



# 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



## ANNUAL REPORT 2024

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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. Wang Shuai (王帥先生) (appointed as Co-Chief Executive Officer on 16 July 2024)

Mr. Cheng Liang (程亮先生) (appointed on 25 September 2024)

Mr. Fan Jie (樊傑先生) (ceased to be Co-Chief Executive Officer on 16 July 2024 and resigned on 25 September 2024)

## NON-EXECUTIVE DIRECTORS

Ms. Wang Xin (王欣) (appointed on 25 September 2024)

Mr. Yan Shengfeng (閻盛楓先生)

Mr. Hu Xubo (胡旭波先生) (resigned on 25 September 2024)

## 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

Ernst & Young

Certified Public Accountants

Registered Public Interest Entity Auditor

27/F, One Taikoo Place

979 King's Road

Quarry Bay

Hong Kong

## HONG KONG LEGAL ADVISER

Eric Chow & Co. in Association with Commerce & Finance Law Offices

3401, Alexandra House

18 Chater Road

Central

Hong Kong

## PRC LEGAL ADVISER

Commerce & Finance Law Offices

12-14th Floor

China World Office 2

No. 1 Jianguomenwai Avenue

Beijing 100004

China

## COMPLIANCE ADVISER

TC Capital International Limited

Unit A2, 21/F

OfficePlus @Mong Kok

998 Canton Road

Mongkok, Kowloon

Hong Kong

## REGISTERED OFFICE

89 Nexus Way

Camana Bay

Grand Cayman, KY1-9009

Cayman Islands

## HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

18/F, Building 34

No. 258, Xinzhuang Road, Songjiang District

Shanghai

PRC

# CORPORATE INFORMATION

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1928, 19/F, Lee Garden One  
33 Hysan Avenue  
Causeway Bay  
Hong Kong

## PRINCIPAL BANKS

China Construction Bank Co. Ltd.  
Shanghai Longcao Road Branch  
No. 69-75, Longcao Road  
Xuhui District  
Shanghai  
PRC

China Construction Bank Co. Ltd.  
Shanghai Longcao Road Branch  
No. 69-75, Longcao Road  
Jingan District  
Shanghai  
PRC

Bank of Shanghai Co., Ltd.  
Minhang Branch  
No. 1885, Qixin Road  
Minhang District  
Shanghai  
PRC

China Merchants Bank Co., Ltd.  
Shanghai Branch  
11/F, No. 1088, Lujiazui Ring Road  
Pudong District  
Shanghai  
PRC

CMB Wing Lung Bank Limited  
CMB Wing Lung Bank Building  
45 Des Voeux Road Central  
Hong Kong

## PRINCIPAL SHARE REGISTRAR

Ogier Global (Cayman) Limited  
89 Nexus Way  
Camana Bay, Grand Cayman  
KY1-9009 Cayman Islands

## HONG KONG SHARE REGISTRAR

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

## STOCK CODE

2415

## COMPANY WEBSITE

<http://medscihealthcare.com/>

# CHAIRMAN'S STATEMENT

Dear Shareholders,

2024 was a year of profound changes in the medical healthcare industry of China. Driven by the multi-pronged policies including the deepening of anti-corruption in the medical sector, the regular centralized procurement of drugs and the full-chain support for the development of innovative drugs, the industry is accelerating its transformation towards compliance-based development, academization and digitalization. As a pioneer in the industry, MedSci Healthcare has always been pursuing the core concept of "Evidence-based Medicine Driving Value Creation", adheres to long-termism, strengthens its core competitiveness amid challenges, and explores new pathways of high-quality development amid changes. On behalf of the Board of Directors, I would like to express my sincere gratitude to all shareholders, customers, working partners and employees for their trust and support!

## ANNUAL REVIEW OF 2024: LAYING A FOUNDATION FOR RESILIENT GROWTH IN ADVERSITY

Despite the short-term pressure on the industry, the Company still delivered a result that demonstrated its steadfast strategic focus:

- Continuous optimization of the business structure: with the notable synergistic effect of the three major solutions, namely physician platform, precision marketing and RWS, the average transaction value under comprehensive solutions increased by 88% year-on-year, and its share in revenue increased to 47%.
- Consolidation of the core moat: the number of registered physician users exceeded 3.33 million, covering 73% of the total number of physicians with the title of associate-chief physician and above in China; the Group had accumulatively served 613 pharmaceutical and medical device enterprises, with the revenue retention rate of 100% for the Group's top 10 customers.
- Significantly raised technological barriers: MSchat AI intelligence solution achieved full-process empowerment of clinical trial design, significantly enhancing the efficiency of digital decision-making in medical institutions.
- Commencement of global business layout: the Company has completed the preparation to establish its Southeast Asian headquarters, and initially established a digital infrastructure network to support Chinese pharmaceutical companies of innovative drugs in their going-global plan.
- Continuous enhancement and promotion of ESG strategy: MedSci Healthcare has established an ESG governance framework under the leadership of the Board, which integrates the concept of sustainable development into its strategies and operation systems. During 2024, the Company continued to optimize the ESG strategy, strengthened the execution mechanism, and steadily advanced the implementation of various ESG practices. In terms of the environment, the Company launched a greenhouse gas emissions survey, and the management took the lead in promoting green travel, promoting low-carbon offices and raising employees' awareness of environmental protection. In terms of compliance governance, the Company has improved its compliance mechanism and engaged professional law firms to provide training on compliance to enhance the organization's awareness of compliance. In terms of talent, upholding the principles of diversity, inclusion and fairness, it has established competitive remuneration and benefit systems so as to build a professional and stable talent team. In the future, the Company will continue to deepen its ESG practice, and promote the high-quality and sustainable development of the medical industry through a responsible leadership.

# CHAIRMAN'S STATEMENT

## STRATEGIC FOCUS DEEPENING: AI+ECOSYSTEM-DRIVEN VALUE LEAP

With the strategic positioning of a “reconstructor of the value chain of medical digitalization”, MedSci Healthcare has developed a moat safeguarding the industry by leveraging three major core solutions: in the area of physician platform, it has innovatively developed a three-in-one platform of “AI academic support + specialty databases + cloud-assisted scientific research”, which provided research support for 311 clinical departments and promoted the upgrade of scientific research capability in 114 hospitals. In the area of precision marketing, it has pioneered a closed-loop system of “Evidence-based evidence chain, intelligent delivery and efficacy tracking”, which has achieved a breakthrough in the rate of commercialization in high-value areas such as solid tumors and rare diseases. Additionally, it developed full life-cycle management solutions catering to successfully bid drug varieties under centralized procurement, which boosted the contribution rate of revenues from the customers of domestic pharmaceutical enterprises to 61%, effectively hedging against the risk of budgetary contraction of multinational enterprises. In the field of real-world research (RWS), MedSci Healthcare leveraged the advantages of the dual engines of AI+medical big data, integrated the full-cycle data of pharmaceutical and medical devices and the information of clinical diagnosis and treatment in a bid to develop an end-to-end service system from evidence-based research, market insights to digital marketing, which significantly shortened the commercialization cycle of products. The three major business segments have accordingly formed a spiral growth driver by way of “resource retention — value conversion — commercialization”, thereby continuing to consolidate its position as a leader of the Internet in the medical industry.

