrangement similar to that of the Contractual Arrangements, or to require cessation of engagement in the Competing Business. The Shanghai MedSci Registered Shareholders shall procure the entry of the aforesaid arrangement or the cessation of engagement in the Competing Business according to the option exercised.

Unless terminated in accordance with the provisions thereof, the Shanghai MedSci Exclusive Business Cooperation Agreement shall remain effective perpetually from 5 November 2021.

Hefei Kang'en also entered into an exclusive business cooperation agreement (the "**Hefei Kang'en Exclusive Business Cooperation Agreement**", and together with Shanghai MedSci Exclusive Business Cooperation Agreement, the "**Exclusive Business Cooperation Agreements**") with Hefei Kang'en Registered Shareholders and the WFOE on 5 November 2021, as further amended by a supplemental agreement (the "**Hefei Kang'en Supplemental Agreement**") among the parties dated 17 April 2022. As both of the Hefei Kang'en Registered Shareholders are individuals, Hefei Kang'en Exclusive Business Cooperation Agreement (as amended) omitted the clauses only applicable to institutional shareholders as comprised in Shanghai MedSci Exclusive Business Cooperation Agreement (as amended). The terms of Hefei Kang'en Exclusive Business Cooperation Agreement (as amended) have no material differences from and substantially mirror the terms of Shanghai MedSci Exclusive Business Cooperation Agreement (as amended) set out above.

### *(2) Exclusive Technical Service and Management Consultancy Agreements*

Pursuant to the exclusive technical service and management consultancy agreement (the "**Shanghai MedSci Exclusive Technical Service and Management Consultancy Agreement**") entered into among the WFOE and our PRC Affiliated Entities on 5 November 2021, the WFOE agreed to provide exclusive technical services to our PRC Affiliated Entities, including but not limited to: (a) design, development, update and maintenance of platform software for computer and mobile devices; (b) design, development, update and maintenance of webpages and websites necessary for the platform and medical information business activities of our PRC Affiliated Entities; (c) design, development, update and maintenance of management information systems necessary for the platform and medical information business activities of our PRC Affiliated Entities; (d) provision of other technical support necessary for the platform and medical information business activities of our PRC Affiliated Entities; (e) provision of technical consulting services; (f) provision of technical training; (g) engaging technical staff to provide on-site technical support; and (h) providing other technical services reasonably requested by our PRC Affiliated Entities.

Furthermore, the WFOE agreed to provide exclusive management and consultancy services to our PRC Affiliated Entities, including but not limited to: (a) design of platform; (b) selection and/or recommendation of medical information; (c) provision of staff recruitment and training support and services; (d) provision of technical support and services; (e) provision of public relation maintenance services; (f) preparation of long-term strategic development plans and annual working plans; (g) development of financial management systems and recommendation and optimization on annual budget; (h) advising on design of internal structures and internal management; (i) provision of administrative staff management and consultancy training; (j) conduct of market research; (k) preparation of regional market development plan; (l) building of online and offline marketing network; and (m) providing other management technical services reasonably requested by our PRC Affiliated Entities.

In consideration of the technical, management and consultancy services provided by the WFOE, our PRC Affiliated Entities agreed to pay the WFOE a service fee equal to all of their respective amount of surplus from operations (after deducting all costs, expenses, taxes, losses from the previous year (if required by the law) and the statutory provident fund and other withdrawals required by the law). The WFOE has the right (but not the obligation) to adjust the amount of such service fee by reference to the actual services provided and the actual business operations and needs of our PRC Affiliated Entities, provided that any adjusted amount shall not exceed the amount mentioned above. Our PRC Affiliated Entities do not have any right to make any such adjustment.

Pursuant to the Shanghai MedSci Exclusive Technical Service and Management Consultancy Agreement, unless otherwise prescribed under the PRC laws and regulations, the WFOE shall have exclusive proprietary rights to any technology and intellectual property developed and materials prepared in the course of the provision of research and development, technical support and services by the WFOE to our PRC Affiliated Entities, and any intellectual property in the products developed, including any other rights derived thereunder, in the course of performance of obligations under the Shanghai MedSci Exclusive Technical Service and Management Consultancy Agreement and/or any other agreements entered into between the WFOE and other parties.

Unless terminated in accordance with the provisions thereof, the Shanghai MedSci Exclusive Technical Service and Management Consultancy Agreement shall remain effective perpetually from 5 November 2021.

Hefei Kang'en also entered into an exclusive technical service and management consultancy agreement (the "**Hefei Kang'en Exclusive Technical Service and Management Consultancy Agreement**", and together with Shanghai MedSci Exclusive Technical Service and Management Consultancy Agreement, the "**Exclusive Technical Service and Management Consultancy Agreements**") with the WFOE on 5 November 2021. The terms of Hefei Kang'en Exclusive Technical Service and Management Consultancy Agreement have no material differences from and substantially mirror the terms of Shanghai MedSci Exclusive Technical Service and Management Consultancy Agreement set out above.

### *(3) Exclusive Call Option Agreements*

Under the exclusive call option agreement (the "**Shanghai MedSci Exclusive Call Option Agreement**") entered into among Shanghai MedSci, Shanghai MedSci Registered Shareholders and the WFOE on November 5, 2021, which was further amended by the Shanghai MedSci Supplemental Agreement, Shanghai MedSci Registered Shareholders have irrevocably granted the WFOE or its designated purchaser the right to purchase all or part of the direct or indirect interests of Shanghai MedSci Registered Shareholders in our PRC Affiliated Entities (the "**Equity Call Option**"). The purchase price payable by the WFOE in respect of the transfer of such interests upon exercise of the Equity Call Option shall be the lowest price permitted under the PRC laws and regulations. The WFOE or its designated purchaser shall have the right to purchase such proportion of interests in our PRC Affiliated Entities as it decides at any time.

In the event that PRC laws and regulations allow the WFOE or other foreign-owned entities designated by our Company to directly hold all or part of the interests in our PRC Affiliated Entities and operate the relevant restricted/prohibited business in the PRC, the WFOE shall issue the notice of exercise of the Equity Call Option as soon as practicable, and the percentage of interests in our PRC Affiliated Entities purchased upon exercise of the Equity Call Option shall not be lower than the maximum percentage then allowed to be held by the WFOE or other foreign-owned entities designated by our Company under PRC laws and regulations.

Each of the Shanghai MedSci Registered Shareholders have further undertaken to the WFOE that it:

(a) shall not sell, assign, transfer or otherwise dispose of or create encumbrance over its direct and/or indirect interests in our PRC Affiliated Entities without the prior written consent of the WFOE;

(b) shall not increase or reduce or agree to the increase or reduction of the registered capital of our PRC Affiliated Entities without the prior written consent of the WFOE;

(c) shall not agree to or procure any of our PRC Affiliated Entities to divide into or merge with other entities without the prior written consent of the WFOE;

(d) shall not dispose of or procure the management of our PRC Affiliated Entities to dispose of any of the assets of our PRC Affiliated Entities without the prior written consent of the WFOE, except in the ordinary course of business and provided that the value of such assets so disposed shall not exceed RMB3,000,000;

(e) shall not terminate or procure the management of our PRC Affiliated Entities to terminate any material contract (which includes any agreement under which the amount involved exceeds RMB3,000,000, the Contractual Arrangements and/or any agreement of similar nature or content to the Contractual Arrangements) or enter into any other contracts which may contradict such material contracts without the prior written consent of the WFOE;

(f) shall not procure any of our PRC Affiliated Entities to enter into any transactions which may have an actual impact on the assets, liabilities, operations, equity structures or other legal rights of our PRC Affiliated Entities without the prior written consent of the WFOE, save for transactions which are in the ordinary course of business of our PRC Affiliated Entities with the amount involved not more than RMB3,000,000, or transactions which have been disclosed to the WFOE and approved by the WFOE;

(g) shall not agree to or procure any of our PRC Affiliated Entities to declare or in substance distribute any distributable return or agree to such distribution without the prior written consent of the WFOE; Shanghai MedSci shall timely transfer the amount so received (if any) to the WFOE or its designated purchaser for free subject to the PRC law;

(h) shall not agree to or procure any of our PRC Affiliated Entities to amend its articles of association without the prior written consent of the WFOE;

(i) shall ensure that any of our PRC Affiliated Entities does not provide or obtain loans or provide any guarantees or otherwise undertake any other action to guarantee, or undertake any material obligations (including obligations under which the amount payable by our PRC Affiliated Entities exceeds RMB5,000,000, obligations which restrict or hinder the due performance of obligations under the Contractual Arrangements by our PRC Affiliated Entities, obligations which restrict or prohibit the financial or business operations of our PRC Affiliated Entities, or any obligations which may result in change of the equity structure of our PRC Affiliated Entities) outside its ordinary course of business without the prior written consent of the WFOE;

(j) shall use its best endeavors to develop the business of any of our PRC Affiliated Entities and ensure compliance with laws and regulations by our PRC Affiliated Entities, and shall not take or fail to take any action which may prejudice the assets, goodwill or the effectiveness of operational licenses of our PRC Affiliated Entities;

(k) shall, prior to the transfer of its interests to the WFOE or its designated purchaser and without prejudice to the Shanghai MedSci Shareholders' Rights Entrustment Agreement, execute all documents necessary for holding and maintaining the ownership of its interests in our PRC Affiliated Entities;

(l) shall sign all documents and take all necessary actions to facilitate transfer of its interests in our PRC Affiliated Entities to the WFOE or its designated purchaser;

(m) shall take all such actions to facilitate our PRC Affiliated Entities in their performance of its obligations under the Shanghai MedSci Exclusive Call Option Agreement if such performance requires any action be taken by Shanghai MedSci Registered Shareholders as the interest owner of our PRC Affiliated Entities;

(n) shall, in its capacity as a director and/or indirect shareholder of our PRC Affiliated Entities and without prejudice to the Contractual Arrangements, procure directors nominated by it to exercise all rights to enable any of our PRC Affiliated Entities to perform its rights and obligations under the Shanghai MedSci Exclusive Call Option Agreement, and shall replace any director who fails to do so;

(o) shall procure that all rights and obligations under the Shanghai MedSci Exclusive Call Option Agreement be fully inherited by the then PRC Affiliated Entities and their then shareholders, if the shareholding structure of the PRC Affiliated Entities changes before the WFOE exercises the exclusive call option due to sale, assignment, transfer in any form by their shareholders;

(p) shall waive any right of first refusal it has under the Shanghai MedSci Exclusive Call Option Agreement, the Shanghai MedSci Equity Pledge Agreement (as defined below), Chinese law or the articles of association with respect to the equity transfer by each other shareholder (if any) to WFOE or its designated purchaser; and

(q) in the event that the consideration paid by the WFOE or its designated purchaser for the transfer of all or part of the interests in our PRC Affiliated Entities exceeds RMB0, shall pay such excess amount to the WFOE or its designated entity.

Unless terminated in accordance with the provisions thereof, the Shanghai MedSci Exclusive Call Option Agreement shall remain effective perpetually from 5 November 2021.

Hefei Kang'en also entered into an exclusive call option agreement (the "**Hefei Kang'en Exclusive Call Option Agreement**", and together with Shanghai MedSci Exclusive Call Option Agreement, the "**Exclusive Call Option Agreements**") with Hefei Kang'en Registered Shareholders and the WFOE on 5 November 2021, as further amended by the Hefei Kang'en Supplemental Agreement. As both of the Hefei Kang'en Registered Shareholders are individuals, Hefei Kang'en Exclusive Call Option Agreement (as amended) omitted the clauses only applicable to institutional shareholders as comprised in Shanghai MedSci Exclusive Call Option Agreement (as amended). The terms of Hefei Kang'en Exclusive Call Option Agreement (as amended) have no material differences from and substantially mirror the terms of Shanghai MedSci Exclusive Call Option Agreement (as amended) set out above.

### *(4) Equity Pledge Agreements*

Pursuant to the equity pledge agreements (the "**Shanghai MedSci Equity Pledge Agreements**") entered into among Shanghai MedSci, the WFOE and each of Shanghai MedSci Registered Shareholders on November 5, 2021, each of Shanghai MedSci Registered Shareholders unconditionally and irrevocably pledged and granted first priority security interests over all of his/her/its equity interests in Shanghai MedSci, together with all related rights thereto to the WFOE as security for performance of the Shanghai MedSci Contractual Arrangements and all direct, indirect or consequential damages and foreseeable loss of interest incurred by the WFOE as a result of any event of default on the part of Shanghai MedSci Registered Shareholders and our PRC Affiliated Entities and all expenses incurred by the WFOE as a result of enforcement of the obligations of Shanghai MedSci Registered Shareholders and our PRC Affiliated Entities under the Shanghai MedSci Contractual Arrangements (the "**Secured Indebtedness**").

Pursuant to the Shanghai MedSci Equity Pledge Agreements, without the prior written consent of the WFOE, Shanghai MedSci Registered Shareholders shall not transfer the equity interests or create further pledge or encumbrance over the pledged equity interests. Any unauthorized transfer shall be invalid, and the proceeds of any transfer of the equity interests shall be first used in the payment of the Secured Indebtedness or deposited to such third party as agreed to by the WFOE. Shanghai MedSci Registered Shareholders also waived any pre-emptive rights upon enforcement and agreed to any transfer of the pledged equity pursuant to the equity pledge agreement.

Any of the following events shall constitute an event of default under the Shanghai MedSci Equity Pledge Agreements:

(a) any of Shanghai MedSci Registered Shareholders and our PRC Affiliated Entities commits any breach of any obligations under the Shanghai MedSci Contractual Arrangements;

(b) any representations or warranties or information provided by any of Shanghai MedSci Registered Shareholders and our PRC Affiliated Entities under the Shanghai MedSci Contractual Arrangements are proved incorrect or misleading; or

(c) any provision in the Shanghai MedSci Contractual Arrangements becomes invalid or incapable of performance due to changes in PRC laws and regulations or promulgation of new laws and regulations in the PRC, and the parties have not agreed on any alternative arrangement.

Upon the occurrence of an event of default as described above, the WFOE shall have the right to enforce the Shanghai MedSci Equity Pledge Agreements by written notice to Shanghai MedSci Registered Shareholders in one or more of the following ways:

(a) to the extent permitted under PRC laws and regulations, the WFOE may request Shanghai MedSci Registered Shareholders to transfer all or part of his/her/its equity interests in Shanghai MedSci to any entity or individual designated by the WFOE at the lowest consideration permissible under the PRC laws and regulations, while Shanghai MedSci Registered Shareholders irrevocably undertake that in the event that the consideration paid by the WFOE or its designated purchaser for the transfer of all or part of the equity interests in Shanghai MedSci exceeds RMB0, they shall pay such excess amount to the WFOE or its designated entity;

(b) sell the pledged equity interests by way of auction or at a discount and have priority in the entitlement to the sales proceeds;

(c) dispose of the pledged equity interests in other manner subject to applicable laws and regulations.

The Shanghai MedSci Equity Pledge Agreement remains effective until all obligations under the Shanghai MedSci Contractual Arrangements have been fully performed or all secured indebtedness have been fully paid.

The pledges under the Shanghai MedSci Equity Pledge Agreements were registered with the relevant Administration of Industry and Commerce of the PRC on 15 November, 16 November and 9 December 2021, respectively, and became effective on the same date of the registration of the pledge.

Each of Hefei Kang'en Registered Shareholders entered into an equity pledge agreement (the "**Hefei Kang'en Equity Pledge Agreement**", and together with Shanghai MedSci Equity Pledge Agreements, the "**Equity Pledge Agreements**") with Hefei Kang'en and the WFOE on 5 November 2021. The terms of Hefei Kang'en Equity Pledge Agreement have no material differences from and substantially mirror the terms of Shanghai MedSci Equity Pledge Agreements set out above. The pledges under the Hefei Kang'en Equity Pledge Agreements were registered with the relevant Administration of Industry and Commerce of the PRC on 8 November 2021 and became effective on the same date of the registration of the pledge.

### *(5) Shareholders' Rights Entrustment Agreements*

Pursuant to the shareholders' rights entrustment agreement (the "**Shanghai MedSci Shareholders' Rights Entrustment Agreement**") entered into among Shanghai MedSci, Shanghai MedSci Registered Shareholders and the WFOE on 5 November 2021, which was further amended by the Shanghai MedSci Supplemental Agreement, each of Shanghai MedSci Registered Shareholders has irrevocably authorized and entrusted the WFOE, its designated directors or the successor thereof (including the liquidator replacing the directors nominated by the WFOE), excluding any persons who are not independent or may give rise to conflicts of interest, to exercise all of his/their respective rights as shareholders of Shanghai MedSci to the extent permitted by the PRC laws. Under circumstances where a Shanghai MedSci Registered Shareholder concurrently serves as the Director or senior management of our Company, the aforesaid shareholders' rights shall be entrusted to our Company and be exercised by other Directors or senior management members of our Company who are free of conflicts of interest. These rights include, but are not limited to: (a) the right to attend shareholders' meetings; (b) the right to exercise voting rights in respect of all matters discussed and resolved at the shareholders' meeting, including but not limited to appointing and electing directors, general manager, deputy general managers, chief financial officer and other senior managers, liquidation and dissolution, composition of liquidation team and/or their proxies, approval of liquidation plans and liquidation reports, etc.; (c) the right to propose extraordinary general meetings; (d) the right to sign all shareholders' minutes, resolutions and other legal documents; (e) the right to instruct the directors and legal representative to act in accordance with the instruction of the WFOE; (f) the right to exercise all other rights and voting rights of shareholders as prescribed under the articles of association of Shanghai MedSci; (g) the right to handle the legal procedures of registration, approval and licensing of Shanghai MedSci at the business administration authority or other government authorities; (h) the right to determine on transfer of disposal in other forms the shares in Shanghai MedSci held by Shanghai MedSci Registered Shareholders; and (i) other shareholders' rights pursuant to applicable PRC laws and regulations and the articles of association of Shanghai MedSci as amended from time to time.

# DIRECTORS' REPORT

In addition, each of Shanghai MedSci Registered Shareholders has irrevocably agreed that (i) the WFOE may delegate its rights under the Shanghai MedSci Shareholders' Rights Entrustment Agreement to the directors of the WFOE or its designated person, without prior notice to or approval by Shanghai MedSci Registered Shareholders; and (ii) any person as successor of civil rights of the WFOE or liquidator by reason of subdivision, merger, liquidation of the WFOE or other circumstances shall have authority to replace the WFOE to exercise all rights under Shanghai MedSci Shareholders' Rights Entrustment Agreement.

Unless terminated in accordance with the provisions thereof, the Shanghai MedSci Shareholders' Rights Entrustment Agreement shall remain effective perpetually from 5 November 2021.

Hefei Kang'en also entered into a shareholders' rights entrustment agreement (the "**Hefei Kang'en Shareholders' Rights Entrustment Agreement**", and together with Shanghai MedSci Shareholders' Rights Entrustment Agreement, the "**Shareholders' Rights Entrustment Agreements**") with Hefei Kang'en Registered Shareholders and the WFOE on 5 November 2021, as further amended by the Hefei Kang'en Supplemental Agreement. The terms of Hefei Kang'en Shareholders' Rights Entrustment Agreement (as amended) have no material differences from and substantially mirror the terms of Shanghai MedSci Shareholders' Rights Entrustment Agreement (as amended) set out above.

### *(6) Shareholders' Powers of Attorney*

Pursuant to the shareholders' powers of attorney (the "**Shanghai MedSci Shareholders' Powers of Attorney**") executed by each of Shanghai MedSci Registered Shareholders in favor of the WFOE on 5 November 2021, each of Shanghai MedSci Registered Shareholders authorized and appointed the WFOE, as his/her/its agent to act on his/her/its behalf to exercise or delegate the exercise of all his/her/its rights as shareholders of Shanghai MedSci.

The WFOE shall have the right to further delegate the rights so delegated to its directors or other designated person. Each of Shanghai MedSci Registered Shareholders irrevocably agreed that the authorization appointment in the Shanghai MedSci Shareholders' Powers of Attorney shall not be invalid, revoked, prejudiced or otherwise adversely affected by reason of his/her loss of or restriction on capacity, death or other similar events.

Unless terminated in accordance with the provisions thereof, the Shanghai MedSci Shareholders' Powers of Attorney shall remain effective perpetually from 5 November 2021.

Each of Hefei Kang'en Registered Shareholders executed the shareholders powers of attorney (the "**Hefei Kang'en Shareholders' Powers of Attorney**", and together with Shanghai MedSci Shareholders' Powers of Attorney, the "**Shareholders' Powers of Attorney**") in favor of the WFOE on 5 November 2021. The terms of Hefei Kang'en Shareholders' Powers of Attorney have no material differences from and substantially mirror the terms of Shanghai MedSci Shareholders' Powers of Attorney set out above.

### (7) *Spouse Undertakings*

Pursuant to the spouse undertakings (the "**Shanghai MedSci Spouse Undertakings**") dated 5 November 2021, the respective spouse of each of Shanghai MedSci Registered Shareholders who are individuals has irrevocably undertaken to the WFOE that:

(a) the spouse has full knowledge of and has consented to the entering into of the Shanghai MedSci Contractual Arrangements, and in particular, the arrangement as set out in the Shanghai MedSci Contractual Arrangements in relation to the restrictions imposed on the direct or indirect equity interests in Shanghai MedSci, the pledge or transfer of the direct or indirect equity interests in Shanghai MedSci, or the disposal of the direct or indirect equity interests in Shanghai MedSci in any other forms;

(b) the spouse has not participated, is not participating and shall not in the future participate in the operation, management, liquidation, dissolution and other matters in relation to our PRC Affiliated Entities;

(c) the spouse authorizes the respective Shanghai MedSci Registered Shareholder or his/her authorized person to execute all necessary documents and perform all necessary procedures from time to time for and on behalf of the spouse in relation to the spouse's direct or indirect equity interests in Shanghai MedSci in order to safeguard the interests of the WFOE under the Shanghai MedSci Contractual Arrangements and give effect to the fundamental purposes thereunder, and confirms and agrees to all such documents and procedures;

(d) any undertaking, confirmation, consent and authorization under Shanghai MedSci Spouse Undertakings shall not be revoked, prejudiced, invalidated or otherwise adversely affected by any increase, decrease, consolidation or other similar events relating to the direct or indirect equity interests in Shanghai MedSci;

(e) any undertaking, confirmation, consent and authorization under Shanghai MedSci Spouse Undertakings shall not be revoked, prejudiced, invalidated or otherwise adversely affected by death, loss of or restriction on capacity of the spouse, divorce or other similar events; and

(f) all undertakings, confirmations, consents and authorizations under Shanghai MedSci Spouse Undertakings shall continue to be valid and binding until otherwise terminated by both the WFOE and the spouse of the respective Shanghai MedSci Registered Shareholder in writing.

Shanghai MedSci Spouse Undertakings shall have the same term as and incorporate the terms of the Shanghai MedSci Exclusive Business Cooperation Agreement.

The respective spouse of each of Hefei Kang'en Registered Shareholders who are individuals issued spouse undertakings (the "**Hefei Kang'en Spouse Undertakings**", and together with Shanghai MedSci Spouse Undertakings, the "**Spouse Undertakings**") dated 5 November 2021 to the WFOE. The terms of Hefei Kang'en Spouse Undertakings have no material differences from and substantially mirror the terms of Shanghai MedSci Spouse Undertakings set out above.

# DIRECTORS' REPORT

### Risks associated with the Contractual Arrangements

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

- If the PRC government finds that the agreements that establish the structure for operating our operations in China do not comply with applicable PRC laws and regulations, or if these laws and regulations or the interpretation of existing laws and regulations change in the future, we could be subject to severe consequences, including the nullification of the contractual arrangements and being forced to relinquish our interests in those operations.
- Our Contractual Arrangements may not be as effective in providing operational control as direct ownership.
- Our Contractual Arrangements may be subject to scrutiny by the PRC tax authorities, and a finding that we owe additional taxes could negatively affect our financial condition and the value of your investment.
- Any failure by our Consolidated Affiliated Entities or their shareholders to perform their obligations under our Contractual Arrangements with them would have a material adverse effect on our business.
- We may lose the ability to use, or otherwise benefit from, the licenses, approvals and assets held by our Consolidated Affiliated Entities if any of our Consolidated Affiliated Entities declares bankruptcy or becomes subject to a dissolution or liquidation proceeding.
- The shareholders of our Consolidated Affiliated Entities may have potential conflicts of interest with us.
- If we exercise the option to acquire equity interests and/or assets of our Consolidated Affiliated Entities, the equity interests and/or assets transfer may subject us to certain limitations and substantial costs.

For further details of risks associated with the Contractual Arrangements, please refer to the section headed "Risk Factors — Risks Related to Our Contractual Arrangements" of the Prospectus.

### Actions taken by the Group to mitigate the risks associated with the Contractual Arrangements

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

- major issues arising from the implementation and compliance with the Contractual Arrangements or any regulatory enquiries from government authorities will be submitted to the Board, if necessary, for review and discussion on an occurrence basis;
- the Board will review the overall performance of and compliance with the Contractual Arrangements at least once a year;
- the Company will disclose the overall performance and compliance with the Contractual Arrangements in our annual reports to update our Shareholders and potential investors; and
- the Company will engage external legal advisers or other professional advisers, if necessary, to assist the Board to review the implementation of the Contractual Arrangements and the legal compliance of the WFOEs and the Consolidated Affiliated Entities to deal with specific issues or matters arising from the Contractual Arrangements.

### Material Change or Termination of the Contractual Arrangements

During the Reporting Period, (i) there were no new contractual arrangements entered into, renewed or reproduced between the Group and the Consolidated Affiliated 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.

### Listing Rules Implications and Waiver from the Stock Exchange

For the purposes of Chapter 14A of the Listing Rules, both Shanghai MedSci and Hefei Kang'en will be treated as the Company's subsidiaries, and their directors, chief executives or substantial shareholders (as defined in the Listing Rules) and their respective associates will be treated as the Company's connected persons. Each of Dr. Zhang Fabao and Dr. Li Xinmei is an executive Director and a Controlling Shareholder of our Company, and Mr. Yang is a director of Shanghai MedSci. Dr. Li Xinmei holds 36.11% equity interests in Shanghai MedSci. Dr. Zhang Fabao holds 99% equity interests in Hefei Kang'en. As such, under Chapter 14A of the Listing Rules, Shanghai MedSci is an associate of Dr. Li Xinmei, and Hefei Kang'en is an associate of Dr. Zhang Fabao. Hangzhou Yilan, Shanghai Chungu and Yika Internet Hospital are wholly owned by Shanghai MedSci, and as such under Chapter 14A of the Listing Rules, each of them is an associate of Dr. Li Xinmei. Qiming Ronghe holds 10.72% equity interests in Shanghai MedSci. Therefore, each of Dr. Zhang Fabao, Dr. Li Xinmei, Mr. Yang, Qiming Ronghe, Shanghai MedSci, Hefei Kang'en, Hangzhou Yilan, Shanghai Chungu and Yika Internet Hospital is a connected person of the Company under Chapter 14A of the Listing Rules.

Accordingly, the transactions contemplated under the Contractual Arrangements constitute continuing connected transactions of our Company under Chapter 14A of the Listing Rules upon Listing. As such, 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 pursuant to Rule 14A.105 of the Listing Rules, (ii) the requirement of setting an annual cap under Rule 14A.53 of the Listing Rules, and (iii) the requirement of limiting the term 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.

### Annual Review by the Independent Non-executive Directors

Our independent non-executive Directors have reviewed the Contractual Arrangements and confirmed that:

(i) the transactions carried out during the Reporting Period have been entered into in accordance with the relevant provisions of the Contractual Arrangements;

(ii) no dividends or other distributions have been made by the Consolidated Affiliated Entities to their shareholders which are not otherwise subsequently assigned or transferred to the Group; and

(iii) the Contractual Arrangements are fair and reasonable, or advantageous, so far as the Group is concerned and in the interests of our Shareholders as a whole.

# DIRECTORS' REPORT

Pursuant to Rule 14A.55 of the Listing Rules, our independent non-executive Directors have reviewed the transactions contemplated under the Contractual Arrangements, which constitute continuing connected transactions of our Company, and confirmed that such continuing connected transactions were entered into (i) in the ordinary and usual course of business of our Group; (ii) on normal commercial terms or better; and (iii) according to the agreements governing them on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### Confirmation by the Auditor of the Company

Ernst & Young, the Company's auditor, was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "*Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*" and with reference to Practice Note 740 "*Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules*" issued by the Hong Kong Institute of Certified Public Accountants. After performing the procedures related to continuing connected transactions, Ernst & Young confirmed that:

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

b. for transactions involving the provision of goods or services by our Group, 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 our Group;

c. 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

d. with respect to the disclosed continuing connected transactions with the PRC Affiliated Entities under the contractual arrangements, nothing has come to their attention that causes them to believe that dividends or other distributions have been made by the PRC Affiliated Entities to the holders of the equity interests of our company which are not otherwise subsequently assigned or transferred to our Group.

## REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Pursuant to Rule 3.25 of the Listing Rules and the Corporate Governance Code, the Company has established the Remuneration Committee to formulate remuneration policies. The remuneration is determined and recommended based on the responsibilities, qualification, position and seniority of each Director and member of senior management. The Directors receive compensation in the form of salaries, allowances and benefits in kind, performance related bonuses, pension scheme contributions and social welfare.

Details of the remuneration of the Directors and the five highest paid individuals are set out in note 8 and note 9 respectively to the Financial Statements of this annual report.

There were no amounts paid during the year ended 31 December 2023 to the Directors or any of the five highest paid individuals (as set out in Note 9 to the consolidated financial statements of this annual report) as an inducement to join or upon joining the Group or as compensation for loss of office. Save as disclosed in the note 8 to the Financial Statements of this annual report, no directors' fees were paid to the Directors during the year ended 31 December 2023.

Pursuant to Code Provision E.1.5 of the Corporate Governance Code, the annual remuneration of members of the senior management (other than Directors) by band for the year ended 31 December 2023 is set out below:

| | **Number of members of senior management** |
|---|---|
| HK$1,000,001 to HK$1,500,000 | 1 |
| HK$1,500,001 to HK$2,000,000 | 2 |
| HK$4,500,001 to HK$5,000,000 | 1 |

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 December 2023, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("**SFO**")) as notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she is keen to taken or deemed to have under such provisions of the SFO), or as recorded in the registered maintained by the Company under Section 352 of the SFO, or as notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

### Interests and short positions of our Directors in the share capital of the Company and its associated corporations

*(a) Interest in Shares of the Company*

| **Name** | **Capacity/ Nature of interest** | **Number of Shares/ underlying Shares as at 31 December 2023**[(1)] | **Approximate percentage of shareholding in the Company as at 31 December 2023**[(2)] |
|---|---|---|---|
| Dr. Li Xinmei | Interest in a controlled corporation | 177,929,750(L)[(3)] | 29.30% |
| | Interest of spouse | 165,829,250(L)[(3)] | 27.31% |
| Dr. Zhang Fabao | Interest in a controlled corporation | 141,612,700(L)[(4)] | 23.32% |
| | Interest in a controlled corporation | 24,216,550(L)[(4)] | 3.99% |
| | Interest of spouse | 177,929,750(L)[(4)] | 29.30% |
| Mr. Hu Xubo | Interest in a controlled corporation | 65,983,400(L)[(5)] | 10.87% |

Notes:

(1) The letter "L" denotes the person's long position in the Shares.

(2) The calculation is based on a total of 607,170,950 Shares in issue as at 31 December 2023.

(3) Microhealth Limited is wholly owned by Dr. Li Xinmei and Dr. Li Xinmei beneficially holds 177,929,750 Shares. By virtue of the SFO, Dr. Li Xinmei is deemed to be interested in the Shares held by Microhealth Limited. As Dr. Zhang Fabao is the spouse of Dr. Li Xinmei, Dr. Li Xinmei is deemed to be interested in the Shares in which Dr. Zhang Fabao is interested by virtue of the SFO, being 165,829,250 Shares.

# DIRECTORS' REPORT

(4) Dtx Health Limited is wholly owned by Dr. Zhang Fabao and Dr. Zhang Fabao beneficially holds 141,612,700 Shares. By virtue of the SFO, Dr. Zhang Fabao is deemed to be interested in the Shares held by Dtx Health Limited. As Dr. Li Xinmei is the spouse of Dr. Zhang Fabao, Dr. Zhang Fabao is deemed to be interested in the Shares in which Dr. Li Xinmei is interested by virtue of the SFO, being 177,929,750 Shares. Meilong Limited is one of our employee equity incentive platforms, which is held as to approximately 44.67% by Dr. Zhang Fabao (including approximately 2.58% held through Dtx Health Limited) as at 31 December 2023, and beneficially held 24,216,550 Shares. By virtue of the SFO, Dr. Zhang Fabao is deemed to be interested in the Shares held by Meilong Limited.

(5) Dragon Step Ventures Limited is 100% held by Suzhou Qiming Ronghe Venture Capital Investment Partnership (Limited Partnership)* (蘇州啟明融合創業投資合夥企業 (有限合夥)) ("**Qiming Ronghe**"). Qiming Ronghe is controlled by Suzhou Qicheng Investment Management Partnership (Limited Partnership)* (蘇州啟承投資管理合夥企業 (有限合夥)) ("**Suzhou Qicheng**"), which is in turn controlled by Shanghai Qichang Investment Consulting Co., Ltd.* (上海啟昌投資諮詢有限公司) ("**Shanghai Qichang**"), a company held as to 50% and 50% by Mr. Hu Xubo and Ms. Yu Jia, respectively. Gleaming Global Investments Limited is 100% held by Suzhou Qisi Enterprise Management Consultancy Partnership (Limited Partnership)* (蘇州啟斯企業管理諮詢合夥企業 (有限合夥)) ("**Suzhou Qisi**"). Suzhou Qisi is controlled by Beijing Qiyao Investment Management Partnership (Limited Partnership)* (北京啟耀投資管理合夥企業 (有限合夥)) ("**Beijing Qiyao**"), which is in turn controlled by Suzhou Qiman Investment Management Co., Ltd.* (蘇州啟滿投資管理有限公司) ("**Suzhou Qiman**"), a company held as to 50% and 50% by Mr. Hu Xubo and Ms. Yu Jia, respectively. Therefore, Mr. Hu Xubo and Ms. Yu Jia are deemed to be interested in 53,865,750 Shares held by Dragon Step Ventures Limited and 12,117,650 Shares held by Gleaming Global Investments Limited by virtue of the SFO.

### (b) Interest in shares of the Company's associated corporations

| Name | Capacity/Nature of interest | Associated Corporations | Amount of registered capital (RMB) | Approximate percentage of interest in the associated corporation |
|---|---|---|---|---|
| Dr. Li Xinmei | Beneficial interest | Shanghai MedSci | 3,630,408 | 36.11% |
| | Interest of spouse | Shanghai MedSci | 3,316,585(1) | 32.99% |
| | Interest of spouse | Hefei Kang'en | 990,000(1) | 99.00% |
| Dr. Zhang Fabao | Beneficial interest | Shanghai MedSci | 2,832,254 | 28.17% |
| | Interest in a controlled corporation | Shanghai MedSci | 484,331(2) | 4.82% |
| | Interest of spouse | Shanghai MedSci | 3,630,408(3) | 36.11% |
| | Beneficial interest | Hefei Kang'en | 990,000 | 99.00% |
| Mr. Hu Xubo | Interest in a controlled corporation | Shanghai MedSci | 1,319,668(4) | 13.13% |

Notes:

(1) As Dr. Zhang Fabao is the spouse of Dr. Li Xinmei, Dr. Li Xinmei is deemed to be interested in the registered capital of Shanghai MedSci MedTech Co., Ltd.* (上海梅斯醫藥科技有限公司) ("**Shanghai MedSci**") and Hefei Kang'en Information Technology Co., Ltd.* (合肥康恩信息技術有限公司) ("**Hefei Kang'en**") (Shanghai MedSci and Hefei Kang'en are our consolidated affiliate entities) held by Dr. Zhang Fabao by virtue of the SFO.

(2) Shihezi Meilong Equity Investment Partnership (Limited Partnership)* (石河子市梅隆股權投資合夥企業 (有限合夥)) ("**Meilong Investment**"), which is held as to approximately 44.67% by Dr. Zhang Fabao as at 31 December 2023, holds RMB484,331 registered capital of Shanghai MedSci, in which Dr. Zhang Fabao is deemed to be interested by virtue of the SFO.

(3) As Dr. Li Xinmei is the spouse of Dr. Zhang Fabao, Dr. Zhang Fabao is deemed to be interested in the registered capital of Shanghai MedSci held by Dr. Li Xinmei by virtue of the SFO, being RMB3,630,408.

(4) Qiming Ronghe holds RMB1,077,315 registered capital of Shanghai MedSci, and its general partner is Suzhou Qicheng. Suzhou Qicheng's general partner is Shanghai Qichang, which is held as to 50% by Mr. Hu Xubo. Therefore, Mr. Hu Xubo is deemed to be interested in the registered capital of Shanghai MedSci held by Qiming Ronghe by virtue of the SFO.

Suzhou Qisi holds RMB242,353 registered capital of Shanghai MedSci, and its general partner is Beijing Qiyao. Beijing Qiyao's general partner is Suzhou Qiman, which is held as to 50% by Mr. Hu Xubo. Therefore, Mr. Hu Xubo is deemed to be interested in the registered capital of Shanghai MedSci held by Suzhou Qisi by virtue of the SFO.

Save as disclosed above, as at 31 December 2023, to the knowledge of the Board, none of the Directors or chief executive of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executive of the Company were taken or deemed to have under such provisions of the SFO); (ii) recorded in the register kept by the Company pursuant to Section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code.

# DIRECTORS' REPORT

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

As at 31 December 2023, so far is known to, or can be ascertained after reasonable enquiry by the Directors, the following persons/entities (other than the Directors and chief executive of the Company) have interests and/or short positions in our Shares or our underlying Shares which would fall to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO, or as recorded in the register required to be kept by the Company under Section 336 of the SFO, or are directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other member of the Group:

| Name of Substantial Shareholder | Capacity/Nature of interest | Number of Shares/underlying Shares as at 31 December 2023[1] | Approximate percentage of shareholding in the Company as at 31 December 2023 |
|---|---|---|---|
| Microhealth Limited | Beneficial interest | 177,929,750(L)[2] | 29.30% |
| Dtx Health Limited | Beneficial interest | 141,612,700(L)[3] | 23.32% |
| Ms. Yu Jia (于佳) | Interest in a controlled corporation | 65,983,400(L)[4] | 10.87% |
| Dragon Step Ventures Limited | Beneficial interest | 53,865,750(L)[4] | 8.87% |
| Qiming Ronghe | Interest in a controlled corporation | 53,865,750(L)[4] | 8.87% |
| Suzhou Qicheng | Interest in a controlled corporation | 53,865,750(L)[4] | 8.87% |
| Shanghai Qichang | Interest in a controlled corporation | 53,865,750(L)[4] | 8.87% |
| Meiyue Limited | Beneficial interest | 40,485,005(L)[5] | 6.67% |
| Tencent Holdings Limited | Interest in a controlled corporation | 37,700,750(L)[6] | 6.21% |
| Image Frame Investment (HK) Limited | Beneficial interest | 37,700,750(L)[6] | 6.21% |

Notes:

(1) The letter "L" denotes the person's long position in the Shares.

(2) Microhealth Limited is wholly owned by Dr. Li Xinmei.

(3) Dtx Health Limited is wholly owned by Dr. Zhang Fabao.

(4) Dragon Step Ventures Limited is 100% held by Qiming Ronghe. Qiming Ronghe is controlled by Suzhou Qicheng, which is in turn controlled by Shanghai Qichang, a company held as to 50% and 50% by Mr. Hu Xubo and Ms. Yu Jia, respectively. Gleaming Global Investments Limited is 100% held by Suzhou Qisi. Suzhou Qisi is controlled by Beijing Qiyao, which is in turn controlled by Suzhou Qiman, a company held as to 50% and 50% by Mr. Hu Xubo and Ms. Yu Jia, respectively. Therefore, Mr. Hu Xubo and Ms. Yu Jia are deemed to be interested in the Shares held by Dragon Step Ventures Limited and Gleaming Global Investments Limited by virtue of the SFO.

(5) Meiyue Limited is one of our employee equity incentive platforms and beneficially held 40,485,005 Shares. Each of the shareholders of Meiyue Limited, being an employee of the Group, held less than 20% equity interests in Meiyue Limited.

(6) Image Frame Investment (HK) Limited is ultimately controlled by Tencent Holdings Limited, a company listed on the Stock Exchange (stock code: 700), and beneficially held 37,700,750 Shares. By virtue of the SFO, Tencent Holdings Limited is deemed to be interested in the Shares held by Image Frame Investment (HK) Limited.

Save as disclosed above, as at 31 December 2023, the Directors were not aware of any other persons/entities (other than the Directors and chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

## EQUITY INCENTIVE PLANS

### (i) Equity Incentive plan

On 20 April 2022, the Company adopted an equity incentive plan ("**Equity Incentive Plan**"), the terms of which are not subject to the provisions of Chapter 17 of the Listing Rules as they do not involve the grant of options by the Company after its Listing Date and all shares underlying these awards had been issued. All grants of award shares of the Company have been completed before its Listing Date.

*Purposes of the Equity Incentive Plan*

The purpose of the Equity Incentive Plan is to attract and retain talents to facilitate our long-term development.

*Eligibility*

The directors (excluding independent non-executive directors), senior management and employees of the Group, whom the Board consider as appropriate (the "**Participants**") shall be eligible to participant the Equity Incentive Plan.

*Administration of the Equity Incentive Plan*

The Equity Incentive Plan shall be subject to the administration of the Board in accordance with the plan rules thereof. The Board may amend, suspend or terminate the Equity Incentive Plan. The decision of the Board with respect to any matter arising under the Equity Incentive Plan (including the interpretation of any provision) shall be final and binding.

*Grant of Awards and Voting Rights*

Ma Yanqin (馬艷芹) is the sole director of Meilong Limited. Thus, in effect, all management powers over Meilong Limited and voting rights held by Meilong Limited in the Company reside with Ma Yanqin. Wu Zhihua (吳志華) is the sole director of Meiyue Limited. Thus, in effect, all management powers over Meiyue Limited and voting rights held by Meiyue Limited in the Company reside with Wu Zhihua.

All grants under the Equity Incentive Plan were completed. All Participants do not have any voting rights in our Company. The Participants will be granted awards in the form of economic interest in the Employee Equity Incentive Platforms conditional upon certain vesting conditions as specified in the Equity Incentive Plan.

*Restriction on Disposal*

The economic interests shall be realized through disposal of the awarded Shares by the relevant employee equity incentive platforms, the economic interest of no more than 20% of the Shares underlying the award to a Participant could be realized per year.

# DIRECTORS' REPORT

### *Details of the Awards under the Equity Incentive Plan*

As at 31 December 2023, Meiyue Limited held 40,485,005 Shares and Meilong Limited held 24,216,550 Shares, with interest attributable to certain Directors and employees of our Group through their respective employee equity incentive platforms, representing approximately 10.66% of the issued share capital of our Company. The Participants made capital contributions to and hence hold economic interests in the employee equity incentive platforms, which in turn hold economic interests in the Company. Hence, the Participants hold indirect economic interests in the Shares issued and awarded under the Equity Incentive Plan.

The following table sets out the number of underlying shares corresponding to the interests in the relevant employee equity incentive platforms.

| Name of Participants | Position held within our Group | Relevant employee incentive platform | Approximate percentage of interest in the relevant Employee Equity Incentive Platform |
|---|---|---|---|
| **Directors** | | | |
| Dr. Zhang Fabao | Executive Director and chairman of the Board | Meiyue Limited<br>Meilong Limited | 12.69%<br>44.67%[1] |
| Mr. Wang Shuai (王帥) | Executive Director and vice president | Meiyue Limited | 14.95% |
| Other Participants, who are not our directors, chief executive, or connected person | – | Meiyue Limited<br>Meilong Limited | 72.36%<br>55.33% |

Note:

(1) This included approximately 2.58% interests in Meilong Limited held by Dr. Zhang Fabao through Dtx Health Limited as at 31 December 2023.

## (ii) Share Award Scheme

On 19 September 2023, the Company adopted a share award scheme (the "**Share Award Scheme**"). Further details of the Share Award Scheme were set out in the announcement of the Company dated 19 September 2023.

### *Purpose of the Share Award Scheme*

The purposes of the Share Award Scheme are to recognise the contributions by certain Eligible Participants and to provide them with incentives in order to retain them for the continual operation and development of the Group; and to attract suitable personnel for further development of the Group.

### *Eligible Participants*

Eligible participants of the Share Award Scheme (the "**Eligible Participants**") include the following:

(i) directors and employees (including full-time employees and part-time employees) of the Company or any of its subsidiaries (including persons who are granted awards under the Share Award Scheme as an inducement to enter into employment contracts with these companies);

(ii) directors and employees of the holding companies, fellow subsidiaries or associated companies of the Company; and

(iii) persons who provide services to the Company and/or its subsidiaries on a continuing or recurring basis in its ordinary and usual course of business which are in the interests of the long-term growth of the Company and/or its associated companies. For the avoidance of doubt, service provider may not include placing agents or financial advisers providing advisory services for fundraising, mergers or acquisitions, as well as professional service providers such as auditors or valuers who provide assurance, or are required to perform their services with impartiality and objectivity.

### *Duration*

Subject to any early termination as may be determined by the Board pursuant to the Scheme Rules, the Share Award Scheme shall be valid and effective for a term of 10 years commencing on the Adoption Date, after which no further awards will be granted.

As at the date of this annual report, the remaining life of the Share Award Scheme is approximately nine years and six months.

### *Administration*

The Share Award Scheme is subject to the administration by the Board and the Trustee in accordance with the Scheme Rules and the terms of the Trust Deed.

### *Operation of the Share Award Scheme*

The Board may, from time to time, at its sole and absolute discretion select any Eligible Participant (other than any Excluded Participant) for participation in the Share Award Scheme as a Selected Participant, and grant an Award to any Selected Participant at such consideration (if any) subject to such terms and conditions as the Board may in its sole and absolute discretion determine.