## FUTURE OUTLOOK: BEFRIENDING TIME TO CREATE ECOLOGICAL VALUES

In 2025, we will embark on a new chapter centering on three strategic focuses: Globalized ecology — Taking our Southeast Asian headquarters as the hub, we will help pharmaceutical companies to go global through our full-chain services of “market access-clinical support-digital marketing”, at the same time establishing our advantages of regional resources synergy. Closed-loop value ecosystem — Leveraging the TriCura platform, we will integrate real-world data with AI technology to open up a tripartite collaboration chain of “physician-patient-pharmaceutical company”, so as to realize the dual closed-loop of information security and commercialization through dynamic desensitization and intelligent medication management. In-depth AI-empowerment — Based on the million-level medical literature analysis and clinical trial optimization model, we will establish an intelligent decision-making system covering R&D, supply chain to marketing with a view to boosting the efficiency of the entire industry. Through these three strategies, a three-dimensional model of “global layout, ecological synergy and technology-driven” will be formed, which will hence expedite the digital transformation of the medical industry.

## CONCLUSION

Only long-termists who safeguard the value baseline and dare to make the first move in technology will be able to grasp the vast and indefinite opportunities of the medical healthcare industry. Anchored with evidence-based medicine and set sail with digital intelligence, MedSci Healthcare will join hands with all partners to navigate through cycles with the dual-wheel drive of compliance and innovation and build a new ecosystem of medical healthcare together!

**Dr. Zhang Fabao**

*Chairman and Executive Director*



## FINANCIAL SUMMARY

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

|   | 2024<br>RMB'000  | 2023<br>RMB'000 | 2022<br>RMB'000 | 2021<br>RMB'000 | 2020<br>RMB'000 |
|---|------------------|-----------------|-----------------|-----------------|-----------------|
| Revenue   | <b>260,623</b>   | 349,194         | 348,950         | 297,731         | 215,854         |
| Gross profit  | <b>162,174</b>   | 216,607         | 206,321         | 189,810         | 117,032         |
| (Loss)/profit for the year                                      | <b>24,967</b>    | 55,042          | (99,881)        | (151,030)       | 28,914          |
| (Loss)/profit for the year attributable to owners of the parent | <b>24,967</b>    | 55,042          | (99,881)        | (151,030)       | 28,914          |
| Non-current assets  | <b>28,269</b>    | 28,591          | 31,661          | 23,818          | 28,218          |
| Current assets  | <b>1,320,987</b> | 1,267,010       | 714,854         | 685,395         | 322,722         |
| Total assets  | <b>1,349,256</b> | 1,295,601       | 746,515         | 709,213         | 350,940         |
| Non-current liabilities   | <b>207</b>       | 644             | 724,975         | 603,663         | 2,910           |
| Current liabilities   | <b>179,361</b>   | 174,578         | 163,804         | 172,765         | 151,318         |
| Total liabilities   | <b>179,568</b>   | 175,222         | 888,779         | 776,428         | 154,228         |
| Total equity/(Deficiency in assets)                             | <b>1,169,688</b> | 1,120,379       | (142,264)       | (67,215)        | 196,712         |
| Total equity attributable to owners of the parent               | <b>1,169,688</b> | 1,120,379       | (142,264)       | (67,215)        | —               |

# FINANCIAL HIGHLIGHTS

|   | For the year ended 31 December |         | Year-on-year<br>movement* |
|---|--------------------------------|---------|---------------------------|
|   | 2024                           | 2023    |                           |
|   | (RMB'000)                      |         | %                         |
| Revenue                                     | 260,623                        | 349,194 | -25.4                     |
| Cost of sales                               | 98,449                         | 132,587 | -25.7                     |
| Gross profit                                | 162,174                        | 216,607 | -25.1                     |
| Profit for the year                         | 24,967                         | 55,042  | -54.6                     |
| Profit attributable to owners of the parent | 24,967                         | 55,042  | -54.6                     |

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

## Revenue by solution category

|  | For the year ended 31 December |      |         |      | Year-on-year<br>movement* |
|--|--------------------------------|------|---------|------|---------------------------|
|  | 2024                           |      | 2023    |      |                           |
|  | (RMB'000, except percentage)   |      |         |      |                           |
|  |                                | %    |         | %    | %                         |
| Revenue                                    |                                |      |         |      |                           |
| Precision omni-channel marketing solutions | 115,097                        | 44.2 | 173,764 | 49.8 | −33.8                     |
| Physician platform solutions               | 109,771                        | 42.1 | 120,045 | 34.4 | −8.6                      |
| RWS solutions                              | 35,755                         | 13.7 | 55,385  | 15.9 | −35.4                     |
| Total                                      | 260,623                        | 100  | 349,194 | 100  | −25.4                     |

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

Revenue decreased by approximately RMB88.6 million, or approximately 25.4%, from approximately RMB349.2 million for the year ended 31 December 2023 to approximately RMB260.6 million for the year ended 31 December 2024.

Profit attributable to owners of the parent arising from continuing operations for the year ended 31 December 2024 was approximately RMB25.0 million, representing a decrease of approximately RMB30.1 million or 54.6% as compared to the year ended 31 December 2023.

The basic and diluted earnings per share for 2024 amounted to approximately RMB0.05 and RMB0.05 respectively.

The Board does not recommend the payment of a final dividend for the year ended 31 December 2024 (2023: nil).



# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS OVERVIEW

In 2024, the anti-corruption policies in the healthcare sector and the introduction of the “Implementation Plan for the Full-Chain Support for the Development of Innovative Drugs” (《全鏈條支持創新藥發展實施方案》) propelled the transformation of the industry towards compliant, academic-oriented and digital development at a faster pace. Despite the short-term challenges such as the average reduction rate of centralized procurement of drugs exceeding 90% and the prolonged compliance review cycle, the Group has fulfilled a holistic intelligent upgrade of the healthcare scenario through the in-depth integration of AI intelligence solution. With its domain expertise, the new generation of MSchat AI intelligence solution has developed its three core competencies in the field of clinical trial design, achieving a leap-frog breakthrough from the capability for general purpose to vertical scenarios. Leveraging the medical research data accumulated in more than a decade, the Group has established a precision service network covering 3.33 million registered physicians, thereby fostering the core capability to cope with changes.

With the evidence-based logic of medical proof at its core, the Group has developed a business matrix covering the entire chain of generation, dissemination and decision-making of medical-proof, and fulfilled the compliant sharing of medical data and its value exploration through an AI-driven digital platform. As at 31 December 2024, the Group has accumulated more than 5.28 million members, of which 3.33 million are registered physician, forming an intelligent ecosystem centered on clinical research data, healthcare product knowledge base and expert insights, with services penetrating into hospitals, experts, pharmaceutical companies and other scenarios.

As at 31 December 2024, the Group has accumulatively provided medical solutions to 12 top research hospitals in China and covered over 2,000 hospitals, extending its reach from first- and second-tier cities to county-level and grassroots healthcare institutions. As at 31 December 2024, the Group had accumulatively served 613 pharmaceutical and medical device enterprises.

In the wake of the anti-corruption campaign in the healthcare industry that is reshaping the ecosystem of the pharmaceutical industry, despite being crucial for the long-term healthy development of the industry, this profound transformation has led to tightened client budgets and a decline in revenue in the short term. Through continuing innovation and proactive market response strategies, the Group is mitigating these short-term impacts, while being prepared to seize future growth opportunities. In 2024, the Group strategically stepped up the R&D of AI technology, focusing on the innovative applications in the medical sector. It has significantly enhanced service precision and operational efficiency through intelligent means, so as to deliver more efficient solutions to customers. At the same time, the Group has accelerated the progress of its going-global strategy to build a global service network through overseas market expansion. Despite the fact that the above forward-looking business layout has driven the cost of R&D investment and operating costs in the short term, resulting in the pressure on the phasal results, it has laid a solid foundation for the cultivation of core competitiveness in the future. For the year ended 31 December 2024, the Group's total revenue was approximately RMB260.6 million, with a year-to-year decrease of approximately 25.1% in gross profit and a year-to-year increase of approximately 0.2 percentage points in gross profit margin, mainly because the Group actively responded to the national call to conduct strict compliance reviews in collaboration with pharmaceutical enterprise clients to ensure that all academic research and promotional activities comply with the latest national compliance standards. Although these reviews have slightly extended the project execution and settlement cycles with temporary impact on project execution and completion settlement cycles, leading to a decrease in revenue, this is to ensure the long-term compliance and sustainable development of all business operations. With the gradual completion of compliance reviews and the implementation of new standards, the Group anticipates that project execution speeds will gradually return to normal and are expected to accelerate further in the future. We firmly believe that this is a necessary step to safeguard the Company's long-

# MANAGEMENT DISCUSSION AND ANALYSIS

term stability and will bring greater market trust and cooperation opportunities to the Company. In the precision digital marketing solutions business segment, the Group focused on key disease areas such as solid tumours, hematologic diseases, ophthalmology, immune diseases, and rare diseases to further strengthen its core competitiveness, enhance the customer experience, and increase average transaction value. The Group focuses on providing comprehensive marketing solutions for pharmaceutical and medical device enterprises by continuing to deliver high-quality products and solutions. For instance, during the Reporting Period, the Group launched solutions in various rare disease areas, including neurological disorders, to address the growing and diversified requirements of pharmaceutical and medical device enterprises. The Group has improved organisational efficiency related to customer value delivery, focusing on synergies and collaboration between business segments from both technical and commercial perspectives.

Driven by profound changes taking place in China's pharmaceutical industry, AI technology is reshaping the ecosystem of the pharmaceutical industry chain and promoting the formation of a complete chain from fundamental research to commercialisation. The efficient, compliant, evidence-driven commercialisation model for pharmaceutical and medical device products has become the inevitable alternative for Chinese pharmaceutical and medical device enterprises, while the integration of AI technology presents new opportunities and challenges to this model. Centering on the clinical research requirements of physicians, coupling with the powerful data processing and intelligent learning capabilities of AI technology, the Group has established innovative interactive models. For example, through AI-assisted diagnosis and optimized treatment plans, the Group is able to more precisely meet the needs of both physicians and patients, while improving healthcare quality and realising commercial value. By incorporating AI intelligence system into our clinical research information system, the Group has successfully upgraded the specialty databases of various tertiary A-level hospitals with high efficiency. In terms of academic marketing, the Group has developed a rare disease intelligence system, which provides clinical physicians with an efficient tool to quickly screen patients with rare diseases and enhances the efficiency of sales and marketing of rare disease medicine.

## PHYSICIAN PLATFORM SOLUTIONS

The Group operates online professional physician platforms in China. As at 31 December 2024, our platform had approximately 3.33 million registered physician users and our average number of unique registered users, including all registered users such as physicians, nurses, pharmacists and other non-healthcare professional, that accessed our *MedSci* platform in each month during the Reporting Period reached approximately 3.0 million during the Reporting Period, which further consolidated our position as the professional physician platform. 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, as well as a professional physician platform with active users. The total number of registered physician users on our *MedSci* platform who had the title of associate-chief physician and above represented approximately 73.2% 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 National Health Commission of China. As at 31 December 2024, our *MedSci* platform covered 42 research areas, including 716,000 entries of medical information, representing an increase of 45,000 entries as compared to that as at 31 December 2023; included 138,500 user communities, representing an increase of over 14,500 user communities as compared to that as at 31 December 2023; and maintained 9,960 physician communities, representing an increase of over 3,045 physician communities as compared to that as at 31 December 2023. Our *MedSci* platform is accessible through multiple channels such as website, mobile application, WeChat mini-program and WeChat public account. Such 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 the Group. 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.

## MANAGEMENT DISCUSSION AND ANALYSIS

During the Reporting Period, the Group was recognised as one of the first Shanghai Industrial Internet Demonstration Platforms, ranking first on the list. While continuing to follow the “Action Plan for Promoting High-Quality Development of Industrial Internet Platforms in Shanghai (2023–2025)” (《上海市促進產業互聯網平台高質量發展行動方案(2023–2025年)》), the Group closely aligned with the requirements of the manufacturing industry, optimised industry chain services, and committed ourselves to technological innovation, as a contributor to the joint efforts to drive capacity enhancement in the healthcare industry.

Meanwhile, in response to the policy requirements for high-quality hospital development, the Group further expanded its provision of intelligent-driven clinical research platforms and data analysis-driven solutions for departments and hospitals. As at 31 December 2024, the Group had provided clinical research solutions to 114 hospitals/311 departments, which is expected to become a new growth momentum for this segment.

For the year ended 31 December 2024, revenue from the physician platform solutions business amounted to approximately RMB109.8 million, representing a year-to-year decrease of approximately 8.6%. The reason for the decrease was primarily attributable to the fact that with the rapid development of AI, some of the functions of the IIT-related products were completed directly by customers utilizing AI, which in turn affected the total revenue. During the Reporting Period, the Group’s inventory orders increased by approximately RMB20.1 million to approximately RMB105.5 million.

### EVIDENCE-DRIVEN PRECISION OMNI-CHANNEL MARKETING SOLUTIONS

The government’s continuing anti-corruption efforts in the pharmaceutical industry in China have accelerated the transition of traditional pharmaceutical companies’ marketing models towards evidence-based and digital marketing. The activity on the physician platform, the medical academic competence, and digital technology constitute the new infrastructure for digital pharmaceutical marketing. Therefore, the Group has consolidated its RWS solutions business with its precision omni-channel marketing solutions business, categorising them under evidence-driven precision marketing solutions. By persisting in the development model driven by both medicine and digitalisation, the Group continues to strengthen its medical academic competence, with substantial growth achieved in the following areas:

- (i) the Group’s precision omni-channel marketing solutions 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 solutions 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

# MANAGEMENT DISCUSSION AND ANALYSIS

- (iii) the Group adopts a 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.