The Board may from time to time cause to be paid a Contributed Amount to the Trust by way of settlement or otherwise contributed by the Company, any Subsidiary, any Significant Shareholder or any party designated by the Company as directed by the Board which shall constitute part of the trust fund, for the purchase of Shares and other purposes set out in the Scheme Rules and the Trust Deed.

Subject to prior written direction and/or consent of the Board, the Trustee may accept Shares transferred, gifted, assigned, or conveyed to the Trust from any Significant Shareholder or any party designated by the Company from time to time in such number as such Significant Shareholder or such party designated by the Company may at their sole and absolute discretion determine, which shall constitute part of the trust fund.

# DIRECTORS' REPORT

Subject to the Scheme Rules, the Board may from time to time instruct the Trustee in writing to purchase Shares on the Stock Exchange or accept and receive a specified number of Shares from any Significant Shareholder or any party designated by the Company. Once purchased or received, the Shares are to be held by the Trustee for the benefit of the Selected Participants under the Trust until they are vested, on and subject to the terms and conditions of the Share Award Scheme and the Trust Deed. On each occasion when the Board instructs the Trustee to purchase Shares on the Stock Exchange, it shall specify the maximum amount of funds to be used and the range of prices at which such Shares are to be purchased. The Trustee may not incur more than the maximum amount of funds or purchase any Shares at a price falling outside the range of prices so specified unless with the prior written consent of the Board.

*Vesting and lapse*

Subject to the terms and conditions of the Share Award Scheme and the fulfillment of all vesting conditions applicable to the vesting of the Awarded Interests on such Selected Participant, the respective Awarded Interests held by the Trustee on behalf of the Selected Participant pursuant to the provision thereof shall vest in such Selected Participant in accordance with the applicable vesting schedule, and the Trustee shall cause the Awarded Interests to be transferred to such Selected Participant and/or a vehicle controlled by him/her (such as a trust or a private company) for the benefit of the Selected Participant and any family members of such Selected Participant in accordance with the Scheme Rules.

In the event that a Selected Participant is a director, a substantial shareholder or a connected person of the Group, such Awards shall constitute connected transactions under Chapter 14A of the Listing Rules and the Company shall comply with the relevant requirements under the Listing Rules.

Unless the Board determines otherwise in accordance with the Scheme Rules, in the event of the following matters, all relevant Award(s) made to such Selected Participant shall automatically lapse and the relevant Awarded Shares shall not vest on the relevant vesting date but shall remain part of the trust fund:

(i) Selected Participant is found to be an Excluded Participant;

(ii) where such person has committed any act of fraud or dishonesty or serious misconduct, whether or not in connection with his employment or engagement by any member of the Group and whether or not it has resulted in his employment or engagement being terminated by the relevant member of the Group;

(iii) where such person has been declared or adjudged to be bankrupt by a competent court or governmental body or has failed to pay his debts as they fall due or has entered into any arrangement or composition with his creditors generally or an administrator has taken possession of any of his assets;

(iv) where such person has been convicted of any criminal offence;

(v) where such person has engaged in any act that has had or will have a material adverse effect on the reputation or interests of any member of the Group; or

(vi) where such person has been convicted of or is being held liable for any offence under or any breach of the SFO or other securities laws or regulations in Hong Kong or any other applicable laws or regulations in force from time to time.

*Scheme limit*

The Board shall not make any further award of Awarded Shares which will result in the aggregate number of the Shares awarded by the Board under the Share Award Scheme exceeding 10% of the issued share capital of the Company as at the Adoption Date, which are 60,717,095 Shares, representing of 10% the total issued share capital of the Company as at the date of this annual report.

*Limit for each Eligible Participant*

The maximum number of shares which may be awarded to a Selected Participant under the Share Award Scheme shall not exceed 1% of the issued share capital of the Company in any 12-month period.

The aforesaid limits shall always be subject to the compliance with the Listing Rules that are in force from time to time, including the requirement on maintaining a minimum public float.

*Voting rights*

No instructions shall be given by a Selected Participant (including, without limitation, voting rights) to the Trustee in respect of the Awarded Shares that have not been vested, and such other properties of the trust fund managed by the Trustee. The Trustee shall abstain from exercising the voting rights in respect of any Shares held by it under the Trust (if any) (including but not limited to the Awarded Shares, any bonus Shares and scrip Shares derived therefrom).

*Grant of Awards*

As at 31 December 2023, no Awards had been granted or agreed to be granted, exercised, cancelled or lapsed under the Share Award Scheme.

## DONATIONS

There was no donation made by the Group during the Reporting Period.

## DEBENTURE ISSUED

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

## EQUITY-LINKED AGREEMENTS

Save as disclosed in the paragraph headed "Equity Incentive Plans" in this Directors' Report, no equity-linked agreement was entered into by the Company at any time during or subsisted at the end of the Reporting Period.

## DIVIDEND

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

## DISTRIBUTABLE RESERVES

As at 31 December 2023, the aggregate amount of reserves available for distribution to equity shareholders of the Company was RMB 854.0 million.

# DIRECTORS' REPORT

## USE OF PROCEEDS FROM LISTING

Details of the Group's use of proceeds from the Global Offering as at 31 December 2023 are set out in the section headed "Management Discussion and Analysis — Use of Proceeds" in this annual report.

## PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Since the Listing Date and up to 31 December 2023, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## CORPORATE GOVERNANCE

The Company is committed to maintaining high level of corporate governance practices. Information about principal corporate governance practices adopted by the Company are set out in the section headed "Corporate Governance Report" in this annual report.

## SUFFICIENCY OF PUBLIC FLOAT

Based on the information publicly available to our Company and to the best of our Directors' knowledge, information and belief, since the Listing Date and as at the date of this report, our Company has always maintained sufficient public float as required under the Listing Rules.

## TAX RELIEF AND EXEMPTION

During the Reporting Period, the Directors are not aware of any tax relief or exemption available to the Shareholders by reason of their holding of the securities of the Company.

## PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association and the laws of the Cayman Islands, which would oblige the Company to offer new Shares on a pro-rata basis to existing shareholders.

## SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

The Company adopted the Share Award Scheme on 19 September 2023. On 27 January 2024, based on the recommendation of the remuneration committee of the Board and pursuant to the rules of the Share Award Scheme, the Board resolved to grant a total of 5,403,820 awarded shares to Mr. Fan Jie, an executive Director and the co-chief executive officer of the Group, at HK$0.278 per awarded share. For further details of the grant of awarded shares to Mr. Fan Jie, please refer to the announcement of the Company published on 27 January 2024.

Save as disclosed above, there were no other significant events occurred subsequent to 31 December 2023 and up to the date of this report.

## AUDITOR

The consolidated financial statements for the Reporting Period have been audited by Ernst & Young, who shall retire at the 2024 AGM and, being eligible, will offer themselves for re-appointment. A resolution will be proposed by our Company at the 2024 AGM to re-appoint Ernst & Young as the auditor of the Company.

## ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The 2024 annual general meeting of the Company ("**2024 AGM**") will be held on Friday, 7 June 2024. Shareholders should refer to details regarding the 2024 AGM in the circular to be despatched by the Company and the notice of meeting and form of proxy accompanying therewith.

For determining the entitlement to attend and vote at the 2024 AGM to be held on Friday, 7 June 2024, the register of members of the Company will be closed from Tuesday, 4 June 2024 to Friday, 7 June 2024 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the 2024 AGM, unregistered holders of shares of the Company shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Monday, 3 June 2024 (Hong Kong time).

## CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE LISTING RULES

As at the date of this report, 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.

On Behalf of the Board
**MedSci Healthcare Holdings Limited**
**梅斯健康控股有限公司**
**Dr. Zhang Fabao**
*Chairman of the Board and Executive Director*

28 March 2024

# DIRECTORS AND SENIOR MANAGEMENT

## DIRECTORS

### Executive Directors

**Dr. Zhang Fabao** (張發寶博士), aged 48, founded our Group in 2012, was appointed as a Director in November 2021, and re-designated as executive Director in April 2022. Dr. Zhang has also been chairman of the Board since November 2021. Dr. Zhang is responsible for the overall strategic development, corporate governance and management of the Group. Concurrently, Dr. Zhang holds various directorships and management positions in the subsidiaries of the Group and Consolidated Affiliated Entities, details of which are set out in the table below:

| Name of the Subsidiary or Consolidated Affiliated Entity | Directorship and/or Management Position | Date of Appointment |
|---|---|---|
| Shanghai MedSci MedTech Co., Ltd. ("**Shanghai MedSci**") | Director and chairman of the Board | April 2015 |
| Shanghai Chungu Bio Medicine Technology Co., Ltd. ("**Shanghai Chungu**") | Executive Director and chairman of the Board | January 2013 |

Previously, Dr. Zhang also served as a co-general manager of Shanghai MedSci from November 2012 to April 2015. Dr. Zhang has served as an associate professor of Anhui University of Chinese Medicine (安徽中醫藥大學) since October 2009 and as a standing director of World Federation of Chinese Medicine Societies since May 2021. Dr. Zhang has also served as a member of the Clinical Trial Contract Research Organization Branch of China Quality Association for Pharmaceuticals (中國醫藥質量管理協會) since October 2017.

Dr. Zhang obtained a bachelor's degree in acupuncture and a master's degree in integrated Chinese and western medicines from Anhui College of Traditional Chinese Medicine (安徽中醫學院, currently known as Anhui University of Chinese Medicine (安徽中醫藥大學)) in the PRC in July 1999 and July 2002, respectively. Dr. Zhang also obtained a doctor's degree in natural science from University of Chinese Academy of Sciences (中國科學院大學) in the PRC in March 2006.

Dr. Zhang is the spouse of Dr. Li Xinmei, our executive Director and chief executive officer.

**Dr. Li Xinmei** (李欣梅博士), aged 48, founded our Group in 2012, was appointed as a Director in June 2021 and re-designated as executive Director in April 2022. Dr. Li has also been chief executive officer of the Company since June 2021. Dr. Li is responsible for the overall strategic planning, organizational development and overseeing the business operations of our Group. Dr. Li has been a director and the general manager at Shanghai MedSci since November 2012, and was redesignated as the co-chief executive officer at Shanghai MedSci since March 2022.

Prior to founding the Group, Dr. Li served as a postdoctoral researcher at Florida State University, and at University of Texas Southwestern Medical Center, respectively. Subsequently, Dr. Li has served as an associate professor at Anhui University of Chinese Medicine (安徽中醫藥大學) since October 2009.

Dr. Li obtained a bachelor's degree in Chinese medicine and a master's degree in integrated Chinese and Western medicine from Anhui College of Traditional Chinese Medicine (安徽中醫學院, currently known as Anhui University of Chinese Medicine (安徽中醫藥大學)) in the PRC in July 2000 and July 2003, respectively. Dr. Li also obtained a doctor's degree in biophysics from University of Science and Technology of China (中國科學技術大學) in the PRC in May 2006.

Dr. Li is the spouse of Dr. Zhang Fabao, our executive Director and chairman of the Board.

**Mr. Fan Jie** (樊傑先生), aged 53, is an executive Director and co-chief executive officer and joined the Group in March 2022. Mr. Fan is primarily responsible for the business management of the Group with a focus on digital marketing and real-world research business lines. Concurrently, Mr. Fan has served as the co-chief executive officer of Shanghai MedSci since March 2022.

Mr. Fan has over 25 years' experience in pharmaceutical marketing and sales. Prior to joining the Group, Mr. Fan worked at Xi'an Janssen Pharmaceutical Co., Ltd. (西安楊森製藥有限公司) from January 1997 to February 2022, where he served various positions and his last position was head of excellence business department of pulmonary hypertension and channel value.

Mr. Fan obtained a bachelor's degree in business administration (online education) and an EMBA degree from South China University of Technology (華南理工大學) in the PRC in January 2012 and June 2014, respectively.

**Mr. Wang Shuai** (王帥先生), aged 43, was appointed as our Director in November 2021, and re-designated as our executive Director in April 2022. Mr. Wang has also been our vice president since December 2021. He is responsible for the overall strategic planning and general management and execution of the business operations of our Group. Mr. Wang has also been serving as a vice president and director of Shanghai MedSci since June 2016 and September 2020, respectively.

Prior to joining the Group, Mr. Wang worked at Beijing Xunbo Hengtai Technology Development Co., Ltd. (北京訊博恒泰科技發展有限公司), a company primarily engaged in medical advertisement, from November 2007 to August 2011, mainly responsible for providing medical consulting services to pharmaceutical companies. Subsequently, Mr. Wang worked at Beijing KINGYEE Technology Co., Ltd. (北京金葉天盛科技有限公司), an Internet physician platform company primarily engaged in providing digital marketing solutions for pharmaceutical companies from December 2011 to October 2013, and served as the sales director of KINGYEE (Beijing) Co., Ltd. (金葉天成(北京)科技有限公司) from November 2013 to December 2015, responsible for the sales and sales management. Mr. Wang also served as the general manager at Beijing Chaokanglian Information Technology Co., Ltd. (北京朝康聯信息科技有限公司), a company primarily engaged in medical advertisement, from January 2016 to June 2016, responsible for operation management.

Mr. Wang obtained a bachelor's degree in clinical medicine from China Medical University (中國醫科大學) in the PRC in July 2003.

# DIRECTORS AND SENIOR MANAGEMENT

## Non-executive Directors

**Mr. Hu Xubo** (胡旭波先生), aged 48, was appointed as our Director in November 2021 and re-designated as our non-executive Director in April 2022. Mr. Hu has been a director of Shanghai MedSci since December 2015.

Mr. Hu has over 15 years of experience in investment management, strategic consulting and operations management in the biomedicine industry. He joined Qiming Venture Partners in October 2006 and is currently a managing partner of the firm. Mr. Hu has been a director of Shanghai Sanyou Medical Co. Ltd. (上海三友醫療器械股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 688085), since May 2014.

Previously, Mr. Hu also served as a director of Shanghai Rendu Biological Technology Co., Ltd. (上海仁度生物科技股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 688193), from August 2013 to November 2023; as a non-executive director of BBI Life Sciences Corporation (BBI生命科學有限公司) (previously listed on the Stock Exchange (stock code: 1035), delisted by way of privatization in June 2020) from January 2014 to April 2018; as a director of APT Medical Inc. (深圳惠泰醫療器械股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 688617), from May 2014 to December 2022; as a director of Zhuhai DL Biotech Co., Ltd (珠海迪爾生物工程股份有限公司), a company listed on the National Equities Exchange and Quotations (stock code: 873831), from August 2014 to February 2023; as a director of Amoy Diagnostics Co., Ltd. (廈門艾德生物醫藥科技股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 300685), from June 2015 to August 2021; as a director of Shanghai Aohua Photoelectricity Endoscope CO., LTD. (上海澳華內鏡股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 688212), from September 2016 to January 2023; as a non-executive director of MicroTech Medical (Hangzhou) Co., Ltd. (微泰醫療器械(杭州)股份有限公司), a company listed on the Stock Exchange (stock code: 2235), from November 2016 to December 2023; as a non-executive director of Antengene Corporation Limited (德琪醫藥有限公司), a company listed on the Stock Exchange (stock code: 6996), from November 2018 to March 2021; and as a director and indirect minority shareholder of Clinflash Pharmaceutical Technology (Jiaxing) Co., Ltd. (易迪希醫藥科技(嘉興)有限公司) ("**Clinflash**"), a company engaged in the development of information system for clinical trials, which differs from our principal business, from December 2021 to August 2023. In addition, taking no executive roles, Mr. Hu was not involved in the daily management or operation of our Company or Clinflash. As such, the directorship and shareholding held by Mr. Hu in Clinflash would not give rise to any material competition issue under Rule 8.10 of the Listing Rules.

Mr. Hu obtained a bachelor's degree in preventive medicine from Shanghai Medical University (上海醫科大學) (currently known as Shanghai Medical College of Fudan University (復旦大學上海醫學院)) in the PRC in July 1998, and a master's degree in business administration from École Nationale des Ponts et Chaussées (Tongji campus) in the PRC in October 2004.

**Mr. Yan Shengfeng** (閆盛楓先生), aged 32, was appointed as our Director in November 2021 and re-designated as our non-executive Director in April 2022.

Prior to joining our Group, Mr. Yan served as a consultant at Roland Berger from December 2013 to May 2017, responsible for providing consultancy services for enterprise management. Concurrently, Mr. Yan has subsequently served as an investment associate and the investment director since June 2017 at Tencent Technology (Beijing) Co., Ltd. (騰訊科技(北京)有限公司), a fellow subsidiary of Image Frame Investment (HK) Limited which is a shareholder of the Company, responsible for equity investment and related work.

Mr. Yan obtained a bachelor's degree in civil engineering and a bachelor's degree in economic management from Tsinghua University (清華大學) in the PRC in July 2012.

# DIRECTORS AND SENIOR MANAGEMENT

## Independent Non-executive Directors

**Ms. Liu Tao** (劉濤女士), aged 59, was appointed as our independent non-executive Director in April 2023.

Prior to joining our Group, Ms. Liu served as an independent director of Shanghai No. 1 Pharmacy Co., Ltd. (上海第一醫藥股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600833), from June 2017 to June 2019; as an independent non-executive director of Zhejiang Songyuan Automotive Safety Systems. Co., Ltd. (浙江松原汽車安全系統股份有限公司) from June 2017 to December 2019; and as an independent director of Shanghai Jielong Industry Group Co., Ltd. (上海界龍實業集團股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600836), from May 2018 to September 2020.

Concurrently, Ms. Liu has served as an associate professor of Antai College of Economics & Management (安泰經濟與管理學院) at Shanghai Jiao Tong University (上海交通大學) since August 2001; as an independent non-executive director and the chairwoman of the audit committee of Glorious Property Holdings Ltd. (恆盛地產控股有限公司), a company listed on the Stock Exchange (stock code: 845), since September 2015; as an independent director and a member of the audit committee of Changjiang Investment Industrial Co., Ltd. (長江投資實業股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600119), since February 2018; and as an independent non-executive director and the chairwoman of the audit committee of Shanghai Gench Education Group Limited (上海建橋教育集團有限公司), a company listed on the Stock Exchange (stock code: 1525), since December 2018. Ms. Liu also served as an independent director and the chairwoman of the audit committee of Shanghai SafBon Water Service (Holding) Inc. (上海巴安水務股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 300262), from May 2016 to May 2022. The Board is of the view that Ms. Liu has the appropriate accounting or related financial management experience for the purpose of Rule 3.10(2) of the Listing Rules.

Ms. Liu graduated from Shaanxi Institute of Finance (陝西財經學院), currently known as School of Economics and Finance of Xi'an Jiaotong University (西安交通大學經濟與金融學院), in the PRC with a bachelor's degree in finance (財政學) in July 1986, and a master's degree in economics in July 1989.

# DIRECTORS AND SENIOR MANAGEMENT

**Mr. Yu Mingyang** (余明陽先生), aged 60, was appointed as our independent non-executive Director in April 2023.

Mr. Yu has extensive experience in branding strategy and management. Prior to joining our Group, Mr. Yu served as an independent non-executive director of Noble Jewelry Holdings Limited (億鑽珠寶控股有限公司), a company listed on the Stock Exchange (stock code: 00475) and currently known as Central Development Holdings Limited (中發展控股有限公司), from January 1994 to January 2002; and as an independent director of Zoneco Group Co., Ltd. (獐子島集團股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002069), from June 2007 to June 2010. Mr. Yu also served as an independent director of Shandong Homey Aquatic Development Co., Ltd. (山東好當家海洋發展股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600467), from March 2011 to May 2015; and as an independent non-executive director of Carpenter Tan Holdings Limited (譚木匠控股有限公司), a company listed on the Stock Exchange (stock code: 837), from September 2007 to January 2016.

Currently, Mr. Yu has served as a professor at Shanghai Jiao Tong University (上海交通大學) since September 2005; as an independent director of Shanghai Xujiahui Commercial Co., Ltd. (上海徐家匯商城股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002561), since March 2018; and as an independent director of Golden Home Living Co., Ltd. (金牌厨櫃家居科技股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 603180), since September 2019.

Mr. Yu obtained his bachelor's degree in philosophy from Hangzhou University (杭州大學) in the PRC in July 1983. Mr. Yu obtained a master's degree and a doctor's degree in management from Fudan University (復旦大學) in the PRC in July 1993 and July 1996, respectively.

**Mr. Lau Yiu Kwan Stanley** (劉耀坤先生), aged 69, was appointed as our independent non-executive Director in April 2023.

Prior to joining the Group, Mr. Lau served as the general manager at Baxter (China) Investments Co., Ltd from July 2002 to April 2009; as the president of China Biologic Products, Inc. from December 2010 to March 2012; as the chief operating officer at Eddingpharm Investment Co. Ltd. from March 2012 to February 2013; and as the chief executive officer at Amsino Medical Group from March 2013 to November 2014. Subsequently, Mr. Lau founded Shenzhen Tailai Biotechnology Co., Ltd. (深圳泰萊生物科技有限公司) in July 2018 and has been the chairman of the board of directors since April 2020.

Concurrently, Mr. Lau has served as an independent non-executive director of Solasia Pharma K.K., a company listed on the Tokyo Stock Exchange (securities code: 4597), since December 2014; and as chairman of the board of directors and an independent director of Gland Pharma Ltd, a company listed on the BSE Limited (stock code: 543245) and the National Stock Exchange of India Limited (symbol: GLAND), since June 2019.

Mr. Lau obtained a bachelor's degree in pharmaceutics from University of London in the United Kingdom.

## SENIOR MANAGEMENT

**Dr. Li Xinmei** (李欣梅博士), aged 48, is our executive Director and chief executive officer. Please see her biography in "— Executive Directors" above.

**Mr. Fan Jie** (樊傑先生), aged 53, is our executive Director and co-chief executive officer. Please see his biography in "— Executive Directors" above.

**Mr. Yang Chun** (楊春先生), aged 46, was appointed as our vice president in November 2021. He is responsible for the overall strategic planning and general management and execution of the business operations of our Group. Mr. Yang has been a vice president and a director at Shanghai MedSci since November 2012 and April 2015, respectively. Previously, Mr. Yang also served as our Director from November 2021 to April 2022.

Prior to joining the Group, Mr. Yang served as the product director of Shanghai Keduan Biological Technology Co., Ltd. (上海科端生物科技有限公司), a company primarily engaged in the trade and development of general devices and reagents, from October 2003 to September 2006, responsible for product development; and as the general manager at Shanghai BIOON Info-tech Co., Ltd. (上海北岸信息技術有限公司), a company primarily engaged in the provision of life science related information, responsible for general business operation. Since September 2010, Mr. Yang has also served as an executive director of Shanghai March International Trading Co., Ltd. (上海瑪趣國際貿易有限公司), a company primarily engaged in trade of general devices and reagents and an Independent Third Party.

Mr. Yang obtained a bachelor's degree in plant protection and a master's degree in molecular phytopathology from Nanjing Agricultural University (南京農業大學) in the PRC in June 1999 and December 2003, respectively.

**Mr. Wang Shuai** (王帥先生), aged 43, is our executive Director and vice president. Please see his biography in "— Executive Directors" above.

**Mr. Yuan Xiaohui** (袁曉暉先生), aged 41, is our finance controller and joined our Group in March 2021. Mr. Yuan is primarily responsible for the overall management of finance, investment and financing activities of our Group. Concurrently, Mr. Yuan has served as the finance controller of Shanghai MedSci since March 2021.