During the Reporting Period, the demand for the precision omni-channel marketing solutions business continued to grow, particularly with a significant increase in orders from domestic pharmaceutical and medical device enterprises. However, both the pharmaceutical and medical device enterprises and physicians at hospitals increased compliance requirements in light of the current high national requirements, necessitating a longer period of compliance reviews by pharmaceutical and medical device enterprises and physicians at hospitals during project execution, which extended our project execution timeframe and therefore led to a decline in revenue for this segment during the Reporting Period. For the Reporting Period, revenue from this segment was approximately RMB115.1 million, representing a year-to-year decrease of approximately 33.8%. In response, the Group has focused on increasing marketing activities, optimising product offerings, adjusting pricing strategy and improving operational efficiency.

Our business has transitioned from single project to comprehensive solutions, with the average transaction value increasing from approximately RMB178,000 to approximately RMB335,000. During the Reporting Period, the share of comprehensive solutions increased from approximately 31% to approximately 47% year-on-year.

As at 31 December 2024, the Group had 613 active customers, including 492 core pharmaceutical, biotechnology, and medical device enterprise clients. During the Reporting Period, the revenue retention rate for the Group's top 10 customers was 100%. Among the Group's top 20 customers, 11 were multinational pharmaceutical companies and 18 were listed companies.

The anti-corruption campaign in the healthcare industry has accelerated the transformation of domestic pharmaceutical and medical device enterprises. For the year ended 31 December 2024, the Group added 76 new domestic pharmaceutical enterprise clients, with the inventory orders increasing by approximately RMB61 million to approximately RMB142 million, and the proportion of revenue from domestic pharmaceutical enterprises reaching approximately 61%.

## RWS SOLUTIONS

In the area of RWS solutions, the Group provides pharmaceutical and medical device enterprises with high-quality and cost-effective post-marketing clinical research solutions, including real-world studies, pharmacovigilance studies, pharmacoeconomics research, and innovative device registration studies.

During the Reporting Period, the revenue from the Group's RWS solutions business was approximately RMB35.8 million, representing a year-to-year decrease of 35.4%. This decrease was primarily attributable to (i) extended project negotiation cycle during the Reporting Period due to the impact of the domestic anti-corruption and pharmaceutical market transformation; and (ii) reduction in completed projects resulting from delays in enrollment of researchers, attributed to a lack of motivation.

During the Reporting Period, the Group executed 208 projects, and the inventory orders increased from RMB155 million at the end of 2023 to RMB205 million.

# MANAGEMENT DISCUSSION AND ANALYSIS

## OUTLOOK

The Group is well poised to be a pioneer and leader in the wavefront of the rapid transformation of China's pharmaceutical industry. Looking ahead, the Group will continuously introduce innovative AI and evidence-driven applications and solutions to capitalize on the huge market opportunities in China and beyond. In terms of our three strategic directions of expanding markets across Asia, enabling pharmaceutical companies of innovative drugs to go overseas, and driving the digital transformation of healthcare, the Group will continue its efforts to deliver greater value to industry participants within the ecosystem through its intelligent infrastructure.

**Vision 1:** MedSci Healthcare develops a new ecosystem for the global healthcare industry by pursuing two-wheel driven ecological empowerment

Centering on the "two-wheel driven" mode, MedSci Healthcare has achieved leapfrog development which is recognized by global capital market, from regional market expansion, through two pathways: empowering the going-global strategy of pharmaceutical companies and building a regional closed loop ecosystem.

MedSci Healthcare is committed to assisting pharmaceutical companies of innovative drugs in their going-global plan to expand into the Southeast Asian market, and develop into international listed companies. In 2025, the Group will set up its Southeast Asian headquarters in Singapore, focus on the Vietnamese market, introduce overseas healthcare products and put into localized operation, so as to achieve regional resource integration and differentiated competition. In addition, MedSci Healthcare will provide pharmaceutical companies of innovative drugs with full-chain services, including market research, clinical trial support, pharmacovigilance, market access and pricing strategies, as well as digital marketing and academic promotion, to facilitate successful going-global of pharmaceutical companies and enhance their international competitiveness. By building a closed-loop model of content, services and products, enhancing the stability of the supply chain, and continuously optimising the service models and technological means, MedSci Healthcare will continue to enhance its overall competitiveness, promote international development in a bid to become a listed company with global influence.

**Vision 2:** We will develop a healthcare value ecosystem under tripartite collaboration and accelerate digital transformation

Centering on "physician-patient-pharmaceutical company" tripartite collaboration, the TriCura platform intensively integrates RWS data and AI technology to establish a closed-loop healthcare value ecosystem covering oncology, chronic diseases and consumer healthcare areas. Through the three major core modules of AI-assisted generation of academic reports, intelligent medication management, and pharmaceutical company data services, the platform shortens the data acquisition cycle to less than 6 months, and opens up the commercialization chain by leveraging the point-based incentive system and compliant distribution network. At the same time, the platform strengthens data security and compliance with blockchain-based evidence storage and dynamic desensitization technology. These, coupling with top-class industry expert resources (KOL network) and digital marketing channels of MedSci Healthcare, will foster a differentiated competitive advantage. The 2025 strategy will focus on the in-depth application of multi-scenarios and ecological capacity expansion, strive to develop into a healthcare data-driven value hub, promote the transformation of the industry from traditional services to precision and synergistic collaboration, thereby realizing win-win situation and sustainable development of various parties in the ecosystem.

## MANAGEMENT DISCUSSION AND ANALYSIS

Vision 3: Aiming at AI-powered high-quality development of MedSci Healthcare to support the AI-based development of customers

In the medical and pharmaceutical industry, high quality data analysis, precision academic research, and stringent compliance requirements are of paramount importance. By utilizing AI technology, *MedSci* (梅斯醫學) not only enhances its research capabilities and operational efficiency, but also provides customers with more precise and reliable AI solutions.

AI can quickly parse massive medical literature to extract key information, and increase the efficiency of researchers in acquiring information. AI can optimise the clinical trial protocols, uplift the precision of patient screening, and mitigate the risks and costs of such trials. Additionally, AI-powered prediction models can assist pharmaceutical companies in formulating their marketing strategies with higher precision and boosting the efficiency of the medicine supply chain.

At the same time, *MedSci* takes a variety of measures to minimize AI bias and increase the reliability in AI applications. In compliance with GxP (good practice standards), GDPR, HIPAA and other industry regulations, *MedSci* ensures that AI applications meet ethical requirements. A review mechanism for AI-related ethical issues is in place to avoid discrimination or bias of AI algorithms adopted in medical decision making.

MedSci AI not only serves as an independent tool, but can also be deeply integrated into the digital platforms of customers to provide them with AI-powered services, thus facilitating the general digitalised upgrade of the industry. AI-powered intelligent search engine can help physicians and pharmaceutical companies obtain precise medical information they need. AI can analyze medicine market trends, optimise the supply chains and marketing strategies, and enhance competitiveness of the industry accordingly. Besides, the AI-powered intelligent customer service system can answer medical-related queries and improve the response time of services.

With AI technology, *MedSci* will spearhead the AI-based transformation of itself and customers, optimising medical research, manufacturing processes of medicine and clinical practices while ensuring the priority of the scientific, compliant and fair principles. Notably, MedSci AI can be deeply integrated with the digital platforms of customers in an effort to support the digitalised upgrade and bolster the efficiency of the entire industry, thereby introducing a strong impetus for the high-quality development of the pharmaceutical and medical sector.



# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW

### Revenue

In 2024, 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 decreased by 25.4% from approximately RMB349.2 million for the Corresponding Period to approximately RMB260.6 million for the Reporting Period, mainly attributable to (i) prolonged compliance review times for both pharmaceutical and medical device companies, as well as hospital doctors, who faced heightened compliance requirements under current national standards, resulting in an extension of project execution; and (ii) squeezing of profit margin for pharmaceuticals and medical devices under the continued progress of negotiations on medical insurance and the centralized procurement policy for drugs in 2024, which resulted in reduced marketing budgets of the pharmaceutical and medical device companies.

#### *(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 33.8% from approximately RMB173.8 million for the year ended 31 December 2023 to approximately RMB115.1 million for the year ended 31 December 2024, mainly attributable to the delayed confirmation of orders, which resulted in deferred recognition of revenue. Growth is expected to resume gradually in the year of 2025. Some of our major collaborative customers significantly reduced their demand for products as a result of centralized procurement, which in turn affected the overall revenue. We have been aware of a notable trend of rapid growth and substitution of emerging customers. At the same time, we have expanded the scope of collaboration to mitigate the impact of centralized procurement and other factors on our business.

#### *(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 decreased by approximately 8.6% from approximately RMB120.0 million for the year ended 31 December 2023 to approximately RMB109.8 million for the year ended 31 December 2024, mainly attributable to the fact that with the rapid development of AI, some of the functions of the IIT-related products were completed directly by customers utilizing AI, which in turn affected the total revenue. With the Company's investment in AI products, there was a significant increase in IIT membership payments.

#### *(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 35.4% from approximately RMB55.4 million for the year ended 31 December 2023 to approximately RMB35.8 million for the year ended 31 December 2024, mainly attributable to (i) the extended project negotiation cycle due to the impact of the domestic anti-corruption policies and transformation of the pharmaceutical market; (ii) slow enrolment of investigators due to their lack of motivation, which resulted in a reduction in the number of completed projects.



# MANAGEMENT DISCUSSION AND ANALYSIS

## 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 25.7% from approximately RMB132.6 million for the year ended 31 December 2023 to approximately RMB98.4 million for the year ended 31 December 2024, mainly attributable to the production costs arising from the change of outsourcing to in-house production and the enhancement of efficiency of production personnel. Our content development costs decreased by approximately 31.0% from approximately RMB70.6 million for the year ended 31 December 2023 to approximately RMB48.4 million for the year ended 31 December 2024, mainly attributable to the production costs arising from the change of outsourcing to in-house production.

## Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit decreased by approximately 25.1% from approximately RMB216.6 million for the year ended 31 December 2023 to approximately RMB162.2 million for the year ended 31 December 2024. For the year ended 31 December 2024, our gross profit margin was approximately 62.2%, representing a slight increase as compared to approximately 62.0% in 2023.

## 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; (v) fair value gains on financial assets through profit or loss and (vi) others. For the year ended 31 December 2024, our other income and gains were approximately RMB41.3 million, as compared to approximately RMB35.3 million for the Corresponding Period. The increase was mainly attributable to the increase in bank interest income and fair value gains on financial assets through profit or loss.

## 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 12.9% from approximately RMB90.5 million for the year ended 31 December 2023 to approximately RMB78.8 million for the year ended 31 December 2024, mainly attributable to the enhancement of efficiency of sales personnel and the improvement in the refined management capability of the Company.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Research and Development Expenses

Our research and development expenses primarily consist of (i) employee salaries and benefits, which primarily include salaries and benefits paid to employees performing research and development duties; (ii) depreciation and amortisation of properties, office equipment and electronic equipment related to research and development functions; (iii) technical service fees in relation to research and development service fees; (iv) procurement fees for software and servers, etc. related to R&D activities; and (v) other miscellaneous expenses. Our research and development expenses decreased by approximately RMB16.6 million for the year ended 31 December 2023 to approximately RMB23.2 million for the year ended 31 December 2024, mainly due to the shift of R&D from outsourcing to in-house and the enhancement of efficiency of R&D personnel as a result of the introduction of AI tools by the Group.

## 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 increased by approximately 8.5% from approximately RMB56.4 million for the year ended 31 December 2023 to approximately RMB61.2 million for the year ended 31 December 2024, mainly attributable to the realisation of the Company's equity incentive fund.

## Finance Costs

Our finance costs primarily represent interest on our lease liabilities. Our finance costs decreased by approximately 44.9% from approximately RMB0.3 million for the year ended 31 December 2023 to approximately RMB0.1 million for the year ended 31 December 2024, mainly attributable to the rational integration of leasing resources and the year-by-year amortisation and dilution of leasing resources by the Group.

## Profit before Tax

As a result of the foregoing, we generated a profit before tax of approximately RMB25.5 million for the Reporting Period as compared to approximately RMB60.5 million for the Corresponding Period.

## Income Tax Expenses

Our income tax expense decreased from approximately RMB5.4 million for the year ended 31 December 2023 to approximately RMB0.5 million for the year ended 31 December 2024, mainly attributable to the shrinking of revenues from principal business.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Profit for the Year and Profit Attributable to Owners of the Parent

As a result of the foregoing, our profit for the year decreased by approximately 54.6% from approximately RMB55.0 million for the year ended 31 December 2023 to approximately RMB25.0 million for the year ended 31 December 2024. Our profit attributable to owners of the parent for the year decreased by approximately 54.6% from approximately RMB55.0 million for the year ended 31 December 2023 to approximately RMB25.0 million for the year ended 31 December 2024. Our net profit margin decreased from approximately 15.8% for the year ended 31 December 2023 to approximately 9.6% for the year ended 31 December 2024.

## LIQUIDITY AND CAPITAL RESOURCES

For the year ended 31 December 2024, we mainly financed our future 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.

## Cash and Cash Equivalents

The Group operates its business in the China and its transactions and revenue were primarily denominated in Renminbi. As such, the Group did not have material exposure to fluctuations in foreign currency exchange rates for cash generated from its operating activities. However, the net proceeds received by the Company from the Global Offering are denominated in Hong Kong dollars and the Company is exposed to fluctuation of exchange rate between RMB and Hong Kong dollars. The net proceeds raised by the Group from the Global Offering in April 2023 was approximately HKD526.8 million. As at 31 December 2024, the Group's cash and cash equivalents amounted to approximately RMB366.9 million (mainly including cash at banks), as compared to approximately RMB628.6 million as at 31 December 2023.