Mr. Yuan has extensive experience in accounting and finance. Prior to joining our Group, Mr. Yuan served as an audit assistant at Shanghai Zhonghua Huyin CPA (上海眾華滬銀會計師事務所) from October 2006 to December 2010; and as senior auditor, manager and senior manager at Ernst & Young Hua Ming LLP (安永華明會計師事務所(特殊普通合夥)) from December 2010 to March 2021. Mr. Yuan has been a certified member of the Chinese Institute of Certified Public Accountants and the American Institute of Certified Public Accountants since January 2013 and June 2018, respectively.

Mr. Yuan obtained a bachelor's degree in statistics from Hunan University (湖南大學) in the PRC in June 2005.

# DIRECTORS AND SENIOR MANAGEMENT

**Mr. Wang Tianpei** (王天培先生), aged 44, is our vice president of R&D and joined our Group in February 2022. Mr. Wang is primarily responsible for the overall technology strategy and research and development activities of our Group. Concurrently, Mr. Wang has served as the vice president of R&D of Shanghai MedSci since February 2022.

Prior to joining our Group, Mr. Wang worked at Shanghai HEWLETT-PACKARD Co., Ltd. (上海惠與有限公司) from July 2005 to June 2014; and served as a secondary project manager at Wuxi Wensi Haihui Information Technology Co., Ltd. (Shanghai Branch) (無錫文思海輝信息技術有限公司上海分公司) from August 2014 to January 2016, responsible for the project delivery and management. Subsequently, Mr. Wang served as the principal consultant at Veeva Systems Software (Shanghai) Co., Ltd. (維我軟件(上海)有限公司) from February 2016 to May 2018, responsible for product R&D, pre-sales and project delivery; and as a senior consultant at Ims Market Research Consulting (Shanghai) Co., Ltd. (艾昆緯企業管理諮詢(上海)有限公司) from May 2018 to May 2019, responsible for the product R&D and delivery. Mr. Wang also worked at Crediteyes Co., Ltd. (上海倍通企業信用徵信有限公司) from June 2019 to February 2020 and successively as customer service director and IT project director at Pharmeyes Co., Ltd. (上海倍通醫藥科技諮詢有限公司) from March 2020 to February 2021, responsible for product R&D, sales and project delivery; and as the senior industry general manager in the sales department at Beijing Renkehudong Network Technology Co., Ltd. (北京仁科互動網絡技術有限公司) from February 2021 to February 2022, responsible for the strategy formulation, overall operation, product R&D, pre-sales, delivery, operation and maintenance, as well as staff management.

Mr. Wang obtained a bachelor's degree in mechanical design and manufacturing and a master's degree in software engineering from Tongji University (同濟大學) in the PRC in July 2003 and November 2005, respectively.

**Ms. Huang Mingai** (黃明愛女士), aged 50, has served as our vice president of medicine since November 2021. Ms. Huang joined our Group in April 2012. Ms. Huang is primarily responsible for overseeing the professionalism of our medical content and medical team management. Concurrently, Ms. Huang has served as the vice president of medicine of Shanghai MedSci since February 2022.

Ms. Huang has held various positions at Shanghai MedSci since she joined our Group, including academic editor from April 2012 to January 2015, responsible for academic business; academic manager from February 2015 to June 2016, responsible for providing academic guidance; senior academic manager from July 2016 to July 2017, responsible for the business-to-customer clinical academic business line; academic director from August 2017 to May 2020 and senior academic director from June 2020 to March 2021, responsible for both business-to-business and business-to-customer clinical academic business lines; and academic deputy general manager since April 2021, responsible for the management of the business-to-business division of medical science.

Ms. Huang obtained a bachelor's degree in clinical medicine and a master's degree in hygiene toxicology from Yanbian University (延邊大學) in the PRC in July 1997 and June 2005, respectively. Ms. Huang also obtained a doctor's degree in preventive medicine from Central University of Korea in Korea in August 2009.

## COMPANY SECRETARY

**Mr. Yang Chun** (楊春先生) is our vice president. He was appointed as one of our joint company secretaries in April 2022. Please see his biography in "— Senior Management" above.

**Ms. Kwan Sau In** (關秀妍女士) was appointed as one of our joint company secretaries in April 2022. Ms. Kwan is a manager of corporate services of Tricor Services Limited. She has over ten years of experience in corporate secretarial and compliance matters for Hong Kong-listed companies as well as multinational, private and offshore companies. Ms. Kwan is an associate member of each of The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom. She obtained a bachelor's degree of business administration in corporate administration from Hong Kong Metropolitan University (formerly known as the Open University of Hong Kong) in August 2013 and a master's degree in laws (Chinese Law) from The University of Hong Kong in November 2022.

## CHANGES IN INFORMATION OF THE DIRECTORS

Save as disclosed herein, as at the date of this report, the Directors confirmed that no change in information was required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

# INDEPENDENT AUDITOR'S REPORT

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**To the shareholders of MedSci Healthcare Holdings Limited**
*(Incorporated in the Cayman Islands with limited liability)*

## OPINION

We have audited the consolidated financial statements of MedSci Healthcare Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 77 to 156, which comprise the consolidated statement of financial position as at 31 December 2023, and 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 to the consolidated financial statements, including a summary of significant accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of Hong Kong Companies Ordinance.

## BASIS FOR OPINION

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

## KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

## KEY AUDIT MATTERS

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| ***Revenue recognition from contracts with customers*** | |
| The Group derived its revenues from contracts for services contracts that were recognised over time, using the input method. The input method involved significant management judgement and estimates, including estimates of the progress towards completion, total contract costs, remaining costs to completion, total contract revenues and contract risks. In addition, revenue, cost and gross profit realised on such contracts could vary from the Group's original estimates because of changes in conditions.<br><br>More details are set out in note 2.4 "Revenue recognition", note 3 "Significant accounting judgements and estimates — Revenue from contracts with customers", and note 5 "Revenue, other income and gains" to the consolidated financial statements. | Our procedures in relation to revenue recognition from contracts with customers included:<br><br>(i) Understanding the management processes relating to recognition of contract revenue and contract costs, and budget estimation;<br><br>(ii) Assessing the estimated budget costs for selected projects taking into account the historical accuracy of estimated budget costs and comparing ongoing actual costs with the budgeted costs;<br><br>(iii) Selecting samples of contracts and discussed with management and the respective project teams about the progress, status and details of the projects;<br><br>(iv) Performing comparisons between the percentage of completion and the percentage of progress billings on selected contracts for any significant differences; and<br><br>(v) Performing analytical review procedures for the gross margin of material contracts. |

# INDEPENDENT AUDITOR'S REPORT

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| ***Impairment assessment of trade receivables and contract assets*** | |
| At 31 December 2023, the net carrying amounts of trade receivables and contract assets were RMB34,765,000 and RMB88,637,000, respectively, net of accumulated impairment losses of RMB1,181,000 and RMB21,493,000, respectively.<br><br>The Group uses a provision matrix to calculate expected credit losses ("ECL") for trade receivables and contract assets. The provision matrix considered migration rate, historical loss ratio and forward-looking adjustments. The assumptions applied in determining the expected credit loss required significant management judgement and estimates. Therefore, we identified the impairment of trade receivables as a key audit matter.<br><br>The related disclosures are included in notes 17 "Trade receivables" and 18 "Contract assets" to the consolidated financial statements. | Our procedures in relation to the impairment of trade receivables and contract assets included:<br><br>(i) Evaluating and testing the methodology and data/parameters used by management, including historical loss information and forward-looking factors;<br><br>(ii) Testing the accuracy of ageing on a sampling basis over the billing and collection cycle;<br><br>(iii) Performing confirmation procedure and inspecting cash receipts from customers subsequent to the financial year end on a sampling basis; and<br><br>(iv) Checking the calculation of expected credit losses based on the methodology adopted by the Group and assessing the adequacy of the Group's disclosures in the financial statements. |

## OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

In preparing the consolidated financial statements, the directors of the Company 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 of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company 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. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 skepticism throughout the audit. We also:

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

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

# INDEPENDENT AUDITOR'S REPORT

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

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

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with 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 Siu Fung Terence Ho.

**Ernst & Young**
*Certified Public Accountants*
Hong Kong
28 March 2024

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2023

| | Notes | 2023<br>RMB'000 | 2022<br>RMB'000 |
|---|---|---|---|
| **REVENUE** | 5 | **349,194** | 348,950 |
| Cost of sales | | **(132,587)** | (142,629) |
| **GROSS PROFIT** | | **216,607** | 206,321 |
| Other income and gains | 5 | **35,310** | 13,792 |
| Selling and distribution expenses | | **(90,492)** | (94,901) |
| Administrative expenses | | **(56,404)** | (73,392) |
| Research and development expenses | 6 | **(39,855)** | (35,013) |
| Impairment losses on financial and contract assets | | **(13,616)** | (2,534) |
| Fair value gains/(losses) on convertible redeemable preferred shares | 24 | **12,785** | (109,350) |
| Other expenses | | **(3,609)** | (858) |
| Finance costs | 7 | **(276)** | (357) |
| PROFIT/(LOSS) BEFORE TAX | 6 | **60,450** | (96,292) |
| Income tax expenses | 10 | **(5,408)** | (3,589) |
| **PROFIT/(LOSS) FOR THE YEAR** | | **55,042** | (99,881) |
| Attributable to: | | | |
| Owners of the parent | | **55,042** | (99,881) |
| OTHER COMPREHENSIVE INCOME/(LOSS) | | | |
| Other comprehensive income that will not be reclassified to profit or loss in subsequent periods: | | | |
| Translation difference of the Company's financial statements into presentation currency | | **30,394** | 18,280 |
| Other comprehensive income that may be reclassified to profit or loss in subsequent periods: | | | |
| Exchange differences on translation of the foreign operations | | **143** | 185 |
| **OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX** | | **30,537** | 18,465 |
| **TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR** | | **85,579** | (81,416) |

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2023

| | Notes | **2023**<br>**RMB'000** | 2022<br>RMB'000 |
|---|---|---|---|
| Attributable to Owners of the parent | | **85,579** | (81,416) |
| EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT | | | |
| Basic (RMB) | 12 | **0.11** | (0.21) |
| Diluted (RMB) | 12 | **0.08** | (0.21) |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2023

| | Notes | 2023 RMB'000 | 2022 RMB'000 |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | 13 | **16,403** | 17,363 |
| Right-of-use assets | 14(a) | **5,362** | 10,229 |
| Intangible assets | 15 | **2,683** | 1,567 |
| Deposits | 19 | **801** | 1,196 |
| Deferred tax assets | 16 | **3,342** | 1,306 |
| Total non-current assets | | **28,591** | 31,661 |
| **CURRENT ASSETS** | | | |
| Trade receivables | 17 | **34,765** | 37,720 |
| Contract assets | 18 | **88,637** | 64,927 |
| Due from a related party | 29(b) | **—** | 250 |
| Prepayments, deposits and other receivables | 19 | **8,722** | 12,691 |
| Financial assets at fair value through profit or loss | 20 | **501,892** | — |
| Time deposits | 21 | **451,074** | 278,584 |
| Cash and bank balances | 21 | **181,920** | 320,682 |
| Total current assets | | **1,267,010** | 714,854 |
| **CURRENT LIABILITIES** | | | |
| Trade payables | 22 | **2,052** | 1,967 |
| Other payables and accruals | 23 | **162,137** | 154,148 |
| Lease liabilities | 14(b) | **3,992** | 5,526 |
| Tax payables | | **6,397** | 2,163 |
| Total current liabilities | | **174,578** | 163,804 |
| **NET CURRENT ASSETS** | | **1,092,432** | 551,050 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **1,121,023** | 582,711 |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2023

| | Notes | 2023 RMB'000 | 2022 RMB'000 |
|---|---|---|---|
| **NON-CURRENT LIABILITIES** | | | |
| Convertible redeemable preferred shares | 24 | **–** | 720,907 |
| Lease liabilities | 14(b) | **644** | 4,068 |
| Total non-current liabilities | | **644** | 724,975 |
| **NET ASSETS/(LIABILITIES)** | | **1,120,379** | (142,264) |
| **EQUITY** | | | |
| **Equity attributable to owners of the parent** | | | |
| Issued capital | 25 | **420** | 5 |
| Treasury shares | 25 | **(42,037)** | —* |
| Convertible preferred shares | 24 | **–** | 53,417 |
| Reserves | 27 | **1,161,996** | (195,686) |
| **TOTAL EQUITY/(DEFICIENCY IN ASSETS)** | | **1,120,379** | (142,264) |

* Amount less than RMB1,000.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year Ended 31 December 2023

| | Attributable to owners of the parent | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Issued capital RMB'000 Note 25 | Treasury shares RMB'000 Note 25 | Convertible preferred shares RMB'000 Note 24 | Share premium* RMB'000 Note 27(a) | Capital reserve* RMB'000 Note 27(b) | Merger reserve* RMB'000 Note 27(c) | Statutory surplus reserve* RMB'000 Note 27(d) | Exchange fluctuation reserve* RMB'000 | Share-based payment reserve* RMB'000 Note 27(e) | Accumulated losses* RMB'000 | Total RMB'000 |
| At 31 December 2022 and 1 January 2023 | 5 | –** | 53,417 | – | (1,993) | 10,154 | – | 17,924 | 101,380 | (323,151) | (142,264) |
| Profit for the year | – | – | – | – | – | – | – | – | – | 55,042 | 55,042 |
| Other comprehensive income for the year: | | | | | | | | | | | |
| Exchange differences on translation of the Company's financial statements | – | – | – | – | – | – | – | 30,394 | – | – | 30,394 |
| Exchange differences on translation of foreign operations | – | – | – | – | – | – | – | 143 | – | – | 143 |
| Total comprehensive income for the year | – | – | – | – | – | – | – | 30,537 | – | 55,042 | 85,579 |
| Transfer to surplus reserve | – | – | – | – | – | – | 5,226 | – | – | (5,226) | – |
| Net proceeds from issue of shares from initial public offering ("IPO") | 46 | – | – | 535,834 | – | – | – | – | – | – | 535,880 |
| Share issue expenses | – | – | – | (20,991) | – | – | – | – | – | – | (20,991) |
| Conversion of convertible preferred shares into ordinary shares upon IPO | 1 | – | (53,417) | 53,416 | – | – | – | – | – | – | – |
| Conversion of convertible redeemable preferred shares into ordinary shares upon IPO | 1 | – | – | 698,811 | – | – | – | – | – | – | 698,812 |
| Capitalisation Issue | 367 | (30) | – | (337) | – | – | – | – | – | – | – |
| Shares repurchased for a share award scheme | – | (42,007) | – | – | – | – | – | – | – | – | (42,007) |
| Share-based payments | – | – | – | – | – | – | – | – | 5,370 | – | 5,370 |
| At 31 December 2023 | 420 | (42,037) | – | 1,266,733 | (1,993) | 10,154 | 5,226 | 48,461 | 106,750 | (273,335) | 1,120,379 |

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year Ended 31 December 2023

| | Attributable to owners of the parent | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Issued capital RMB'000 Note 25 | Treasury Shares RMB'000 Note 25 | Convertible preferred shares RMB'000 Note 24 | Capital reserve* RMB'000 Note 27(b) | Merger reserve* RMB'000 Note 27(c) | Exchange fluctuation reserve* RMB'000 | Share-based payment reserve* RMB'000 Note 27(e) | Accumulated losses* RMB'000 | Total RMB'000 |
| At 31 December 2021 and 1 January 2022 | 5 | –** | 53,417 | (1,993) | 10,054 | (541) | 95,113 | (223,270) | (67,215) |
| Loss for the year | – | – | – | – | – | – | – | (99,881) | (99,881) |
| Other comprehensive loss for the year: | | | | | | | | | |
| Exchange differences on translation of the Company's financial statements | – | – | – | – | – | 18,280 | – | – | 18,280 |
| Exchange differences on translation of foreign operations | – | – | – | – | – | 185 | – | – | 185 |
| Total comprehensive loss for the year | – | – | – | – | – | 18,465 | – | (99,881) | (81,416) |
| Capital contribution from the then equity holders of a subsidiary | – | – | – | – | 100 | – | – | – | 100 |
| Share-based payments | – | – | – | – | – | – | 6,267 | – | 6,267 |
| At 31 December 2022 | 5 | –** | 53,417 | (1,993) | 10,154 | 17,924 | 101,380 | (323,151) | (142,264) |

* These reserve accounts comprise the consolidated reserves of and RMB1,161,996,000 (2022: RMB(195,686,000)) in the consolidated statements of financial position as at 31 December 2023.

** Amount less than RMB1,000.

# CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended 31 December 2023

| | Notes | 2023<br>RMB'000 | 2022<br>RMB'000 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Profit/(loss) before tax | | **60,450** | (96,292) |
| Adjustments for: | | | |
| Interest income | 5 | **(15,371)** | (10,379) |
| (Reversal of impairment)/impairment of trade receivable | 6,17 | **(35)** | 160 |
| Impairment of contract assets | 6,18 | **13,632** | 2,379 |
| Impairment/(reversal of impairment) of other receivables | 6,19 | **19** | (5) |
| Depreciation of property, plant and equipment | 6,13 | **1,141** | 1,145 |
| Depreciation of right-of-use assets | 6,14 | **6,555** | 7,155 |
| Amortisation of intangible assets | 6,15 | **654** | 78 |
| Loss on deregistration of a subsidiary | 6 | **—** | 71 |
| Fair value (gains)/losses on convertible redeemable preferred shares | 6, 24 | **(12,785)** | 109,350 |
| Fair value gain on financial assets at fair value through profit or loss | 5,6 | **(6,974)** | — |
| Finance costs | 7 | **276** | 357 |
| Equity-settled share-based payments | 6, 26 | **5,370** | 6,267 |
| | | **52,932** | 20,286 |
| Decrease/(increase) in trade receivables | | **2,990** | (8,187) |
| Increase in contract assets | | **(37,342)** | (16,364) |
| Increase in prepayments, deposits and other receivables | | **(623)** | (5,377) |
| Increase in trade payables | | **85** | 380 |
| Increase/(decrease) in other payables and accruals | | **7,989** | (5,608) |
| Increase in restricted deposits | | **(156)** | — |
| **Cash generated from/(used in) operations** | | **25,875** | (14,870) |
| Interest received | | **15,371** | 10,379 |
| Income tax paid | | **(3,210)** | (9,551) |
| **Net cash flows from/(used in) operating activities** | | **38,036** | (14,042) |

# CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended 31 December 2023

| | Notes | 2023 RMB'000 | 2022 RMB'000 |
|---|---|---|---|
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Purchases of items of property, plant and equipment | 13 | **(181)** | (519) |
| Purchases of items of intangible assets | 15 | **(1,770)** | (1,645) |
| Advance to a key management personnel | | **(18,104)** | – |
| Repayment from a related party | | **250** | – |
| Repayment from a key management personnel | | **18,104** | – |
| Disposal of items of property, plant and equipment | | **–** | 31 |
| Redemption of financial assets at fair value through profit and loss | | **299,324** | – |
| Payment for purchase of financial assets at fair value through profit and loss | | **(788,347)** | – |
| Increase in time deposits with original maturity of more than three months when acquired | | **(4,250)** | – |
| **Net cash flows used in investing activities** | | **(494,974)** | (2,133) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Net proceeds on issue of shares from IPO | | **519,857** | – |
| Lease payments (including related interests) | | **(6,922)** | (7,616) |
| Repurchase of shares held for a share award scheme | | **(42,007)** | – |
| Capital contribution from the then equity holders of a subsidiary | | **–** | 100 |
| **Net cash flows from/(used in) financing activities** | | **470,928** | (7,516) |
| **NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS** | | **13,990** | (23,691) |
| Cash and cash equivalents at beginning of year | | **599,266** | 596,002 |
| Effect of foreign exchange rate changes, net | | **15,332** | 26,955 |
| **CASH AND CASH EQUIVALENTS AT END OF YEAR** | | **628,588** | 599,266 |
| **ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS** | | | |
| Cash and bank balances | 21 | **181,920** | 320,682 |
| Time deposits | 21 | **451,074** | 278,584 |
| Less: Time deposits with original maturity of more than three months when acquired | 21 | **4,250** | – |
| Restricted deposits | 21 | **156** | – |
| CASH AND CASH EQUIVALENTS AS STATED IN THE STATEMENT OF CASH FLOWS | | **628,588** | 599,266 |

## 1. CORPORATE AND GROUP INFORMATION

MedSci Healthcare Holdings Limited (the "Company") is incorporated in Cayman Islands on 22 June 2021 as an exempted company with limited liability under the laws of the Cayman Islands. The registered office address of the Company is 89 Nexus Way, Camana Bay, Grand Cayman, KY1-9009, Cayman Islands.

The Company is an investment holding company. During the year ended 31 December 2023, the principal activities of the Company and its subsidiaries (collectively referred to as the "Group") are provision of physician platform solutions, precision omni-channel marketing solutions, and real-world study solutions (collectively the "Listing Business") in the People's Republic of China (the "PRC").

The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 27 April 2023 (the "Listing Date").

In the opinion of the directors of the Company (the "Directors"), Dr. Zhang Fabao, Dr. Li Xinmei, Microhealth Limited, Dtx Health Limited and Meilong Limited are the controlling shareholders (the "Controlling Shareholders") of the Company.

### Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

| Name | Notes | Place and date of incorporation/ establishment and place of operations | Issued ordinary/ registered share capital | Percentage of equity attributable to the Company | Principal activities |
|---|---|---|---|---|---|
| Directly held: | | | | | |
| MedSci Healthcare Holdings (BVI) Limited ("Medsci Healthcare BVI") | | British Virgin Islands ("BVI") 24 June 2021 | United States Dollar ("USD") 1 | 100% | Investment holding |
| Indirectly held: | | | | | |
| MedSci Healthcare Holdings (Hong Kong) Limited ("Medsci Healthcare HK") | | Hong Kong 6 August 2021 | Hong Kong Dollar ("HKD") 1 | 100% | Investment holding |
| Medsci Inc. ("Medsci INC") | | the United States 18 April 2018 | USD200,000 | 100% | Medical big data, medical education and training |
| Shanghai Meiyi Hehong Technology Co., Ltd. 上海梅益合宏科技有限公司 ("Shanghai Meiyi Hehong")* | (2) | PRC/Chinese Mainland 9 October 2021 | RMB10,000,000 | 100% | Investment holding |
| Zhejiang Meiyi Hehong Technology Co., Ltd. 浙江梅益合宏科技有限公司 ("Shanghai Meiyi Hehong")* | (2) | PRC/Chinese Mainland 9 June 2023 | RMB69,000,000 | 100% | Investment holding |

# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 1. CORPORATE AND GROUP INFORMATION — *continued*

### Information about subsidiaries — *continued*

Particulars of the Company's principal subsidiaries are as follows: — *continued*

| Name | Notes | Place and date of incorporation/ establishment and place of operations | Issued ordinary/ registered share capital | Percentage of equity attributable to the Company | Principal activities |
|---|---|---|---|---|---|
| **Indirectly held:** | | | | | |
| Shanghai MedSci MedTech Co., Ltd. 上海梅斯醫藥科技有限公司 ("Shanghai MedSci") | (1), (2) | PRC/Chinese Mainland 6 November 2012 | RMB10,053,624 | 100% | Investigator initiated clinical research, investigator initiated trials post-marketing clinical research, and omni-channel marketing |
| Shanghai Chungu Bio Medical Technology Co., Ltd. 上海春谷生物醫藥科技有限公司 ("Shanghai Chungu") | (1), (2) | PRC/Chinese Mainland 21 January 2013 | RMB10,000,000 | 100% | Precision omni-channel marketing |
| Hangzhou Yilan Information Technology Co., Ltd. 杭州醫覽信息科技有限公司 ("Hangzhou Yilan") | (1), (2) | PRC/Chinese Mainland 31 October 2018 | RMB10,000,000 | 100% | Internet data services |
| Medical Internet Hospital (Guangzhou) Co., Ltd. 醫咖互聯網醫院(廣州)有限公司 ("Yika Internet") | (1), (2) | PRC/Chinese Mainland 3 September 2018 | RMB1,000,000 | 100% | Precision omni-channel marketing |
| Hefei Kangen Information Technology Co., Ltd. 合肥康恩信息技術有限公司 ("Hefei Kangen") | (1), (2) | PRC/Chinese Mainland 8 June 2021 | RMB1,000,000 | 100% | Precision omni-channel marketing |

* Shanghai Meiyi Hehong and Zhejiang Meiyi Hehong are registered as a wholly-foreign-owned enterprises under PRC law.

(1) These entities are controlled through a series of contractual arrangements entered into among Shanghai Meiyi Hehong and their respective equity holders of these entities (the "Contractual Arrangements") and they are collectively referred to as "Consolidated Affiliated Entities".

(2) The English names of these companies represent the best effort made by the management of the Company to directly translate the Chinese names as they do not register any official English name.

## 2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") promulgated by the International Accounting Standards Board ("IASB") and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for equity investments and wealth management products which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

### Basis of consolidation

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

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

1) the contractual arrangement with the other vote holders of the investee;

2) rights arising from other contractual arrangements; and

3) the Group's voting rights and potential voting rights.

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

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

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

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

# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

| | |
|---|---|
| IFRS 17 | *Insurance Contracts* |
| Amendments to IAS 1 and IFRS Practice Statement 2 | *Disclosure of Accounting Policies* |
| Amendments to IAS 8 | *Definition of Accounting Estimates* |
| Amendments to IAS 12 | *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* |
| Amendments to IAS 12 | *International Tax Reform — Pillar Two Model Rules* |

The nature and the impact of the revised IFRSs that are applicable to the Group are described below:

(a) Amendments to IAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to IFRS Practice Statement 2 Making Materiality Judgements provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has disclosed the material accounting policy information in note 2.4 to the financial statements. The amendments did not have any impact on the measurement, recognition or presentation of any items in the Group's financial statements.

(b) Amendments to IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. Since the Group's approach and policy align with the amendments, the amendments had no impact on the Group's financial statements.

(c) Amendments to IAS 12 *Deferred Tax related to Assets and Liabilities* arising from a Single Transaction narrow the scope of the initial recognition exception in IAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The Group has not applied the initial recognition exception and recognised deferred tax assets and deferred tax liabilities respectively for all transactions fallen within the scope of the amendments in prior years, the amendments had no impact on the Group's financial statements.

## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES — *continued*

The nature and the impact of the revised IFRSs that are applicable to the Group are described below: — *continued*

(d) Amendments to IAS 12 *International Tax Reform — Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

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

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

| | |
|---|---|
| Amendments to IFRS 10 and IAS 28 | *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3] |
| Amendments to IFRS 16 | *Lease Liability in a Sale and Leaseback*[1] |
| Amendments to IAS 1 | *Classification of Liabilities as Current or Non-current (the "2020 Amendments")*[1,4] |
| Amendments to IAS 1 | *Non-current Liabilities with Covenants (the "2020 Amendments")*[1,4] |
| Amendments to IAS 7 and IFRS 7 | *Supplier Finance Arrangements*[1] |
| Amendments to IAS 21 | *Lack of Exchangeability*[2] |

1 Effective for annual periods beginning on or after 1 January 2024
2 Effective for annual periods beginning on or after 1 January 2025
3 No mandatory effective date yet determined but available for adoption
4 As a consequence of the 2020 Amendments and 2022 Amendments, International Interpretation 5 *Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised to align the corresponding wording with no change in conclusion

Further information about those IFRSs that are expected to be applicable to the Group is described below.

Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 was removed by the IASB. However, the amendments are available for adoption now.

# NOTES TO FINANCIAL STATEMENTS

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## 2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS — *continued*

Amendments to IFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16 (i.e., 1 January 2019). Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments shall be applied retrospectively with early application permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. The Group is currently assessing the impact of the amendments and whether existing loan agreements may require revision. Based on a preliminary assessment, the amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 7 and IFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. Earlier application of the amendments is permitted. The amendments provide certain transition reliefs regarding comparative information, quantitative information as at the beginning of the annual reporting period and interim disclosures. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 21 specify how an entity shall assess whether a currency is exchangeable into another currency and how it shall estimate a spot exchange rate at a measurement date when exchangeability is lacking. The amendments require disclosures of information that enable users of financial statements to understand the impact of a currency not being exchangeable. Earlier application is permitted. When applying the amendments, an entity cannot restate comparative information. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening balance of retained profits or to the cumulative amount of translation differences accumulated in a separate component of equity, where appropriate, at the date of initial application. The amendments are not expected to have any significant impact on the Group's financial statements.

## 2.4 MATERIAL ACCOUNTING POLICIES

### Fair value measurement

The Group measures its wealth management products and convertible redeemable preferred shares at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 2.4 MATERIAL ACCOUNTING POLICIES — *continued*

### Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than deferred tax assets, contract assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises (only if there are revalued assets in the financial statements), unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

### Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and 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 of a parent of the Group;

## 2.4 MATERIAL ACCOUNTING POLICIES — *continued*

### Related parties — *continued*

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group 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 controlled or jointly controlled by a person identified in (a);

(vi) 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); and

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

### Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with IFRS 5. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 2.4 MATERIAL ACCOUNTING POLICIES — *continued*

### Property, plant and equipment and depreciation — *continued*

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

| | |
|---|---|
| Buildings | 2.09% |
| Furniture and facilities | 19.00% |
| Devices and equipment | 19.00–31.67% |

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year/period the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

### Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

#### *Software*

Purchased software is stated at cost less any impairment loss and is amortised on the straight-line basis over its estimated useful life of ten years.

### Leases

The Group assesses at contract inception whether a 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.

#### *Group as a lessee*

The Group applies a single recognition and measurement approach for all leases, except for short-term leases. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

## 2.4 MATERIAL ACCOUNTING POLICIES — *continued*

### Leases — *continued*

### *Group as a lessee — continued*

*(a) Right-of-use assets*

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

| | |
|---|---|
| Leases of office buildings | 2 to 3 years |

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

*(b) Lease liabilities*

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

*(c) Short-term leases*

The Group applies the short-term lease recognition exemption to its short-term leases of employee's apartment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option).

Lease payments on short-term leases are recognised as an expense on a straight-line basis over the lease term.

# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 2.4 MATERIAL ACCOUNTING POLICIES — *continued*

### Research and development costs

All research costs are charged to profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete.

The project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

### Investment and other financial assets

#### *Initial recognition and measurement*

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value though profit or loss.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

## 2.4 MATERIAL ACCOUNTING POLICIES — *continued*

### Investment and other financial assets — *continued*

#### *Subsequent measurement*

The subsequent measurement of financial assets depends on their classification as follows:

#### *Financial assets at amortised cost (debt instruments)*

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

#### *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are carried in the statements of financial position at fair value with net changes in fair value recognised in profit or loss.

### Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statements of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

### Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 2.4 MATERIAL ACCOUNTING POLICIES — *continued*

### Impairment of financial assets — *continued*

#### *General approach*

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1 — Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 — Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 — Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

## 2.4 MATERIAL ACCOUNTING POLICIES — *continued*

### Financial liabilities

#### *Initial recognition and measurement*

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss and financial liabilities at amortised cost, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of payables at amortised cost, net of directly attributable transaction costs.

The Group's financial liabilities include trade payables, other payables and accruals and lease liabilities as well as convertible redeemable preferred shares.

#### *Subsequent measurement*

The subsequent measurement of financial liabilities depends on their classification as follows:

#### *Financial liabilities at amortised cost (trade payables, other payables and accruals)*

After initial recognition, trade and other payables and accruals are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

#### *Convertible preferred shares*

The Series A-1, A-2, B and C of convertible preferred shares (collectively, the "Preferred Shares") issued by the Company are classified, on the basis of their component parts, as financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

The preferred shares issued are classified as equity if they are non-redeemable by the Company or redeemable only at the Company's option, and any dividends are discretionary. Dividends on preferred shares capital classified as equity are recognised as distributions within equity. The preferred shares are classified as financial liabilities if they are redeemable on a specific date or at the option of the holders of the preferred shares (including options that are only exercisable in case of triggering events having occurred).

The Series A-1 preferred shares issued by the Company are non-redeemable and meet the definition of an equity instrument in accordance with IAS 32.16 since the Company does not have contractual obligation to make any payment. The Series A-2, B and C preferred shares issued by the Company are redeemable upon occurrence of certain future events which are outside the control of the Company and meet the definition of financial liabilities. These instruments can also be converted into ordinary shares of the Company at any time at the option of the holders, or automatically upon occurrence of an initial public offering of the Company, or other conditions as detailed in note 24.

# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 2.4 MATERIAL ACCOUNTING POLICIES — *continued*

### Financial liabilities — *continued*

#### *Convertible preferred shares — continued*

The Group designated the Series A-2, B and C preferred shares as financial liabilities at fair value through profit or loss. They are initially recognised at fair value. Any directly attributable transaction costs are recognised as finance costs in profit or loss as incurred. The component of fair value changes relating to the Company's own credit risk is recognised in other comprehensive income. Amounts recorded in other comprehensive income related to credit risk are not subject to subsequent recycling in profit or loss, but are transferred to retained earnings when realised. Fair value changes relating to market risk are recognised in profit or loss.

### Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

### Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

### Treasury shares

Own equity instruments which are reacquired and held by the Company or the Group (treasury shares) are recognised directly in equity at cost. No gain or loss is recognised in profit or loss or other comprehensive income for the purchase, sale, issue or cancellation of the Company's own equity instruments.

### Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash on hand and at banks, and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits as defined above, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

## 2.4 MATERIAL ACCOUNTING POLICIES — *continued*

### Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of year of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

### Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and

- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 2.4 MATERIAL ACCOUNTING POLICIES — *continued*

### Income tax — *continued*

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

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

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

### Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised on a systematic basis over the periods as deduction from the costs, for which it is intended to compensate, are expensed.

## 2.4 MATERIAL ACCOUNTING POLICIES — *continued*

### Revenue recognition

#### *Revenue from contracts with customers*

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

The Group transfers control of goods or services over time and recognises revenue over time, if one of the following criteria is met:

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

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or services.

The Group derives revenue from rendering of services of physician platform solutions, precision omni-channel marketing solutions, real-world study solutions and sales of goods.

*(a) Physician platform solutions*

Physician platform solutions provide medical knowledge and clinical study assistance services to physicians, addressing physicians' lifelong research and learning needs. Medical knowledge services involve provision of professional medical information to physicians, covering the lifelong learning needs of physicians and the needs of other healthcare industry professionals. Clinical study assistance services involve provision of initiate clinical study, or investigator initiated trials ("IITs"), which are complex with the purpose of exploring the origins, development and treatment of diseases to enhance overall healthcare quality.

Revenue from medical knowledge service is recognised over the expected usage periods because the customer simultaneously receives and consumes the benefits provided by the Group.

# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 2.4 MATERIAL ACCOUNTING POLICIES — *continued*

### Revenue recognition — *continued*

### *Revenue from contracts with customers — continued*

*(a) Physician platform solutions — continued*

For clinical study assistance services, the customer simultaneously receives and consumes the benefits provided by the Group and the Group has an enforceable right to payment from the customer for its performance completed to date according to the contracts. As a result, revenue from clinical study assistance service is recognised over time.

Input method is used to measure progress towards complete satisfaction of the service. The input method recognised revenue based on the proportion of the actual costs incurred relative to the estimated total costs for satisfaction of the service.

*(b) Precision omni-channel marketing solutions*

Precision omni-channel marketing solutions enable pharmaceutical and medical device companies to efficiently reach target physicians and effectively convey information about medical products. Contracts include a single performance obligation as delivery of integrated services over a period of time. Revenue is recognised over time, as the customer simultaneously receives and consumes the benefits provided by the Group.

For contracts with contract price based on and linked to the volume of the customers' sales of pharmaceuticals, they are accounted for as variable consideration and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. The Group uses the expected value method to estimate the amounts of claims because this method best predicts the amount of variable consideration to which the Group will be entitled. The Group uses an output method to measure progress towards complete satisfaction of the service.

For contracts not linked to sales of products which are generally at fixed price and are settled according to progress specified in the contracts, the Group uses an input method to measure progress towards complete satisfaction of the service.

*(c) Real-world study solutions*

Real-world study solutions involve provision of a comprehensive package of highly interdependent and interrelated services, including protocol design, data collection and assessment, project operation, statistical analysis and publication plan, to support pharmaceutical and medical device companies' real-world evidence-based research.

For the real-world study solutions, the Group considers that the series of ingredient activities undertaken are substantially the same and have the same pattern of transfer to the customers, and therefore accounts for them as one performance obligation. The Group recognises revenue for the real-world study solutions ratably during the service period as the customers simultaneously receive and consume the benefits.

## 2.4 MATERIAL ACCOUNTING POLICIES — *continued*

### Revenue recognition — *continued*

#### *Revenue from contracts with customers — continued*

*(d) Others*

The Group sells medical products in offline pharmacies. Revenue from the sales of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of goods. For sales of goods, the Group acts as principal and is primarily responsible for selling goods to the customers, the Group recognises the fee received or receivable from customers as its revenue and all related goods costs as its cost of sales.

#### *Other income*

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

### Contract assets

If the Group performs by transferring goods or services to a customer before being unconditionally entitled to the consideration under the contract terms, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets. They are reclassified to trade receivables when the right to the consideration becomes unconditional.

### Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

### Share-based payments

The Group operates a share award scheme. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions"). The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a discounted cash flow model, further details of which are given in note 26.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

## 2.4 MATERIAL ACCOUNTING POLICIES — *continued*

### Share-based payments — *continued*

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

### Other employee benefits

*Pension scheme*

The employees of the Group's subsidiaries which operate in Chinese Mainland are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries operating in Chinese Mainland are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

### Dividends

Final dividends are recognised as a liability when they are approved by the shareholders of the Company in a general meeting. Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

## 2.4 MATERIAL ACCOUNTING POLICIES — *continued*

### Foreign currencies

These financial statements are presented in RMB. Each entity in the Group determines its own functional currency and items included in the financial information of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of each reporting period.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currency of the Company is HKD and certain subsidiaries' functional currencies are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of the Company and these foreign operations are translated into presentation currency of RMB at the exchange rates prevailing at the end of the reporting period and their profit or loss are translated into RMB at the exchange rates that approximate to those prevailing at the dates of the transactions for each of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

### Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

#### *Contractual Arrangements*

Due to regulatory restrictions on foreign investment in value-added telecommunications services and production of radio and television video and programs in the PRC, the Group conducts a substantial portion of the business through the Consolidated Affiliated Entities. As disclosed in note1 to the financial statements, the Group exercises control over the Consolidated Affiliated Entities and enjoys substantially all economic benefits of the Consolidated Affiliated Entities through the Contractual Arrangements.

The Company does not have any direct equity interests in the Consolidated Affiliated Entities. However, as a result of the Contractual Arrangements, the Company has power over the Consolidated Affiliated Entities, has rights to variable returns from its involvement with the Consolidated Affiliated Entities and has the ability to affect those returns through its power over the Consolidated Affiliated Entities. Consequently, the Company regards the Consolidated Affiliated Entities as indirect subsidiaries and has consolidated the financial position and results of the Consolidated Affiliated Entities in the financial statements during the year.

#### *Revenue from contracts with customers*

The Group applied judgement in determining the method to estimate the variable consideration and assessing the constraint for rendering the precision omni-channel marketing solutions linked to sales of products that significantly affect the determination of the amount of revenue from contracts with customers.

Certain contracts entered into during the year ended 31 December 2023 for the rendering of services of precision omni-channel marketing solutions include variable consideration that are based on volume milestones. In estimating the variable consideration, the Group is required to use either the expected value method or the most likely amount method based on which method better predicts the amount of consideration to which it will be entitled.

In estimating the variable consideration for the rendering of services of precision omni-channel marketing solutions with volume milestones, the Group determined that using the expected value method is appropriate. The selected method that better predicts the amount of variable consideration related to volume milestones is primarily driven by the number of volume thresholds contained in the contract. The most likely amount method is used for those contracts with a single volume threshold, while the expected value method is used for contracts with more than one volume threshold.

## 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES — *continued*

### Judgements — *continued*

#### *Revenue from contracts with customers — continued*

Before including any amount of variable consideration in the transaction price, the Group considers whether the amount of variable consideration is constrained. The Group determined that the estimates of variable consideration are constrained based on its historical experience, business forecast and the current economic conditions for the year ended 31 December 2023. In addition, the uncertainty on the variable consideration will be resolved within a short time frame.

### Estimation uncertainty

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

#### *Impairment of non-financial assets*

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

#### *Provision for expected credit losses on trade receivables and contract assets*

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by customer type). 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. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

## 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES — *continued*

### Estimation uncertainty — *continued*

*Provision for expected credit losses on trade receivables and contract assets — continued*

The provision of contract assets is made based on assessment of their recoverability and ageing as well as other quantitative and qualitative information and on management's judgment and assessment of the forward-looking information.

The assessment of the correlation among historical observed default rates, forecast economic conditions 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 a customer's actual default in the future. The information about the ECLs on the Group's trade receivables and contract assets is disclosed in notes 17 and 18, respectively.

*Fair value of convertible redeemable preferred shares*

The fair value of the convertible redeemable preferred shares is determined using the valuation techniques, including the discounted cash flow method and the option-pricing method. Such valuation is based on key parameters about discounts for lack of marketability and volatility, which are subject to uncertainty and might materially differ from the actual results. The fair value of convertible redeemable preferred shares at 31 December 2022 and 2023 was RMB720,907,000 and nil, respectively. Further details are included in notes 24 and 31.

*Leases — Estimating the incremental borrowing rate*

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

## 4. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the provision of physician platform solutions, precision omni-channel marketing solutions and real-world study solutions in the Chinese Mainland.

IFRS 8 *Operating Segments* requires operating segments to be identified on the basis of internal reporting about components of the Group that are regularly reviewed by the chief operating decision-maker in order to allocate resources to segments and to assess their performance. The information reported to the directors of the Company, who are the chief operating decision-makers, for the purpose of the resource allocation and assessment of performance does not contain discrete operating segment financial information and directors reviewed the financial results of the Group as a whole. Therefore, no further information about the operating segment is presented.

### Geographical information

During the year, the Group operated within one geographical segment because all of its revenue was generated in the Chinese Mainland and the majority of its long-term assets/capital expenditures were located/incurred in the Chinese Mainland. Accordingly, no further geographical segment information is presented.

### Information about major customers

The revenue from sales to a group of customers under common control accounted for 10% or more of the Group's revenue during each of the reporting period is set out below:

| | **2023**<br>**RMB'000** | 2022<br>RMB'000 |
|---|---|---|
| Customer group A | **NA*** | 39,010 |

* No revenue from sales to a single customer account for 10% or more of the Group's revenue.

## 5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

| | **2023**<br>**RMB'000** | 2022<br>RMB'000 |
|---|---|---|
| Revenue | | |
| Revenue from contracts with customers | **349,194** | 348,950 |

# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 5. REVENUE, OTHER INCOME AND GAINS — *continued*

### Revenue from contracts with customers

#### *(a) Disaggregated revenue information*

*For the year ended 31 December 2023*

| | Physician platform solutions RMB'000 | Precision omni-channel marketing solutions RMB'000 | Real-world study solutions RMB'000 | Total RMB'000 |
|---|---|---|---|---|
| **Types of goods or services** | | | | |
| Provision of services | **120,045** | **173,764** | **55,385** | **349,194** |
| **Geographical markets** | | | | |
| Chinese Mainland | **120,045** | **173,764** | **55,385** | **349,194** |
| **Timing of revenue recognition** | | | | |
| Over time | **120,045** | **173,764** | **55,385** | **349,194** |
| Total revenue from contracts with customers | **120,045** | **173,764** | **55,385** | **349,194** |

*For the year ended 31 December 2022*

| | Physician platform solutions RMB'000 | Precision omni-channel marketing solutions RMB'000 | Real-world study solutions RMB'000 | Total RMB'000 |
|---|---|---|---|---|
| **Types of goods or services** | | | | |
| Provision of services | 89,136 | 198,508 | 61,306 | 348,950 |
| **Geographical markets** | | | | |
| Chinese Mainland | 89,136 | 198,508 | 61,306 | 348,950 |
| **Timing of revenue recognition** | | | | |
| Over time | 89,136 | 198,508 | 61,306 | 348,950 |
| Total revenue from contracts with customers | 89,136 | 198,508 | 61,306 | 348,950 |

## 5. REVENUE, OTHER INCOME AND GAINS — *continued*

### Revenue from contracts with customers — *continued*

### *(a) Disaggregated revenue information — continued*

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of each of the reporting period:

| | **2023** **RMB'000** | 2022 RMB'000 |
|---|---|---|
| Revenue recognised that was included in contract liabilities at the beginning of year | **107,234** | 124,341 |

### *(b) Performance obligations*

Information about the Group's performance obligations is summarized below:

*Physician platform solutions*

The performance obligation is satisfied over time as services are rendered and payment in advance is normally required. The Group has elected the practical expedient for not disclosing the remaining performance obligations for these types of contracts.

*Precision omni-channel marketing solutions and real-world study solutions*

The performance obligation is satisfied over time as services are rendered and payment is generally due within 30 to 180 days from the date of billing. The Group has elected the practical expedient for not disclosing the remaining performance obligations for these types of contracts.

# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 5. REVENUE, OTHER INCOME AND GAINS — *continued*

### Revenue from contracts with customers — *continued*

#### *(b) Performance obligations — continued*

*Other income and gains*

| | 2023<br>RMB'000 | 2022<br>RMB'000 |
|---|---|---|
| **Other income** | | |
| Bank interest income | **15,371** | 10,379 |
| Tax linked incentives by local authorities | **3,569** | 1,918 |
| Government grants* | **8,954** | 600 |
| Value-added tax additional deduction | **374** | 744 |
| Others | **68** | 151 |
| Total other income | **28,336** | 13,792 |
| **Gains** | | |
| Fair value gain on financial assets at fair value through profit or loss | **6,974** | – |
| Total other income and gains | **35,310** | 13,792 |

* Various government grants have been received for operation within Shanghai, Chinese Mainland, to reward business performance and support operational development of enterprises in that area. There are no unfulfilled conditions or contingencies relating to these grants.