## Banking Facilities

For the year ended 31 December 2024, 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 RMB1.8 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 RMB501.9 million as at 31 December 2023 to approximately RMB552.9 million as at 31 December 2024, primarily due to an increase in the wealth management products invested.

None of the investment that was designated as financial assets at fair value through profit or loss in the Group's investment portfolio had a carrying amount that accounts for 5% or more of the Group's total assets as at 31 December 2024.

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 2024, 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 2024, we did not pledge any of our assets.

## Capital Expenditure

As at 31 December 2024, we did not have any significant capital expenditure.

## Capital Commitment

As at 31 December 2024, we did not have any significant capital commitment.

## Contingent Liabilities

As at 31 December 2024, we did not have any material contingent liabilities.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Employees and Remuneration Policies

As at 31 December 2024, the Group has a total of 488 full-time employees, all of who are based in China. In particular, 11 employees are responsible for the Group's management, 207 employees for platform operation and customer services, 42 employees for research and development, 28 employees for general and administration, and 200 employees for sales and marketing.

For the year ended 31 December 2024, the total staff cost incurred by the Group was approximately RMB168.7 million, as compared to approximately RMB180.7 million for the same period in 2023.

The Group provides 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 to junior employees, which the Group believes can enhance the skills and productivity of its employees. The Group compensates its 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 for the year ended 31 December 2024. 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 during the year ended 31 December 2024. No incident of non-compliance of the Model Code by the employees was identified by the Company during the year ended 31 December 2024.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Use of Proceeds

The Shares were listed on the Main Board of the Stock Exchange on 27 April 2023 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, the actual use of the net proceeds during the Reporting Period, and the actual use of the net proceeds from the Global Offering as at 31 December 2024:

|  | Approximate<br>% of the total<br>net proceeds | Net proceeds<br>from the<br>Global<br>Offering<br>HKD'million | Unutilised<br>amount<br>(as at<br>1 January<br>2024)<br>HKD'million | Utilised<br>amount (from<br>1 January<br>2024 to<br>31 December<br>2024)<br>HKD'million | Unutilised<br>amount<br>(as at<br>31 December<br>2024)<br>HKD'million |
|--|---|---|---|---|---|
| Business expansion   | 45  | 237.1   | 237.1   | 5   | 232.1 <sup>Note 2</sup>   |
| Further technology<br>development  | 35  | 184.4   | 162.7   | 23.2  | 139.5 <sup>Note 2</sup>   |
| Potential investments and<br>acquisitions or strategic<br>alliance with companies<br>that can generate<br>synergies with our<br>business | 15  | 79.0  | 79.0  | 5.3   | 73.7  |
| Working capital and<br>general corporate<br>purposes   | 5   | 26.3  | —   | —   | —   |
| <b>Total</b>   | <b>100.0</b>                                  | <b>526.8</b>  | <b>478.8</b>  | <b>33.5</b>   | <b>445.3</b>  |

Notes:

- (1) The expected timeline of full utilisation is based on the Directors' best estimation barring unforeseen circumstances.
- (2) According to the Prospectus, certain parts of the net proceeds were expected to be utilised before December 2024. Taking into account the Group's operation and financial status, the expected time to fully utilise the net proceeds for "Business expansion" and "Further technology development" has been updated to December 2026.

The unutilised net proceeds as at 31 December 2024 amounted to HKD445.3 million. Save as disclosed, the Group will gradually utilise the net proceeds in accordance with the intended purposes and timeline as stated in the Prospectus.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Significant Investments, Acquisition and Disposals

Except for investment in subsidiaries, there were no significant investments held by the Group as at 31 December 2024. None of the investment that was designated as financial assets at fair value through profit or loss in the Group's investment portfolio had a carrying amount that accounts for 5% or more of the Group's total assets as at 31 December 2024. 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 section headed "Use of proceeds" in this annual report, the Group did not have plan for material investments and capital assets as at the date of this annual 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 (the "CG 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 2024, the Company has complied with all applicable code provisions as set out in the CG Code.

## 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 during the year ended 31 December 2024. No incident of non-compliance of the Model Code by the employees was identified by the Company during the year ended 31 December 2024.

## BOARD OF DIRECTORS

As at the date of this annual 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.

Mr. Cheng Liang, who has been appointed as the executive Director during the financial year ended 31 December 2024, has obtained the legal advice referred to in Rule 3.09D of the Listing Rules on 25 September 2024, and he has confirmed he understood his obligations as a director of a listed issuer.

Ms. Wang Xin, who has been appointed as the non-executive Director during the financial year ended 31 December 2024, has obtained the legal advice referred to in Rule 3.09D of the Listing Rules on 25 September 2024, and she has confirmed she understood her obligations as a director of a listed issuer.

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.

# CORPORATE GOVERNANCE REPORT

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.

Each member of the Board, Dr. Zhang Fabao, Dr. Li Xinmei, Mr. Wang Shuai, Mr. Cheng Liang, Ms. Wang Xin, 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 2024 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 year ended 31 December 2024, 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.

# CORPORATE GOVERNANCE REPORT

## 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.

# CORPORATE GOVERNANCE REPORT

## 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 year ended 31 December 2024 is set out in the table below:

|   | Board of Directors        |      | Remuneration Committee    |      | Nomination Committee      |      | Audit Committee           |      | Independent               | Annual  |                                |
|---|---------------------------|------|---------------------------|------|---------------------------|------|---------------------------|------|---------------------------|---------|--------------------------------|
|   |                           |      |                           |      |                           |      |                           |      | Non-Executive             |         |                                |
|   | Meeting                   |      | Meeting                   |      | Meeting                   |      | Meeting                   |      | Directors                 | General |                                |
|   | No. attended/<br>Position | held | No. attended/<br>Position | held | No. attended/<br>Position | held | No. attended/<br>Position | held | No. attended/<br>Position | held    | No. attended/<br>held (Note 5) |
| <b>Executive Director</b>                 |                           |      |                           |      |                           |      |                           |      |                           |         |                                |
| Dr. Zhang Fabao                           | C                         | 4/4  | —                         | —    | C                         | 2/2  | —                         | —    | C                         | 2/2     | 1/1                            |
| Dr. Li Xinmei                             | M                         | 4/4  | M                         | 2/2  | —                         | —    | —                         | —    | —                         | —       | 1/1                            |
| Mr. Fan Jie (Note 1)                      | M                         | 3/4  | —                         | —    | —                         | —    | —                         | —    | —                         | —       | 1/1                            |
| Mr. Wang Shuai                            | M                         | 4/4  | —                         | —    | —                         | —    | —                         | —    | —                         | —       | 0/1                            |
| Mr. Cheng Liang (Note 2)                  | M                         | 1/4  | —                         | —    | —                         | —    | —                         | —    | —                         | —       | 0/0                            |
| <b>Non-executive Director</b>             |                           |      |                           |      |                           |      |                           |      |                           |         |                                |
| Mr. Hu Xubo (Note 3)                      | M                         | 2/4  | —                         | —    | —                         | —    | —                         | —    | —                         | —       | 0/1                            |
| Ms. Wang Xin (Note 4)                     | M                         | 1/4  | —                         | —    | —                         | —    | —                         | —    | —                         | —       | 0/0                            |
| Mr. Yan Shengfeng                         | M                         | 1/4  | —                         | —    | —                         | —    | —                         | —    | —                         | —       | 0/1                            |
| <b>Independent Non-executive Director</b> |                           |      |                           |      |                           |      |                           |      |                           |         |                                |
| Ms. Liu Tao                               | M                         | 3/4  | M                         | 2/2  | —                         | —    | C                         | 2/2  | M                         | 2/2     | 1/1                            |
| Mr. Yu Mingyang                           | M                         | 3/4  | C                         | 2/2  | M                         | 2/2  | M                         | 2/2  | M                         | 2/2     | 1/1                            |
| Mr. Lau Yiu Kwan Stanley                  | M                         | 4/4  | —                         | —    | M                         | 2/2  | M                         | 2/2  | M                         | 2/2     | 1/1                            |