## 6. PROFIT/(LOSS) BEFORE TAX

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

| | Notes | 2023 RMB'000 | 2022 RMB'000 |
|---|---|---|---|
| Cost of services provided** | | 76,596 | 90,770 |
| Depreciation of property, plant and equipment | 13 | 1,141 | 1,145 |
| Depreciation of right-of-use assets | 14 | 6,555 | 7,155 |
| Amortisation of intangible assets | 15 | 654 | 78 |
| Research and development expenses* | | 39,855 | 35,013 |
| Impairment/(reversal of Impairment) of financial assets, net: | | | |
| — Trade receivables | 17 | (35) | 160 |
| — Contract assets | 18 | 13,632 | 2,379 |
| — Other receivables | 19 | 19 | (5) |
| Lease payment not included in the measurement of lease liabilities | 14(c) | 72 | 80 |
| Bank interest income | 5 | (15,371) | (10,379) |
| Tax incentives | 5 | (3,943) | (2,662) |
| Fair value (gains)/losses on convertible redeemable preferred shares | 24 | (12,785) | 109,350 |
| Fair value gain on financial assets at fair value through profit or loss | 5 | (6,974) | — |
| Loss on deregistration of a subsidiary | | — | 71 |
| Listing fee | | 13,250 | 36,084 |
| Auditor remuneration | | 2,680 | — |
| Employee benefit expenses (including directors' and chief executive's remuneration (note 8) | | | |
| Salaries, bonus and other allowances | | 139,718 | 136,042 |
| Pension scheme contributions and social welfare | | 35,587 | 34,651 |
| Equity-settled share-based payments | 26 | 5,370 | 6,267 |
| Total | | 180,675 | 176,960 |

* The amounts disclosed for research and development expenses included direct employee costs and overhead costs (e.g., depreciation of the related equipment).

** Cost of services provided represents "Cost of sales" in the consolidated statement of profit or loss excluding employee benefit expense, depreciation of property, plant and equipment, depreciation of right-of-use assets and amortisation of intangible assets.

# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 7. FINANCE COSTS

An analysis of finance costs is as follows:

| | 2023<br>RMB'000 | 2022<br>RMB'000 |
|---|---|---|
| Interest on lease Liabilities | 276 | 357 |

## 8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

| | 2023<br>RMB'000 | 2022<br>RMB'000 |
|---|---|---|
| Fees | 270 | – |
| Other emoluments: | | |
| Salaries, allowances and benefits in kind | 4,582 | 2,777 |
| Performance-related bonuses* | 55 | 347 |
| Pension scheme contributions and social welfare | 444 | 526 |
| Subtotal | 5,081 | 3,650 |
| Total | 5,351 | 3,650 |

* Certain executive directors of the Company are entitled to bonus payments which are determined as a percentage of the operating profit after tax which excluded the non-recurring items of the Group.

### (a) Independent non-executive directors

Ms. Liu Tao, Mr. Yu Mingyang and Mr. Lau Yiu Kwan Stanley were appointed as independent non-executive directors of the Company on 21 April 2022.

The fees paid to independent non-executive directors during the year were as follows:

| | 2023<br>RMB'000 | 2022<br>RMB'000 |
|---|---|---|
| Ms. Liu Tao | 90 | – |
| Mr. Yu Minyang | 90 | – |
| Mr. Lau Yiu Kwan Stanley | 90 | – |
| Total | 270 | – |

## 8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION — *continued*

### (b) Executive directors and non-executive directors

*Year ended 31 December 2023*

| | Salaries, allowances and benefits in kind RMB'000 | Performance related bonuses** RMB'000 | Pension scheme contributions and social welfare RMB'000 | Total remuneration RMB'000 |
|---|---|---|---|---|
| Executive directors: | | | | |
| — Dr. Zhang Fabao | 1,200 | — | 113 | 1,313 |
| — Dr. Li Xinmei | 1,500 | — | 113 | 1,613 |
| — Mr. Fan Jie* | 1,000 | — | 113 | 1,113 |
| — Mr. Wang Shuai | 882 | 55 | 105 | 1,042 |
| Non-executive directors: | | | | |
| — Mr. Hu Xubo | — | — | — | — |
| — Mr. Yan Shengfeng | — | — | — | — |
| Total | 4,582 | 55 | 444 | 5,081 |

*Year ended 31 December 2022*

| | Salaries, allowances and benefits in kind RMB'000 | Performance related bonuses** RMB'000 | Pension scheme contributions and social welfare RMB'000 | Total remuneration RMB'000 |
|---|---|---|---|---|
| Executive directors: | | | | |
| — Dr. Zhang Fabao | 857 | 48 | 141 | 1,046 |
| — Dr. Li Xinmei | 368 | 30 | 153 | 551 |
| — Mr. Fan Jie* | 691 | 17 | 112 | 820 |
| — Mr. Wang Shuai | 861 | 252 | 120 | 1,233 |
| Non-executive directors: | | | | |
| — Mr. Hu Xubo | — | — | — | — |
| — Mr. Yan Shengfeng | — | — | — | — |
| Total | 2,777 | 347 | 526 | 3,650 |

* Mr. Fan Jie was appointed as an executive director and co-chief executive officer of the Company in April 2022.

** Certain executive directors of the Company are entitled to bonus payments which are determined as a percentage of the operating profit after tax which excluded the non-recurring items of the Group.

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

# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees for the year ended 31 December 2023 included one (2022: one) director, details of whose remuneration are set out in note 8 above. Details of the remuneration for the year ended 31 December 2023 of the remaining four (2022: four) highest paid employees who are neither a director nor chief executive of the Company, are as follows:

| | 2023 RMB'000 | 2022 RMB'000 |
|---|---|---|
| Salaries, allowances and benefits in kind | 3,025 | 2,536 |
| Performance-related bonuses* | – | 756 |
| Pension scheme contributions and social welfare | 450 | 399 |
| Equity-settled share-based payments | 4,714 | 4,342 |
| Total | 8,189 | 8,033 |

* Certain employees of the Company are entitled to bonus payments which are determined as a percentage of the operating profit after tax which excluded the non-recurring items of the Group.

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

| | 2023 | 2022 |
|---|---|---|
| HK$1,000,001 to HK$1,500,000 | 1 | 3 |
| HK$1,500,001 to HK$2,000,000 | 2 | – |
| HK$4,500,001 to HK$5,000,000 | 1 | 1 |

## 10. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the tax jurisdictions in which members of the Group are domiciled and operate. Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Company and the Group's subsidiary incorporated in the British Virgin Islands are not subject to any income tax. The Group's subsidiaries incorporated in Hong Kong and the United States were not liable for income tax as the subsidiary in Hong Kong did not have any assessable profits arising in Hong Kong and the subsidiary in the United States has tax losses during the year ended 31 December 2023.

The provision for current income tax in Chinese Mainland 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 PRC Corporate Income Tax Law, except for Shanghai MedSci, a subsidiary of the Group. Shanghai MedSci was accredited as a high and new technology enterprise ("HNTE") and reapplied the certification in 2023, as the certification was valid for three years. For the year ended 31 December 2023, Shanghai MedSci was entitled to a preferential PRC Corporate Income tax rate of 15%.

## 10. INCOME TAX — *continued*

Corporate income tax of the Group has been provided at the applicable tax rates on the estimated taxable profits arising in Chinese Mainland during the year ended 31 December 2023. The major components of income tax expense of the Group are as follows:

| | **2023** | 2022 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Current — Chinese Mainland: | | |
| Charge for the year | **7,444** | 3,696 |
| Deferred tax (note 16) | **(2,036)** | (107) |
| Total tax charge for the year | **5,408** | 3,589 |

A reconciliation of tax expense applicable to profit/(loss) before tax at the statutory rate for the jurisdictions in which the majority of the Company's subsidiaries are domiciled to the income tax expense at the effective tax rate for each of the reporting periods is as follows:

| | **2023** | 2022 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Profit/(loss) before tax | **60,450** | (96,292) |
| Tax at the statutory tax rate of 25% in Chinese Mainland | **15,113** | (24,073) |
| Preferential tax rates enacted by local authority | **(3,918)** | (2,804) |
| Fair value losses on convertible redeemable preferred shares not deductible for tax | **(3,196)** | 27,337 |
| Additional deductible allowance for qualified research and development expenses | **(4,164)** | (2,407) |
| Expenses not deductible for tax | **926** | 5,659 |
| Income not subject to tax | **—** | (232) |
| Tax losses not recognised | **647** | 109 |
| Tax charge at the Group's effective tax rate | **5,408** | 3,589 |

## 11. DIVIDENDS

The directors do not recommend any interim or final dividend in the respective of the period/year.

## 12. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings/(loss) per share amounts are based on the profit/(loss) attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 518,070,865 (after adjusted for the effect of the Capitalisation Issue (note25)) in issue during the year ended 31 December 2023 (2022: 472,599,172). The share subdivision was treated as having been in issue for the whole year and also included in the loss per share calculation of the comparative period presented so as to give a comparable result.

For the year ended 31 December 2023, the calculation of the diluted earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year ended 31 December 2023, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares into ordinary shares.

No adjustment has been made to the basic loss per share amounts presented for the year ended 31 December 2022 in respect of a dilution as the impact of the convertible redeemable preferred shares and the awarded interests/shares of the Company's/Shanghai MedSci's share incentive plan (note 26) had an antidilutive effect on the basic earnings/loss per share amounts presented.

The calculations of basic and diluted earnings/(loss) per share are based on:

| | **2023**<br>**RMB'000** | 2022<br>RMB'000 |
|---|---|---|
| EARNINGS/(LOSS) | | |
| Earnings/(loss) attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation | **55,042** | (99,881) |
| Less: Fair value gains on convertible redeemable preferred shares | **12,785** | — |
| Earnings/(loss) attributable to ordinary equity holders of the parent, used in the diluted earnings per share calculation | **42,257** | (99,881) |

| | **Number of shares** | |
|---|---|---|
| | **2023** | 2022 |
| Shares | | |
| Weighted average number of ordinary shares in issue during the year used in the basic earnings/(loss) per share calculation | **518,070,865** | 472,599,172 |
| Effect of dilution — weighted average number of ordinary shares: | | |
| Convertible redeemable preferred shares | **563,142** | — |
| Total | **518,634,007** | 472,599,172 |

## 13. PROPERTY, PLANT AND EQUIPMENT

| 31 December 2023 | Buildings RMB'000 | Furniture and facilities RMB'000 | Devices and equipment RMB'000 | Total RMB'000 |
|---|---|---|---|---|
| At 31 December 2022 and 1 January 2023: | | | | |
| Cost | 19,207 | 348 | 4,645 | 24,200 |
| Accumulated depreciation | (3,182) | (266) | (3,389) | (6,837) |
| Net carrying amount | 16,025 | 82 | 1,256 | 17,363 |
| At 1 January 2023, net of accumulated depreciation | 16,025 | 82 | 1,256 | 17,363 |
| Additions | – | – | 181 | 181 |
| Depreciation provided during the year | (465) | (11) | (665) | (1,141) |
| At 31 December 2023, net of accumulated depreciation | 15,560 | 71 | 772 | 16,403 |
| At 31 December 2023: | | | | |
| Cost | 19,207 | 348 | 4,826 | 24,381 |
| Accumulated depreciation | (3,647) | (277) | (4,054) | (7,978) |
| Net carrying amount | 15,560 | 71 | 772 | 16,403 |

# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 13. PROPERTY, PLANT AND EQUIPMENT — *continued*

| 31 December 2022 | Buildings RMB'000 | Furniture and facilities RMB'000 | Devices and equipment RMB'000 | Total RMB'000 |
|---|---|---|---|---|
| At 31 December 2021 and 1 January 2022: | | | | |
| Cost | 19,207 | 354 | 4,767 | 24,328 |
| Accumulated depreciation | (2,780) | (261) | (3,267) | (6,308) |
| Net carrying amount | 16,427 | 93 | 1,500 | 18,020 |
| At 1 January 2022, net of accumulated depreciation | 16,427 | 93 | 1,500 | 18,020 |
| Additions | — | — | 519 | 519 |
| Disposals | — | — | (31) | (31) |
| Depreciation provided during the year | (402) | (11) | (732) | (1,145) |
| At 31 December 2022, net of accumulated depreciation | 16,025 | 82 | 1,256 | 17,363 |
| At 31 December 2022: | | | | |
| Cost | 19,207 | 348 | 4,645 | 24,200 |
| Accumulated depreciation | (3,182) | (266) | (3,389) | (6,837) |
| Net carrying amount | 16,025 | 82 | 1,256 | 17,363 |

## 14. LEASES

### The Group as a lessee

The Group has lease contracts for office buildings used in its operations. Leases of office buildings generally have lease terms between 2 and 6 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

### *(a) Right-of-use assets*

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

| | **2023**<br>**RMB'000** | 2022<br>RMB'000 |
|---|---|---|
| Carrying amount at 1 January | **10,229** | 4,599 |
| Additions | **1,688** | 13,289 |
| Reduction as a result of disposal of subsidiaries | **–** | (504) |
| Deprecation charge | **(6,555)** | (7,155) |
| Carrying amount at 31 December | **5,362** | 10,229 |

### *(b) Lease liabilities*

The carrying amounts of lease liabilities and the movements during the year are as follows:

| | **2023**<br>**RMB'000** | 2022<br>RMB'000 |
|---|---|---|
| Carrying amount at 1 January | **9,594** | 4,000 |
| New leases | **1,688** | 13,289 |
| Reduction as a result of disposal of subsidiaries (note 28) | **–** | (436) |
| Accretion of interest recognised during the year | **276** | 357 |
| Payments | **(6,922)** | (7,616) |
| Carrying amount at 31 December | **4,636** | 9,594 |
| Analysed into: | | |
| Current portion | **3,992** | 5,526 |
| Non-current portion | **644** | 4,068 |

The maturity analysis of lease liabilities is disclosed in note 32.

# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 14. LEASES — *continued*

### The Group as a lessee — *continued*

*(c)* The amounts recognised in profit or loss in relation to leases are as follows:

| | 2023 RMB'000 | 2022 RMB'000 |
|---|---|---|
| Interest on lease liabilities | **276** | 357 |
| Expenses relating to short-term leases | **72** | 80 |
| Depreciation charge of right-of-use assets | **6,555** | 7,155 |
| Total amount recognised in profit or loss | **6,903** | 7,592 |

*(d)* The total cash outflow for leases relating to leases are disclosed in note 28(c).

## 15. INTANGIBLE ASSETS

| | Software RMB'000 |
|---|---|
| **31 December 2023** | |
| Cost at 1 January 2023, net of accumulated amortisation | **1,567** |
| Additions | **1,770** |
| Amortisation provided during the year | **(654)** |
| At 31 December 2023 | **2,683** |
| At 31 December 2023: | |
| Cost | **3,415** |
| Accumulated amortisation | **(732)** |
| Net carrying amount | **2,683** |

## 15. INTANGIBLE ASSETS — *continued*

| | Software RMB'000 |
|---|---|
| **31 December 2022** | |
| At 1 January 2022: | |
| Cost and accumulated amortisation | — |
| Cost at 1 January 2022, net of accumulated amortisation | |
| Additions | 1,645 |
| Amortisation provided during the year | (78) |
| At 31 December 2022 | 1,567 |
| At 31 December 2022 and at 1 January 2023: | |
| Cost | 1,645 |
| Accumulated amortisation | (78) |
| Net carrying amount | 1,567 |

## 16. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year are as follows:

### Deferred tax liabilities

| | **Right-of-use assets** RMB'000 |
|---|---|
| Gross deferred tax liabilities at 31 December 2021 and 1 January 2022 | 357 |
| Deferred tax charged to profit or loss during the year (note 10) | 825 |
| Gross deferred tax liabilities at 31 December 2022 and 1 January 2023 | 1,182 |
| Deferred tax credited to profit or loss during the year (note 10) | (599) |
| Gross deferred tax liabilities at 31 December 2023 | **583** |

# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 16. DEFERRED TAX — *continued*

### Deferred tax assets

| | Accrued expenses<br>RMB'000 | Impairment of financial and contract assets<br>RMB'000 | Lease liabilities<br>RMB'000 | Total<br>RMB'000 |
|---|---|---|---|---|
| Gross deferred tax assets at 31 December 2021 and 1 January 2022 | 139 | 1,113 | 304 | 1,556 |
| Deferred tax (charged)/credited to profit or loss during the year (note 10) | (139) | 256 | 815 | 932 |
| Gross deferred tax assets at 31 December 2022 and 1 January 2023 | — | 1,369 | 1,119 | 2,488 |
| Deferred tax credited/(charged) to profit or loss during the year (note 10) | **—** | **2,055** | **(618)** | **1,437** |
| Gross deferred tax assets at 31 December 2023 | **—** | **3,424** | **501** | **3,925** |

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statements of financial position as at 31 December 2023. The following is an analysis of the deferred tax balances for financial reporting purposes:

| | **2023**<br>**RMB'000** | 2022<br>RMB'000 |
|---|---|---|
| Net deferred tax liabilities recognised in the statements of financial position | **—** | — |
| Net deferred tax assets recognised in the statements of financial position | **3,342** | 1,306 |

## 16. DEFERRED TAX — *continued*

The Group has tax losses arising in the United States of RMB3,976,000 as at 31 December 2023 (2022: RMB2,142,000), that will expire in one to twenty years for offsetting against future taxable profits. The Group has tax losses arising in Chinese Mainland of RMB11,619,000 as at 31 December 2023 (2022: RMB10,300,000), that will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of the above items as it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Deferred tax assets have not been recognised in respect of the following item:

| | **2023** **RMB'000** | 2022 RMB'000 |
|---|---|---|
| Tax losses | **15,595** | 12,442 |

The Group is liable for withholding taxes on dividends distributed by those subsidiaries established in Chinese Mainland in respect of earnings generated from 1 January 2008. The applicable rate is 10% for the Group. At 31 December 2023, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Chinese Mainland. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Chinese Mainland for which deferred tax liabilities have not been recognised totalled approximately RMB16,703,000 at 31 December 2023 (2022: RMB11,478,000).

## 17. TRADE RECEIVABLES

| | **2023** **RMB'000** | 2022 RMB'000 |
|---|---|---|
| Trade receivables | **35,946** | 38,936 |
| Impairment | **(1,181)** | (1,216) |
| Net carrying amount | **34,765** | 37,720 |

Trade receivable mainly arise from real-world study solutions and precision omni-channel marketing solutions.

The Group's trading terms with its customers are generally on credit, details of which are included in note 5. The credit terms granted ranged up to 180 days, depending on the specific payment terms in each contract. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 17. TRADE RECEIVABLES — *continued*

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

| | 2023<br>RMB'000 | 2022<br>RMB'000 |
|---|---|---|
| Within 6 months | **29,718** | 32,027 |
| Over 6 months and within 1 year | **4,114** | 4,778 |
| 1 to 2 years | **887** | 881 |
| 2 to 3 years | **46** | 34 |
| Total | **34,765** | 37,720 |

The movements in the loss allowance for impairment of trade receivables are as follows:

| | 2023<br>RMB'000 | 2022<br>RMB'000 |
|---|---|---|
| At beginning of year | **1,216** | 1,056 |
| (Reversal of impairment losses)/impairment losses (note 6) | **(35)** | 160 |
| At end of year | **1,181** | 1,216 |

An impairment analysis is performed at the end of the reporting period using a provision matrix to measure expected credit losses. The provision rates for past due balances are estimated taking into consideration of the ageing analysis of trade receivables based on invoice date. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the end of the reporting period about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

| | | Past due and with ageing | | | | |
|---|---|---|---|---|---|---|
| | **Current<br>RMB'000** | **Within<br>1 year<br>RMB'000** | **1 to<br>2 years<br>RMB'000** | **2 to<br>3 years<br>RMB'000** | **Above<br>3 years<br>RMB'000** | **Total<br>RMB'000** |
| At 31 December 2023 | | | | | | |
| Expected credit loss rate | **Note** | **3.9%** | **28.8%** | **85.1%** | **100.0%** | **3.3%** |
| Gross carrying amount | **25,605** | **8,561** | **1,246** | **309** | **225** | **35,946** |
| Expected credit losses | **—** | **334** | **359** | **263** | **225** | **1,181** |

## 17. TRADE RECEIVABLES — *continued*

| | Current | Past due and with ageing: Within 1 year | 1 to 2 years | 2 to 3 years | Above 3 years | Total |
|---|---|---|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| At 31 December 2022 | | | | | | |
| Expected credit loss rate | Note | 4.9% | 35.1% | 88.0% | — | 3.1% |
| Gross carrying amount | 27,250 | 10,046 | 1,357 | 283 | — | 38,936 |
| Expected credit losses | — | 491 | 476 | 249 | — | 1,216 |

Note: During each reporting period, the Group estimated the expected credit loss rate to be minimal on the current trade receivables.

## 18. CONTRACT ASSETS

| | **2023** | 2022 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Contract assets arising from: | | |
| Real-world study solutions | **57,395** | 30,668 |
| Precision omni-channel marketing solutions | **52,735** | 42,120 |
| Total | **110,130** | 72,788 |
| Impairment | **(21,493)** | (7,861) |
| Net carrying amount | **88,637** | 64,927 |

Contract assets are initially recognised in relation to revenue earned from the provision of real-world study solutions and precision omni-channel marketing solutions as the receipt of consideration is conditional on a successfully completion of milestones in the agreements. Upon the milestone completion and issuance of bills of services according to the agreements, the amounts recognised as contract assets are reclassified to trade receivables. The increase in contract assets during the year ended 31 December 2023 were the result of increase in the ongoing provision of services at the end of the reporting period.

As at 31 December 2023, RMB21,493,000 (2022: RMB7,861,000) were recognised as allowance for expected credit losses on contract assets. The Group's trading terms and credit policy with customers are disclosed in note 5.

# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 18. CONTRACT ASSETS — *continued*

The expected timing of recovery or settlement for contract assets as at each reporting date is as follows:

| | 2023<br>RMB'000 | 2022<br>RMB'000 |
|---|---|---|
| Within 1 year | **88,637** | 64,927 |

The movements in the loss allowance for impairment of contract assets are as follows:

| | 2023<br>RMB'000 | 2022<br>RMB'000 |
|---|---|---|
| At beginning of year | **7,861** | 6,232 |
| Impairment losses, net (note 6) | **13,632** | 2,379 |
| Write off | **–** | (750) |
| At end of year | **21,493** | 7,861 |

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates for the measurement of the expected credit losses of the contract assets are based on those of trade receivables as the contract assets and the trade receivables are from the same customer bases. The provision rates of contract assets are based on days past due of trade receivables for groupings of various customer segments with similar loss pattern. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at each reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Group's contract assets using a provision matrix:

| | 2023<br>RMB'000 | 2022<br>RMB'000 |
|---|---|---|
| Expected credit loss rate | **19.5%** | 10.8% |
| Gross carrying amount | **110,130** | 72,788 |
| Expected credit losses | **21,493** | 7,861 |

## 19. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

| | 2023 RMB'000 | 2022 RMB'000 |
|---|---|---|
| Current portion | | |
| Prepayments to suppliers | 2,428 | 4,380 |
| Prepaid listing expenses | – | 4,178 |
| Advance to employees | – | 17 |
| Deposits | 3,086 | 1,138 |
| Other receivables | 3,354 | 3,105 |
| | 8,868 | 12,818 |
| Impairment allowance | (146) | (127) |
| | 8,722 | 12,691 |
| Non-current portion | | |
| Deposits | 801 | 1,196 |
| Total | 9,523 | 13,887 |

Other receivables are unsecured, non-interest-bearing and have no fixed terms of repayment.

The movements in the loss allowance for impairment of other receivables and deposits are as follows:

| | 2023 RMB'000 | 2022 RMB'000 |
|---|---|---|
| At beginning of year | 127 | 132 |
| Impairment losses/(reversal of impairment losses) (note 6) | 19 | (5) |
| At end of year | 146 | 127 |

The following table provides information about the exposure to credit risk and ECLs for deposits and other receivables which are assessed collectively based on an estimated average credit loss rate as at 31 December 2023.

| | At 31 December 2023 | | | At 31 December 2022 | | |
|---|---|---|---|---|---|---|
| | Average loss rate | Gross carrying amount RMB'000 | Impairment loss allowance RMB'000 | Average loss rate | Gross carrying amount RMB'000 | Impairment loss allowance RMB'000 |
| Deposits and other receivables | 2.0% | 7,241 | 146 | 2.3% | 5,439 | 127 |

## 20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | 2023 RMB'000 | 2022 RMB'000 |
|---|---|---|
| Other unlisted investments, at fair value | **501,892** | – |

The above other unlisted investments were wealth management products. The fair values of the financial assets approximate to their costs plus expected interest. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

## 21. CASH AND BANK BALANCES AND TIME DEPOSITS

| | Note | 2023 RMB'000 | 2022 RMB'000 |
|---|---|---|---|
| Cash and bank balances | | **181,920** | 320,682 |
| Time deposits | (i) | **451,074** | 278,584 |
| Less: Non-pledged time deposits with original maturity of more than three months when acquired | | **4,250** | – |
| Restricted deposits | | **156** | – |
| Cash and cash equivalents | | **628,588** | 599,266 |
| Cash and bank balances: | | | |
| Denominated in RMB | | **91,652** | 294,468 |
| Denominated in USD | | **83,464** | 26,149 |
| Denominated in HKD | | **6,804** | 65 |
| Total | | **181,920** | 320,682 |
| Time deposits: | | | |
| Denominated in RMB | | **250,000** | – |
| Denominated in USD | | **201,074** | 278,584 |
| Total | | **451,074** | 278,584 |

Note (i): The time deposits held by the Group as of 31 December 2023 bear interest at 1.75% to 5.34% per annum with a duration of one to seven months. These deposits are measured at amortised cost and interest income from these time deposits is measured using the effective interest rate method.

The RMB is not freely convertible into other currencies, however, under Chinese Mainland's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

## 21. CASH AND BANK BALANCES AND TIME DEPOSITS — *continued*

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

## 22. TRADE PAYABLES

An ageing analysis of the trade payables based on the invoice date, is as follows:

| | 2023<br>RMB'000 | 2022<br>RMB'000 |
|---|---|---|
| Within 3 months | **2,052** | 1,967 |

The trade payables are non-interest-bearing and are normally settled on terms of three months.

## 23. OTHER PAYABLES AND ACCRUALS

| | 2023<br>RMB'000 | 2022<br>RMB'000 |
|---|---|---|
| Contract liabilities | **109,484** | 107,234 |
| Accrued salaries and other staff costs | **18,146** | 18,202 |
| Other tax payables (other than income tax) | **13,271** | 10,033 |
| Other payables and accruals | **21,236** | 18,679 |
| Total | **162,137** | 154,148 |

(a) Details of contract liabilities are as follows:

| | 2023<br>RMB'000 | 2022<br>RMB'000 |
|---|---|---|
| Short-term advances received from customers: | | |
| Physician platform solutions | **75,798** | 69,271 |
| Precision omni-channel marketing solutions | **25,083** | 33,288 |
| Real-world study solutions | **8,603** | 4,675 |
| Total | **109,484** | 107,234 |

Contract liabilities include short-term advances received to render services. The increase in contract liabilities during the year ended 31 December 2023 was mainly due to the increase in short-term advances received from customers in relation to the provision of services at the end of the reporting period.

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## 24. CONVERTIBLE PREFERRED SHARES

The convertible preferred shares including Series A-1, A-2, B and C preferred shares (the "Preferred Shares") issued by the Company can be converted into ordinary shares of the Company at any time at the option of the holders, or automatically upon occurrence of an initial public offering of the Company's shares, or when agreed by the holders of ordinary shares and the holders of each class of the Preferred Shares.

Since the date of incorporation, the Company has completed several rounds of financing by issuing series of Preferred Shares.

In 2015, Shanghai MedSci, the then holding company of the Consolidated Affiliated Entities, issued 1,411,761 ordinary shares to series A-1 shareholder ("Series A-1 Shareholder") at a total cash consideration of RMB70 million. In 2020, Series A-1 Shareholder transferred 334,446 ordinary shares of Shanghai MedSci to series A-2 shareholders ("Series A-2 Shareholders"), and Shanghai MedSci issued 484,706 ordinary shares to series B shareholders ("Series B Shareholders") at a cash consideration of RMB100 million. Later in 2020, certain shareholders other than Series A-1, A-2 and B Shareholders transferred 96,941 ordinary shares of Shanghai MedSci to Series B Shareholders.

On 4 November 2021, the Company entered into a warrant subscription agreement ("Warrant Subscription Agreement") with Dr. Zhang Fabao, Dr. Li Xinmei, the Series A-1 Shareholder, Series A-2 Shareholders and Series B Shareholders ("Warrantees"), pursuant to which Series A-1 Shareholder was entitled to subscribe for 1,077,315 series A-1 Preferred Shares of the Company ("Series A-1 Preferred Shares"), Series A-2 Shareholders were entitled to subscribe for 334,446 series A-2 Preferred Shares of the Company ("Series A-2 Preferred Shares") and Series B Shareholders were entitled to subscribe for 581,647 series B Preferred Shares of the Company ("Series B Preferred Shares"), as a step of the reorganisation to mirror the shareholding in Shanghai MedSci before the reorganisation by the Company. The warrants are exercisable at USD0.0001 per Preferred Share. Upon completion of the reorganisation, the ordinary shares of Shanghai MedSci held by the Series A-1, A-2 and B Shareholders will be replaced with the Preferred Shares of the Company. On 25 November 2021, the Company entered into a shareholders' agreement with all the then shareholders of the Company, including holders of Preferred Shares and ordinary shareholders, pursuant to which each of the Series A-1, A-2 and B Preferred Shareholders, prior to the exercise of the warrant under the Warrant Subscription Agreement, shall enjoy the same rights, powers and preferences of a holder of Preferred Shares as if each of them has exercised the warrant under the Warrant Subscription Agreement in full and has become a holder of Preferred Shares.

In October 2021, the Company and series C shareholder ("Series C Shareholder") entered into a share subscription agreement for series C preferred shares whereby Series C Shareholder made a total investment of USD46,437,000 for 754,015 series C preferred shares of the Company ("Series C Preferred Shares"). On 25 November 2021, all 754,015 series C Preferred Shares were issued and the consideration of USD46,437,000 was fully paid, which was equivalent to RMB297,102,000 based on the exchange rate on that date.

On 6 May 2022, 71,813 ordinary shares of the Company with a par value of US$0.0001 each were transferred to Suzhou Lintai Enterprise Management Consulting Partnership (Limited Partnership) from Microhealth Limited at a cash consideration of RMB15 million, which were re-designated as 71,813 Series B Preferred Shares with a par value of US$0.0001 each on the same day.

## 24. CONVERTIBLE PREFERRED SHARES — *continued*

Details of the key terms of the Preferred Shares were set out in note 23 of Appendix I in the prospectus published on 27 April 2023.

The Group designated the Series A-2, B and C Preferred Shares as financial liabilities measured as fair value through profit or loss, presented as "Convertible redeemable preferred shares" in the consolidated statements of financial position. Subsequent to initial recognition, changes in fair value of convertible redeemable preferred shares were recorded in "Fair value losses on convertible redeemable preferred shares" in profit or loss. The directors of the Company considered that the fair value change of the convertible redeemable preferred shares attributable to changes of own credit risk is not significant.

All convertible redeemable preferred shares were automatically converted into 1,741,921 ordinary shares upon the successful global offering of the Company on 27 April 2023 and the financial liabilities of convertible redeemable preferred shares were derecognised and recorded as share capital and share premium accordingly. The movements of the Company's convertible redeemable preferred shares are as follows:

| | **Number of convertible redeemable Preferred shares** | **Amount** RMB'000 |
|---|---|---|
| At 1 January 2022 | 1,670,108 | 603,067 |
| Conversion into convertible redeemable preferred shares from ordinary shares of the Company | 71,813 | —* |
| Fair value losses on convertible redeemable preferred shares | — | 109,350 |
| Exchange differences | — | 8,490 |
| At 31 December 2022 and 1 January 2023 | 1,741,921 | 720,907 |
| Conversion of convertible redeemable preferred shares into ordinary shares of the Company | **(1,741,921)** | **(698,812)** |
| Fair value gain on convertible redeemable preferred shares | **—** | **(12,785)** |
| Exchange differences | **—** | **(9,310)** |
| At 31 December 2023 | **—** | **—** |

* Amount less than RMB1,000.

The Group applied the discount cash flow method to determine the underlying share value of the Company and adopted option-pricing method to determine the fair value of the convertible redeemable preferred shares as at 31 December 2022. Key valuation assumptions used to determine the fair value of the convertible redeemable preferred shares are set out in note 31.

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## 24. CONVERTIBLE PREFERRED SHARES — *continued*

Series A-1 Preferred Shares are non-redeemable by the Company, accordingly the Company classified Series A-1 Preferred Shares as equity, presented as "Convertible preferred shares" in the statements of financial position.

All convertible preferred shares were automatically converted into 1,077,315 ordinary shares upon the successful global offering of the Company on 27 April 2023. The movements of the Company's convertible preferred shares are set out as below:

| | **Number of Series A-1 Preferred shares** | **Amount** |
|---|---|---|
| | | RMB'000 |
| At 31 December 2021 and 1 January 2022 | – | – |
| Conversion into convertible preferred shares from ordinary shares of Shanghai MedSci | 1,077,315 | 53,417 |
| At 31 December 2022 and 1 January 2023 | **1,077,315** | **53,417** |
| Conversion of convertible preferred shares into ordinary shares of the Company | **(1,077,315)** | **(53,417)** |
| At 31 December 2023 | **–** | **–** |

## 25. SHARE CAPITAL AND TREASURY SHARES

| | **At 31 December 2023** | | At 31 December 2022 | |
|---|---|---|---|---|
| | **Number of shares** | **Amount** | Number of shares | Amount |
| | | **RMB'000** | | RMB'000 |
| Authorised: | | | | |
| Ordinary shares of USD0.0001each | **15,000,000,000** | **10,361** | 388,000,000 | 248 |
| Issued: | | | | |
| Ordinary shares of USD0.0001 each | **607,170,950** | **420** | 7,988,403 | 5 |
| Treasury shares held | **(71,330,450)** | **(42,037)** | (1,321,309) | – |

## 25. SHARE CAPITAL AND TREASURY SHARES — *continued*

A summary of the movements in the Company's preferred shares is set out in note 24 to the financial statements. A summary of movements in the Company's share capital and treasury share is as follows:

| | Number of ordinary shares | Amount | Number of treasury shares | Amount |
|---|---|---|---|---|
| | | RMB'000 | | RMB'000 |
| At 1 January 2022 | 8,060,216 | 5 | (1,321,309) | —* |
| Conversion into convertible redeemable preferred shares | (71,813) | —* | — | — |
| At 31 December 2022 and 1 January 2023 | **7,988,403** | **5** | **(1,321,309)** | **—*** |
| Conversion of convertible preferred shares (a) | **1,077,315** | **1** | **—** | **—** |
| Conversion of convertible redeemable preferred shares (b) | **1,741,921** | **1** | **—** | **—** |
| Capitalisation Issue (c) | **529,574,311** | **367** | **(64,744,141)** | **(30)** |
| Issue of shares from IPO (d) | **66,789,000** | **46** | **—** | **—** |
| Shares repurchased (e) | **—** | **—** | **(5,265,000)** | **(42,007)** |
| At 31 December 2023 | **607,170,950** | **420** | **(71,330,450)** | **(42,037)** |

* Amount less than RMB1,000.

(a) All convertible preferred shares were automatically converted into ordinary shares on a one for one basis upon the successful IPO of the Company on 27 April 2023. As a result, the equity instruments for convertible preferred shares were derecognised and recorded as share capital and share premium.

(b) All convertible redeemable preferred shares were automatically converted into ordinary shares on a one for one basis upon the successful IPO of the Company on 27 April 2023. As a result, the financial liabilities of convertible redeemable preferred shares were derecognised and recorded as share capital and share premium.

(c) Pursuant to the written resolution of the shareholders of the Company passed on 28 March 2023, and subject to the share premium account of the Company being credited as a result of the issue of the offer shares pursuant to the Global Offering, a total of 529,574,311 shares credited as fully paid at par were allotted and issued on the Listing Date to the holders of shares whose names appear on the register of members of the Company on the day preceding the Listing Date in proportion to their then existing shareholdings in the Company (on the basis that each Preferred Share was converted into one share) by capitalising the relevant sum from the share premium account of the Company ("Capitalisation Issue"). The shares allotted and issued pursuant to the above Capitalisation Issue will rank pari passu in all respects with the existing issued shares.

# NOTES TO FINANCIAL STATEMENTS

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## 25. SHARE CAPITAL AND TREASURY SHARES — *continued*

(d) In connection with the Company's IPO on 27 April 2023, 66,789,000 ordinary shares were issued and allotted at an offer price of HKD9.10 per share for a total gross cash consideration of HKD607,780,000 (equivalent to RMB535,880,000).

(e) During the year ended 31 December 2023, amounted to 5,265,000 of the Company's issued shares were purchased by a Trustee under a new share incentive plan (note 26) at a total consideration of approximately HK$45,777,000 (equivalent to approximately RMB42,007,000).

## 26. SHARE-BASED PAYMENTS

The Company operates a share award scheme (the "Scheme") for certain personnel in order to recognise and reward the contribution of certain employees of the Group ("Share Incentive Participants") to the growth and development of the Group, and retain eligible employees for the continuous operation and development of the Group.

### The 2021 Plan

A share incentive plan of Shanghai MedSci (the "2021 Plan") became effective in January 2021. Under the 2021 Plan, Shihezi Meilong Equity Investment Partnership (Limited Partnership) ("Meilong Investment") and Shanghai Meiyue Management Consulting Partnership (Limited Partnership) ("Shanghai Meiyue"), the legal shareholders of Shanghai MedSci, granted certain limited partners' equity interests of Meilong Investment and Shanghai Meiyue ("Award Interests") to certain employees of the PRC Operating Entities. As part of the reorganisation of the Group, the New Plan (see definition below) was adopted to replace the 2021 Plan.

### The 2022 Plan

A new share incentive plan (the "2022 Plan") became effective on 20 April 2022 when the board of directors and the shareholders of the Company approved the 2022 Plan, which has replaced the 2021 Plan. The Award Interests granted under the 2021 Plan were replaced and superseded by the ordinary shares of Meilong Limited and Meiyue Limited, respectively (the "Award Shares"). The vesting schedule and other key terms of the 2022 Plan are the same as those of the 2021 Plan.

### Award Interests

In January 2021, 9.1571% equity interests of Meilong Investment were granted to 19 selected employees for a total consideration of RMB566,000, and 19.90% equity interests of Shanghai Meiyue were granted to 13 selected employees for a total consideration of RMB2,122,000 under the 2021 Plan. These thirty-two employees are collectively referred to as "Share Incentive Participants".

## 26. SHARE-BASED PAYMENTS — *continued*

### Award Interests — *continued*

All of the Award Interests (and the subsequent Award Shares) granted to the Share Incentive Participants shall be subject to both a listing-based vesting condition (the "IPO Condition") and a service-based vesting condition (the "Service Condition"). The IPO Condition would be satisfied when the ordinary shares of the Company are successfully listed on a recognised stock exchange. Subject to the satisfaction of the IPO Condition, the Service Condition would be satisfied over a 5-year lockup periods, in which the Award Interests or Award Shares held by Share Incentive Participants shall be unlocked in the proportion up to 20% of the total number of the Award Interests/Shares granted upon the expiry of each of 5-year lockup periods provided that the IPO Condition is met. Under this Service Condition, the Share Incentive Participants are required to provide services to the Group during the 5-year period.

The fair value of the Award Interests granted during the year ended 31 December 2021 was determined at RMB37,297,000, and the Group recognised share-based payment expenses of RMB5,370,000 in profit or loss for the year ended 31 December 2023 (2022: RMB6,267,000).

The fair value of the Award Interests granted is measured using a discounted cash flow model at the grant date. The key assumptions used in the model included the discount rate, terminal growth rate and discounts for lack of marketability ("DLOM") and are determined by the directors of the Company with best estimate as follows:

| | **Granted on 1 January 2021** |
|---|---|
| Discount rate | 14% |
| Terminal growth rate | 3% |
| DLOM | 8% |

### 2023 Plan

On 19 September 2023, the board of directors approved an employee share award scheme (the "2023 Plan") under which: (i) directors and employees (including full-time employees and part-time employees) of the Company or any of its subsidiaries (including persons who are granted awards under the scheme as an inducement to enter into employment contracts with these companies), (ii) directors and employees of the holding companies, fellow subsidiaries or associated companies of the Company, or (iii) persons who provide services to the Company and/or its Subsidiaries on a continuing or recurring basis in its ordinary and usual course of business which are in the interests of the long-term growth of the Company and/or its associated companies. For the avoidance of doubt, service provider may not include placing agents or financial advisers providing advisory services for fundraising, mergers or acquisitions, as well as professional service providers such as auditors or valuers who provide assurance, or are required to perform their services with impartiality and objectivity (the "Eligible Participant"), will be entitled to participate.

## 26. SHARE-BASED PAYMENTS — *continued*

### 2023 Plan — *continued*

Subject to any early termination as may be determined by the Board pursuant to rules of the 2023 Plan (the "Scheme Rules"), the 2023 Plan shall be valid and effective for a term of 10 years commencing on 19 September 2023, after which no further awards will be granted.

The 2023 Plan is subject to the administration by the Board as settlor and the trustee in accordance with the Scheme Rules and the terms of the trust deed (the "Trust Deed") which was entered into between the Company and the trustee (as restated, supplemented and amended from time to time), namely Future Trustee Limited (the "Trustee").

The Board may, from time to time, at its sole and absolute discretion select any Eligible Participant for participation in the 2023 Plan as a selected participant (the "Selected Participant"), and grant an award to any Selected Participant at such consideration (if any) subject to such terms and conditions as the Board may in its sole and absolute discretion determine.

The Board may from time to time cause to be paid an amount of cash to the Trust by way of settlement or otherwise contributed by the Company, any subsidiary, any significant shareholder or any party designated by the Company as directed by the Board which shall constitute part of the trust fund, for the purchase of shares and other purposes set out in the Scheme Rules and the Trust Deed.

Subject to the Scheme Rules, the Board may from time to time instruct the Trustee in writing to purchase shares on the Stock Exchange or accept and receive a specified number of shares from any significant shareholder or any party designated by the Company. Once purchased or received, the shares are to be held by the Trustee for the benefit of the Selected Participants under the trust until they are vested, on and subject to the terms and conditions of the 2023 Plan and the Trust Deed.

Subject to the terms and conditions of the Scheme and the fulfillment of all vesting conditions applicable to the vesting of the awarded interests on such Selected Participant, the respective awarded interests held by the Trustee on behalf of the Selected Participant pursuant to the provision thereof shall vest in such Selected Participant in accordance with the applicable vesting schedule, and the Trustee shall cause the awarded interests to be transferred to such Selected Participant and/or a vehicle controlled by him/her (such as a trust or a private company) for the benefit of the Selected Participant and any family members of such Selected Participant in accordance with the Scheme Rules.

## 26. SHARE-BASED PAYMENTS — *continued*

### 2023 Plan — *continued*

The following shares were purchased by the Trustee under the 2023 plan during the year ended 31 December 2023:

| | **Number of shares purchased for the 2023 Plan** | **Total** |
|---|---|---|
| | | RMB'000 |
| At 1 January 2023 | — | — |
| Purchased and withheld | 5,265,000 | 42,007 |
| At 31 December 2023 | 5,265,000 | 42,007 |

Since 19 September 2023 and up to 31 December 2023, the board neither granted, lapsed or cancelled any awards.

## 27. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statements of changes in equity of the Group.

### (a) Share premium

The application of the share premium account is governed by the Companies Law of the Cayman Islands. Under the constitutional documents and the Companies Law of the Cayman Islands, the share premium is distributable as dividend on the condition that the Company is able to pay its debts when they fall due in the ordinary course of business at the time the proposed dividend is to be paid.

# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 27. RESERVES — *continued*

### (b) Capital reserve

The capital reserve of the Group represents the excess of the consideration received for ordinary shares subscription of Shanghai MedSci, the then holding company of the PRC Operating Entities over the par value of the ordinary shares subscribed.

### (c) Merger reserve

The merger reserve of the Group represents the issued capital of the then holding company of the companies now comprising the Group.

### (d) Statutory surplus reserve

In accordance with the PRC Company Law and the articles of association of the subsidiaries established in the PRC, the Group is required to appropriate 10% of its net profits after tax, as determined under the Chinese Accounting Standards, to the statutory surplus reserve until the reserve balance reaches 50% of its registered capital. Subject to certain restrictions set out in the relevant PRC regulations and in the articles of association of the subsidiaries, the statutory surplus reserve may be used either to offset losses, or to be converted to increase share capital, provided that the balance after such conversion is not less than 25% of the registered capital of the respective entities. The reserve cannot be used for purposes other than those for which it is created and is not distributable as cash dividends.

### (e) Share-based payment reserve

The Group's share-based payments reserve represents the share-based compensation reserve due to equity-settled share award, details of the movements are set out in the consolidated statements of changes in equity.

## 28. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOW

(a) During the year ended 31 December 2023, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB1,688,000 (2022: RMB13,289,000), in respect of lease arrangements for office premises.

## 28. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOW — *continued*

### (b) Changes in liabilities arising from financing activities

| | Lease liabilities RMB'000 | Convertible redeemable preferred shares RMB'000 | Total RMB'000 |
|---|---|---|---|
| At 31 December 2021 and 1 January 2022 | 4,000 | 603,067 | 607,067 |
| New leases | 13,289 | — | 13,289 |
| Conversion from ordinary shares | — | —* | —* |
| Reduction as a result of deregistration of a subsidiary | (436) | — | (436) |
| Cash flows used in financing activities | (7,616) | — | (7,616) |
| Exchange differences | — | 8,490 | 8,490 |
| Interest expense | 357 | — | 357 |
| Fair value losses | — | 109,350 | 109,350 |
| At 31 December 2022 and 1 January 2023 | 9,594 | 720,907 | 730,501 |
| New leases | **1,688** | **—** | **1,688** |
| Conversion into ordinary shares | **—** | **(698,812)** | **(698,812)** |
| Reduction as a result of deregistration of a subsidiary | **—** | **—** | **—** |
| Cash flows used in financing activities | **(6,922)** | **—** | **(6,922)** |
| Exchange differences | **—** | **(9,310)** | **(9,310)** |
| Interest expense | **276** | **—** | **276** |
| Fair value gains | **—** | **(12,785)** | **(12,785)** |
| At 31 December 2023 | **4,636** | **—** | **4,636** |

* Amount less than RMB1,000.