### Notes:

- (1) Mr. Fan Jie has resigned as an executive Director with effect from 25 September 2024.
- (2) Mr. Cheng Liang has been appointed as an executive Director with effect from 25 September 2024.
- (3) Mr. Hu Xubo has resigned as a non-executive Director with effect from 25 September 2024.
- (4) Ms. Wang Xin has been appointed as a non-executive Director with effect from 25 September 2024.
- (5) There was an annual general meeting held on 7 June 2024 during the year. The executive Directors Dr. Zhang Fabao, Dr. Li Xinmei and Mr. Fan Jie, and the independent non-executive Directors, Ms. Liu Tao, Mr. Yu Mingyang and Mr. Lau Yiu Kwan Stanley attended the AGM. The executive Directors Mr. Wang Shuai, and the non-executive Directors, Mr. Hu Xubo and Mr. Yan Shengfeng did not attend the AGM due to work engagement.

# CORPORATE GOVERNANCE REPORT

## 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.

Dr. Li Xinmei (“Dr. Li”) currently is the Chief Executive Officer of the company and Mr. Wang Shuai was appointed as Co-Chief Executive Officer with Mr. Fan Jie ceased to be Co-Chief Executive Officer of the Group on 16 July 2024. Dr. Li and Mr. Wang, being the Chief Executive Officers of the company, focusing on the Company’s business development and daily management and operations generally.

## 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.

# CORPORATE GOVERNANCE REPORT

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.

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

During the Reporting Period, the Remuneration Committee has convened one meeting 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.

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

# CORPORATE GOVERNANCE REPORT

During the Reporting Period, the Nomination Committee has convened one meeting 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 2024 annual general meeting of the Company.
- Reviewed the board diversity policy and the policy for the nomination of directors during the Reporting Period.
- Recommended to the board for the appointment of Mr. Cheng Liang as an executive Director and Ms. Wang Xin as a non-executive Director.

## 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 33 to 70 years old.

Our Board currently consists of three female Directors and six 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 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.



# CORPORATE GOVERNANCE REPORT

## 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 2024:

| Name of Substantial Shareholder                        | Female     | Male       |
|--|------------|------------|
| Board  | 33%<br>(3) | 67%<br>(6) |
| Overall workforce (information as at 31 December 2024) | 68% (334)  | 32% (154)  |

# CORPORATE GOVERNANCE REPORT

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 68:32. 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” 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](http://www.hkexnews.hk).

## 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.

# CORPORATE GOVERNANCE REPORT

The Audit Committee convened two meetings during the year ended 31 December 2024. 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.

During the year ended 31 December 2024, two Audit Committee meetings were held for reviewing (1) the annual financial results and report for the year ended 31 December 2023; (2) the interim financial results and report for the six months ended 30 June 2024; and (3) 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 2024 is RMB260 million. No non-audit services were provided by the external auditors during the Reporting Period.

# CORPORATE GOVERNANCE REPORT

## 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.

## 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 annual 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, a global professional services provider specializing in integrated business, corporate and investor services, 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.

# CORPORATE GOVERNANCE REPORT

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 2024.

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, Xinzhuang Road, Songjiang District, Shanghai, PRC for enquiries. Such enquiries will be fully responded to as soon as possible.

# CORPORATE GOVERNANCE REPORT

After reviewing the various measures, the Board is of the view that the Shareholders' Communication Policy for the year ended 31 December 2024 has been properly implemented and effective.

## CHANGE IN CONSTITUTIONAL DOCUMENTS

During the year under review, the Company has not made any changes to its Articles of Association. An up to date version of the Company's Articles of Association is also available on the Company's website (<http://medscihealthcare.com/>) and the Stock Exchange's website (<https://www.hkexnews.hk>).

## 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](mailto: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.

# CORPORATE GOVERNANCE REPORT

## 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 annual 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 sections 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 2024 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](http://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.

## DIRECTORS' REPORT

- 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.

### 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 who have a significant impact on the Group are 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](http://www.hkexnews.hk).

# DIRECTORS' REPORT

## MAJOR CUSTOMERS AND SUPPLIERS

During the Reporting Period, purchases from the Group's largest supplier and the five largest suppliers in aggregate accounted for 15.2% and 43.7% respectively of the Group's total purchase for the year. Sales to the Group's largest customer and the five largest customers in aggregate accounted for 6.1% and 20.6% respectively of the Group's total revenue for the year.

During the Reporting Period, none of the Directors, any of their close associates or any Shareholder (who to the knowledge of the Directors owns more than 5% of the number of the issued Shares (excluding treasury shares, if any) of the Company) was interested in the top five customers or suppliers of the Group.

## DIRECTORS

The Directors during the Reporting Period 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. Wang Shuai (王帥先生) (appointed as Co-Chief Executive Officer on 16 July 2024)

Mr. Cheng Liang (程亮先生) (appointed on 25 September 2024)

Mr. Fan Jie (樊傑先生) (ceased to be Co-Chief Executive Officer on 16 July 2024 and resigned on 25 September 2024)

### Non-executive Directors

Ms. Wang Xin (王欣女士) (appointed on 25 September 2024)

Mr. Yan Shengfeng (閻盛楓先生)

Mr. Hu Xubo (胡旭波先生) (resigned on 25 September 2024)

### 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 Directors 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 Directors 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.

## DIRECTORS' REPORT

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' written notice. 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, each 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 during the Reporting Period.

### 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' 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, saved as disclosed in this annual report, the Company did not grant any rights to any Directors, chief executive 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' REPORT

## DIRECTORS' 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

During the Reporting Period, the Group had the following connected transaction, details of which are disclosed in compliance with the requirements of Chapter 14A of the Listing Rules.