### (c) Total cash outflow for leases

The total cash outflow for leases included in the consolidated statements of cash flows is as follows:

| | **2023 RMB'000** | 2022 RMB'000 |
|---|---|---|
| Within operating activities | **72** | 80 |
| Within financing activities | **6,922** | 7,616 |
| Total | **6,994** | 7,696 |

# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 29. RELATED PARTY TRANSACTIONS

### (a) Name and relationship

The directors of the Group are of the view that the following parties/companies are related parties that had transactions or balances with the Group during the year.

| Name of related party | Relationship with the Group |
|---|---|
| Shanghai Meiyue | A legal shareholder of Shanghai MedSci (holding 7.74% shares of Shanghai MedSci) |

### (b) Outstanding balances with related parties

| | 2023 RMB'000 | 2022 RMB'000 |
|---|---|---|
| **Due from a related party:** | | |
| **Non-trade related** | | |
| Shanghai Meiyue | – | 250 |
| Total | – | 250 |

The amount due from a related party as at 31 December 2022 is aged over one year. The amount due from a related party are unsecured, interest-free and repayable on demand. The Group has assessed the recoverability and ageing of the amount due from a related party, as well as other quantitative and qualitative information and on management's judgment and assessment of the forward-looking information. The Group assessed that the expected credit losses are immaterial.

### (c) Compensation of key management personnel of the Group:

| | 2023 RMB'000 | 2022 RMB'000 |
|---|---|---|
| Short-term employee benefits | **6,992** | 6,435 |
| Pension scheme contributions | **397** | 439 |
| Total | **7,389** | 6,874 |

Further details of directors' emoluments are included in note 8.

## 30. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

### At 31 December 2023

*Financial assets*

| | Financial assets at fair value through profit or loss mandatorily designated as such RMB'000 | Financial assets at amortised cost RMB'000 |
|---|---|---|
| Trade receivables (note 17) | — | 34,765 |
| Financial assets included in prepayments deposits and other receivables (note 19) | — | 7,095 |
| Financial assets at fair value through profit or loss (note 20) | 501,892 | — |
| Time deposits (note 21) | — | 451,074 |
| Cash and bank balances (note 21) | — | 181,920 |
| Total | 501,892 | 674,854 |

*Financial liabilities*

| | Financial liabilities at amortised cost RMB'000 |
|---|---|
| Trade payables (note 22) | 2,052 |
| Financial liabilities included in other payables and accruals (note 23) | 21,236 |
| Total | 23,288 |

# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 30. FINANCIAL INSTRUMENTS BY CATEGORY — *continued*

### At 31 December 2022

#### *Financial assets*

| | Financial assets at amortised cost RMB'000 |
|---|---|
| Trade receivables (note 17) | 37,720 |
| Due from a related party (note 29(b)) | 250 |
| Financial assets included in prepayments deposits and other receivables (note 19) | 5,312 |
| Time deposits (note 21) | 278,584 |
| Cash and bank balances (note 21) | 320,682 |
| Total | 642,548 |

#### *Financial liabilities*

| | Financial liabilities at amortised cost RMB'000 | Financial liabilities at fair value through profit or loss RMB'000 | Total RMB'000 |
|---|---|---|---|
| Trade payables (note 22) | 1,967 | — | 1,967 |
| Financial liabilities included in other payables and accruals (note 23) | 18,679 | — | 18,679 |
| Convertible redeemable preferred shares (note 24) | — | 720,907 | 720,907 |
| Total | 20,646 | 720,907 | 741,553 |

## 31. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of trade receivables, an amount due from a related party, financial assets included in prepayments, deposits and other receivables, cash and bank balances, time deposits, trade payables and financial liabilities included in other payables and accruals, approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's corporate finance team is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The corporate finance team reports directly to the board of directors of the Company. At each reporting date, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer.

## 31. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS – *continued*

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The Group invests in unlisted investments, which represent wealth management products. The Group has estimated the fair value of these unlisted investments by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

The fair values of convertible redeemable preferred shares are determined by using the Option-Pricing Method using significant unobservable market inputs. Details of the method were disclosed in note 3.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all required significant inputs to fair value of an instrument are observable, the instruments are included in Level 2. If one or more of the significant inputs are not based on observable market data, the instruments are included in Level 3.

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 31 December 2023 and 2022:

| | Valuation technique | Significant unobservable input | Range | Sensitivity of fair value to the input |
|---|---|---|---|---|
| Wealth management products (as at 31 December 2023) | Discounted cash flow | Expected rate of return | 3.0% | 100 basic point increase/decrease in expected rate of return would result in an increase/decrease in fair value by RMB2,325,000 |
| Convertible redeemable preferred shares (as at 31 December 2022) | Option pricing Method | Risk-free interest rate | 2.2% to 2.8% | 100 basic point increase/decrease in risk-free interest rate would result in a decrease/increase in fair value by RMB4,776,000/ RMB4,577,000 |
| | | Volatility | 65.0% to 75.0% | 20% increase/decrease in volatility would result in decrease in fair value by RMB9,358,000/ RMB1,638,000 |
| | | DLOM | 9.8% to 27.6% | 5% increase/decrease in the DLOM would result in decrease/ increase in fair value by RMB36,241,000/ RMB36,241,000 |

# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 31. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS — *continued*

### Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

*Assets measured at fair value:*

As at 31 December 2023

| | **Fair value measurement using** | | | |
|---|---|---|---|---|
| | **Quoted prices in active markets (Level 1) RMB'000** | **Significant observable inputs (Level 2) RMB'000** | **Significant unobservable inputs (Level 3) RMB'000** | **Total RMB'000** |
| Financial assets at fair value through profit or loss — wealth management products | **—** | **501,892** | **—** | **501,892** |

The Group did not have any financial assets measured at fair value as at 31 December 2022.

*Liabilities measured at fair value:*

As at 31 December 2022

| | Fair value measurement using | | | |
|---|---|---|---|---|
| | Quoted prices in active markets (Level 1) RMB'000 | Significant observable inputs (Level 2) RMB'000 | Significant unobservable inputs (Level 3) RMB'000 | Total RMB'000 |
| Convertible redeemable preferred shares | — | — | 720,907 | 720,907 |

The movements in fair value measurements within Level 3 during the year are as follows:

| | **2023 RMB'000** | 2022 RMB'000 |
|---|---|---|
| At beginning of year | 720,907 | 603,067 |
| Conversion from ordinary shares | — | —* |
| Conversion to ordinary shares | (698,812) | — |
| Fair value (gain)/losses recognised in profit or loss | (12,785) | 109,350 |
| Exchange differences | (9,310) | 8,490 |
| At end of year | — | 720,907 |

* Amount less than RMB1,000.

## 31. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS — *continued*

### Fair value hierarchy — *continued*

#### *Liabilities measured at fair value: — continued*

The Group did not have any financial liabilities measured at fair value as at 31 December 2023.

During the year ended 31 December 2023, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2022: Nil).

## 32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and bank balances, time deposits and convertible redeemable preferred shares. The main purpose of these financial instruments is to raise finance for the Group's operations.

The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. The board of directors of the Company reviews and agrees policies for managing each of these risks and they are summarised below.

### (a) Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from currencies other than the units' functional currencies.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the USD exchange rate, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities) and the Group's equity.

| | Increase/ (decrease) in rate of foreign currency<br>% | Increase/ (decrease) in profit before tax<br>RMB'000 | Increase/ (decrease) in equity<br>RMB'000 |
|---|---|---|---|
| 31 December 2023 | | | |
| If RMB weakens against USD | **5** | **638** | **14,567** |
| If RMB strengthens against USD | **(5)** | **(638)** | **(14,567)** |
| | | | |
| If HKD weakens against USD | **5** | **13,589** | **13,589** |
| If HKD strengthens against USD | **(5)** | **(13,589)** | **(13,589)** |
| | | | |
| 31 December 2022 | | | |
| If RMB weakens against USD | 5 | 15,240 | 15,240 |
| If RMB strengthens against USD | (5) | (15,240) | (15,240) |

# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES — *continued*

### (b) Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. There are no significant concentrations of credit risk for trade receivables from third parties as the customer bases of the Group are dispersed. In addition, receivable balances are monitored on an ongoing basis.

The tables below show the maximum exposure to credit risk and year-end staging classification at the end of the reporting period. The amounts presented are gross carrying amounts for financial assets.

| | 12-month ECLs | Lifetime ECLs | | | |
|---|---|---|---|---|---|
| | Stage 1<br>RMB'000 | Stage 2<br>RMB'000 | Stage 3<br>RMB'000 | Simplified approach<br>RMB'000 | Total<br>RMB'000 |
| 31 December 2023 | | | | | |
| Trade receivables* | – | – | – | 35,946 | 35,946 |
| Contract assets* | – | – | – | 110,130 | 110,130 |
| Financial assets included in prepayments, deposits and other receivables | | | | | |
| — Normal** | 7,241 | – | – | – | 7,241 |
| Cash and bank balances and time deposits | 632,994 | – | – | – | 632,994 |
| Total | 640,235 | – | – | 146,076 | 786,311 |

## 32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES — *continued*

### (b) Credit risk — *continued*

| | 12-month ECLs | Lifetime ECLs | | | |
|---|---|---|---|---|---|
| | Stage 1 RMB'000 | Stage 2 RMB'000 | Stage 3 RMB'000 | Simplified approach RMB'000 | Total RMB'000 |
| 31 December 2022 | | | | | |
| Trade receivables* | – | – | – | 38,936 | 38,936 |
| Contract assets* | – | – | – | 72,788 | 72,788 |
| Due from related a party | 250 | – | – | – | 250 |
| Financial assets included in prepayments, deposits and other receivables | | | | | |
| – Normal** | 5,439 | – | – | – | 5,439 |
| Cash and bank balances and time deposits | 599,266 | – | – | – | 599,266 |
| Total | 604,955 | – | – | 111,724 | 716,679 |

* For trade receivables and contract assets to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in notes 17 and 18 to the financial statements, respectively.

** The credit quality of the financial assets included in prepayments, deposits and other receivables is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 17 to the financial statements.

# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES — *continued*

### (c) Liquidity risk

The Group monitors and maintains a level of cash and bank balances and time deposits deemed adequate by the management of the Group to finance the operations and mitigate the effects of fluctuations in cash flows.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on contractual undiscounted payments, is as follows:

| | **On demand RMB'000** | **Less than 3 months RMB'000** | **3 to 12 months RMB'000** | **1 to 5 years RMB'000** | **Total RMB'000** |
|---|---|---|---|---|---|
| 31 December 2023 | | | | | |
| Trade payables | **2,052** | **—** | **—** | **—** | **2,052** |
| Financial liabilities included in other payables and accruals (note 23) | **21,236** | **—** | **—** | **—** | **21,236** |
| Lease liabilities | **—** | **829** | **3,375** | **690** | **4,894** |
| Total | **23,288** | **829** | **3,375** | **690** | **28,182** |

| | On demand RMB'000 | Less than 3 months RMB'000 | 3 to 12 months RMB'000 | 1 to 5 years RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|
| 31 December 2022 | | | | | |
| Trade payables | 1,967 | — | — | — | 1,967 |
| Financial liabilities included in other payables and accruals (note 23) | 18,679 | — | — | — | 18,679 |
| Convertible redeemable preferred shares | — | — | — | 640,505 | 640,505 |
| Lease liabilities | — | 1,331 | 4,444 | 4,162 | 9,937 |
| Total | 20,646 | 1,331 | 4,444 | 644,667 | 671,088 |

## 32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES — *continued*

### (d) Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholder's value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Group monitors capital using a current ratio, which is total current assets divided by total current liabilities. The current ratios at the end of the reporting period are as follows:

| | **2023** | 2022 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Total current assets | 1,267,010 | 714,854 |
| Total current liabilities | 174,578 | 163,804 |
| Current ratio | 7.26 | 4.36 |

# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 33. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

| | **2023** **RMB'000** | 2022 RMB'000 |
|---|---|---|
| NON-CURRENT ASSETS | | |
| Investment in a subsidiary, at cost | 19,788 | 14,418 |
| Total non-current assets | 19,788 | 14,418 |
| CURRENT ASSETS | | |
| Other receivables | 12,155 | 481 |
| Financial assets at fair value through profit or loss | 501,892 | – |
| Cash and cash equivalents | 278,591 | 304,306 |
| Total current assets | 792,638 | 304,787 |
| NET CURRENT ASSETS | 792,638 | 304,787 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | 812,426 | 319,205 |
| NON-CURRENT LIABILITIES | | |
| Convertible redeemable preferred shares | – | 720,907 |
| Total non-current liabilities | – | 720,907 |
| Net assets/(liabilities) | 812,426 | (401,702) |
| EQUITY | | |
| Equity attributable to owners of the parent | | |
| Share capital | 420 | 5 |
| Treasury shares | (42,037) | –* |
| Convertible preferred shares | – | 53,417 |
| Reserves (Note) | 854,043 | (455,124) |
| Total equity/deficiency in assets | 812,426 | (401,702) |

* Amount less than RMB1,000.

## 33. STATEMENT OF FINANCIAL POSITION OF THE COMPANY — *continued*

Note:

A summary of the Company's reserves is as follows:

| | Share premium RMB'000 | Capital reserve RMB'000 | Exchange fluctuation reserve RMB'000 | Share-based payment reserve RMB'000 | Accumulated profits/ (losses) RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|
| At 31 December 2021 and 1 January 2022 | – | (170,096) | (438) | – | (189,895) | (360,429) |
| Loss for the year | – | – | – | – | (127,393) | (127,393) |
| Other comprehensive loss for the year: | | | | | | |
| Translation difference of the Company's financial statements into presentation currency | – | – | 18,280 | – | – | 18,280 |
| Total comprehensive income/(loss) for the year | – | – | 18,280 | – | (127,393) | (109,113) |
| Share-based payments | – | – | – | 14,418 | – | 14,418 |
| Conversion into convertible redeemable preferred shares from ordinary shares of a subsidiary | – | –* | – | – | – | –* |
| At 31 December 2022 and 1 January 2023 | – | (170,096) | 17,842 | 14,418 | (317,288) | (455,124) |
| Profit for the year | **–** | **–** | **–** | **–** | **6,670** | **6,670** |
| Other comprehensive loss for the year | | | | | | |
| Translation difference of the Company's financial statements into presentation currency | **–** | **–** | **30,394** | **–** | **–** | **30,394** |
| Total comprehensive income for the year | **–** | **–** | **30,394** | **–** | **6,670** | **37,064** |
| Net proceeds from issue of shares from IPO | **535,834** | **–** | **–** | **–** | **–** | **535,834** |
| Share issue expenses | **(20,991)** | **–** | **–** | **–** | **–** | **(20,991)** |
| Conversion of convertible preferred shares into ordinary shares upon IPO | **53,416** | **–** | **–** | **–** | **–** | **53,416** |
| Conversion of convertible redeemable preferred shares into ordinary shares upon IPO | **698,811** | **–** | **–** | **–** | **–** | **698,811** |
| Capitalisation Issue | **(337)** | **–** | **–** | **–** | **–** | **(337)** |
| Share-based payments | **–** | **–** | **–** | **5,370** | **–** | **5,370** |
| At 31 December 2023 | **1,266,733** | **(170,096)** | **48,236** | **19,788** | **(310,618)** | **854,043** |

* Amount less than RMB1,000.

# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 34. EVENTS AFTER THE REPORTING PERIOD

On 27 January 2024, based on the recommendation of the remuneration committee of the board of directors and pursuant to the rules of the 2023 Plan, the board of directors resolved to grant a total of 5,403,820 awarded shares to Mr. Fan Jie at HK$0.278 per awarded share.

## 35. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 28 March 2024.

| | |
|---|---|
| "Adoption Date" | 19 September 2023, being the date on which the Board adopted the Share Award Scheme |
| "Articles of Association" | the articles of association of our Company adopted on 30 March 2023, which has become effective upon the Listing Date |
| "Audit Committee" | the audit committee of the Board |
| "Award" | an award by the Board to a Selected Participant entitling the Selected Participant to receive the Awarded Interests in accordance with the Scheme Rules |
| "Awarded Interests" | in respect of an Award, the (i) Awarded Shares; and/or (ii) such amount of cash from the sale of Shares awarded to him after deduction or withholding of any tax, fees and other charges in connection with the sale of Shares, and the related income (if any) as awarded under the Award |
| "Awarded Share(s)" | in respect of a Selected Participant, such number of Shares as awarded to him by the Board |
| "Board" | the board of Directors of our Company |
| "China", "Mainland China", or "PRC" | the People's Republic of China, but for the purpose of this annual report and for geographical reference only and except where the context requires, excluding Taiwan, the Macao Special Administrative Region and Hong Kong |
| "Company" or "our Company" | MedSci Healthcare Holdings Limited (梅斯健康控股有限公司), an exempted company with limited liability incorporated under the laws of the Cayman |
| "Consolidated Affiliated Entities" | Shanghai MedSci, Shanghai Chungu, Yika Internet Hospital, Hangzhou Yilan and Hefei Kang'en |
| "Contractual Arrangement(s)" | Shanghai MedSci Contractual Arrangements and Hefei Kang'en Contractual Arrangements |
| "Contributed Amount" | cash paid or made available to the Trust by way of settlement or otherwise contributed by the Company, any subsidiary, any Significant Shareholder, and/or any party designated by the Company as permitted under the Share Award Scheme to the Trust as determined by the Board from time to time |
| "Corporate Governance Code" | the Corporate Governance Code contained in Appendix C1 to the Listing Rules |
| "Corresponding Period" | the year ended 31 December 2022 |
| "Director(s)" | the director(s) of the Company |

# DEFINITIONS

| | |
|---|---|
| "Excluded Participant(s)" | any Eligible Participant who is resident in a place where the grant of an Award and/or the vesting and transfer of the Awarded Interests pursuant to the terms of the Scheme is not permitted under the laws or regulations of such place or where in the view of the Board or the Trustee (as the case may be), compliance with applicable laws or regulations in such place makes it necessary or expedient to exclude such Eligible Participant |
| "Global Offering" | has the meaning ascribed to it in the Prospectus |
| "Group", "our Group", "our", "we", "us" or "MedSci Healthcare" | our Company, its subsidiaries and Consolidated Affiliated Entities |
| "Hangzhou Yilan" | Hangzhou Yilan Information Technology Co., Ltd. (杭州醫覽信息科技有限公司), a limited liability company established under the laws of the PRC on 31 May 2018 and our Consolidated Affiliated Entity |
| "Hefei Kang'en Contractual Arrangements" | collectively, the Hefei Kang'en Exclusive Business Cooperation Agreement, the Hefei Kang'en Exclusive Technical Service and Management Consultancy Agreement, the Hefei Kang'en Exclusive Call Option Agreement, the Hefei Kang'en Equity Pledge Agreements, the Hefei Kang'en Shareholders' Rights Entrustment Agreement, the Hefei Kang'en Shareholders' Powers of Attorney and the Hefei Kang'en Spouse Undertakings |
| "Hefei Kang'en Registered Shareholders" | the registered shareholders of Hefei Kang'en |
| "Hong Kong" | the Hong Kong Special Administrative Region of the PRC |
| "Listing Date" | 27 April 2023 |
| "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 |
| "MedSci Healthcare BVI" | MedSci Healthcare Holdings (BVI) Limited, a limited liability company incorporated under the laws of the British Virgin Islands on 24 June 2021, and a direct wholly-owned subsidiary of our Company |
| "MedSci Healthcare HK" | MedSci Healthcare Holdings (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability on 6 August 2021, and an indirect wholly-owned subsidiary of our Company |
| "Model Code" | the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules |

| | |
|---|---|
| "PRC Affiliated Entities" | Shanghai MedSci, Hangzhou Yilan, Shanghai Chungu and Yika Internet Hospital |
| "Prospectus" | the prospectus issued by the Company dated 17 April 2023 |
| "Registered Shareholders" | Shanghai MedSci Registered Shareholders and Hefei Kang'en Registered Shareholders |
| "Reporting Period" | the year ended 31 December 2023 |
| "RMB" | the lawful currency of the PRC |
| "Scheme Rules" | the rules relating to the Share Award Scheme adopted by the Board, as amended from time to time |
| "Selected Participant" | Eligible Participant(s) selected by the Board pursuant to the Scheme Rules for participation in the Share Award Scheme (or his legal personal representative or lawful successor, as the case may be) |
| "Shanghai Chungu" | Shanghai Chungu Bio Medicine Technology Co., Ltd. (上海春谷生物醫藥科技有限公司), a limited liability company established under the laws of the PRC on 21 January 2013 and our Consolidated Affiliated Entity |
| "Shanghai MedSci Contractual Arrangements" | collectively, the Shanghai MedSci Exclusive Business Cooperation Agreement, the Shanghai MedSci Exclusive Technical Service and Management Consultancy Agreement, the Shanghai MedSci Exclusive Call Option Agreement, the Shanghai MedSci Equity Pledge Agreements, the Shanghai MedSci Shareholders' Rights Entrustment Agreement, the Shanghai MedSci Shareholders' Powers of Attorney and the Shanghai MedSci Spouse Undertakings |
| "Shanghai MedSci Registered Shareholders" | the registered shareholders of Shanghai MedSci |
| "Shanghai Meiyi Hehong" or "WFOE" | Shanghai Meiyi Hehong Technology Co., Ltd. (上海梅益合宏科技有限公司), a limited liability company established under the laws of the PRC on 9 October 2021 and an indirect wholly-owned subsidiary |
| "Shareholders" | holder(s) of the Shares |
| "Shares" | ordinary shares in the share capital of our Company with a nominal value of US$0.0001 each |
| "Significant Shareholder" | a person who has beneficial ownership of 5% of the issued share capital of the Company, or control over 5% of the voting powers of the Company, whether directly or indirectly |

# DEFINITIONS

| | |
|---|---|
| "Stock Exchange" | The Stock Exchange of Hong Kong Limited |
| "subsidiary(ies)" | has the meaning ascribed to it in section 15 of the Companies Ordinance |
| "Trust" | means the trust constituted by the Trust Deed |
| "Trust Deed" | a trust deed to be entered into between the Company and the Trustee (as restated, supplemented and amended from time to time) |
| "Trustee" | Futu Trustee Limited, a professional trustee appointed under the Trust Deed to act as trustee of the Trust, and any additional or replacement trustees, being the trustee or trustees for the time being of the trusts declared in the Trust Deed |
| "US" or "United States" or "the U.S." | the United States of America, its territories and possessions, any State of the United States, and the District of Columbia |
| "U.S. dollars" | the lawful currency of the U.S. |
| "Yika Internet Hospital" | Yika Internet Hospital (Guangzhou) Co., Ltd. (醫咖互聯網醫院(廣州)有限公司), a limited liability company established under the laws of the PRC on 3 September 2018 and our Consolidated Affiliated Entity |
| "%" | per cent |