### Grant of Awarded Shares Pursuant to Share Award Scheme

On 27 January 2024, the Board (including all independent non-executive Directors), based on the recommendation of the Remuneration Committee and pursuant to the Share Award Scheme, resolved to grant a total of 5,403,820 Awarded Shares to Mr. Fan Jie, a former executive Director and the co-chief executive officer of the Group, at HK\$0.278 per Awarded Share, subject to confirmation of his acceptance of the Awarded Shares. The 5,403,820 Awarded Shares to be granted to Mr. Fan Jie represented approximately 0.89% of the issued share capital of the Company as at 27 January 2024. The 5,403,820 Awarded Shares represent the value of approximately HK\$16,913,956.6, taking into account of the closing price of HK\$3.13 per Share as stated in the daily quotation sheet issued by the Stock Exchange on 26 January 2024 (being the last trading day prior to the date of grant of the Awarded Shares). The grant of the Awarded Shares to Mr. Fan Jie has been approved by the Remuneration Committee for recommendation to the Board and approved by the Board (including but not limited to the independent non-executive Directors). Mr. Fan Jie, who was a Director, has abstained from voting so far as the resolution for the approval of the grant of the Awarded Shares to him was concerned.

Please refer to the announcement of the Company dated 27 January 2024 for more details.

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. Saved as disclosed above, 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.

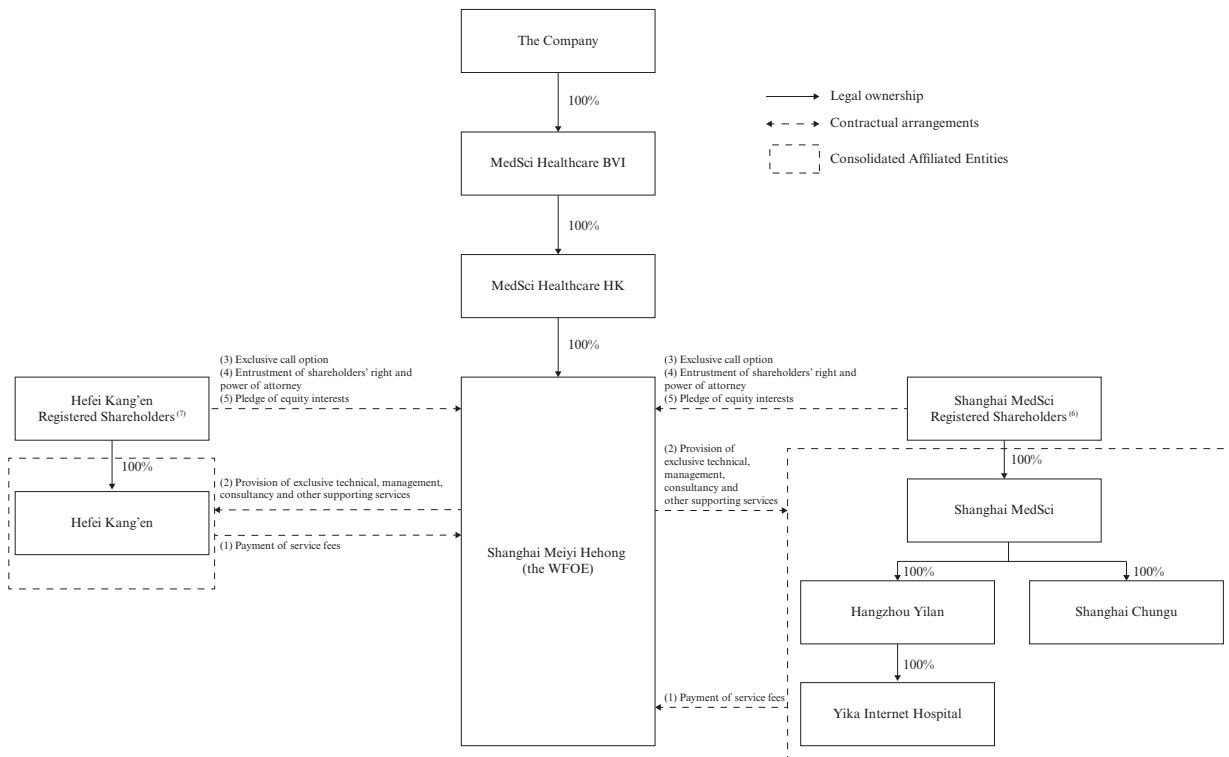
Save as disclosed above and in the paragraph headed "Contractual Arrangements" in this Directors' Report, the Group did not enter into any connected transactions or continuing connected transactions that are required to be disclosed in this annual report in accordance with Chapter 14A of the Listing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

# DIRECTORS' REPORT

## CONTRACTUAL ARRANGEMENTS

The Group is principally engaged in provision of physician platform solutions, precision omni-channel marketing solutions, and real-world study solutions in the PRC. The Group conduct its business through the 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, the Company is unable to own or hold any direct or indirect equity interest in the Consolidated Affiliated Entities. For further details of the 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, the 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 the Group can conduct its business operations in the PRC through the 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:



# DIRECTORS' REPORT

## 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 RMB261 million for the year ended 31 December 2024 and RMB1,170 million as at 31 December 2024, 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, the PRC Affiliated Entities shall make payments accordingly.



## DIRECTORS' REPORT

To ensure the due performance of the Contractual Arrangements, each of the 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 the 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 the 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 business operation of the Group, 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 the 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;

## DIRECTORS' REPORT

- (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;
- (c) in the event of the dissolution, liquidation, bankruptcy or reorganization of the WFOE: (i) Shanghai MedSci Registered Shareholders and the PRC Affiliated Entities unconditionally agree that, other persons designated by the 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 the PRC Affiliated Entities in accordance with the instructions of the Company and transfer all receivable at nil consideration to the Company or other persons designated by the 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 the PRC Affiliated Entities in accordance with the instructions of the Company and procure the transfer of all receivable at nil consideration to the Company or other persons designated by the Company;
- (d) Shanghai MedSci Registered Shareholders undertake that, in the event of the dissolution or liquidation of the PRC Affiliated Entities: (i) the WFOE and/or its designated person shall have the right to exercise all shareholders' rights on the PRC Affiliated Entities (including but not limited to, deciding to dissolve and liquidate the PRC Affiliated Entities, instructing and delegating the liquidation group and or its agent of the PRC Affiliated Entities, as well as approving liquidation plan and report); (ii) the shareholders of the PRC Affiliated Entities shall transfer all assets received or receivable in its capacity as shareholders of each of the PRC Affiliated Entities as a result of the dissolution or liquidation of the PRC Affiliated Entities to the WFOE or other persons designated by the Company at nil consideration, and instruct the liquidation group of the PRC Affiliated Entities to transfer such assets directly to the WFOE or other persons designated by the 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 the Company the amount and ensure that the WFOE or other persons as designated by the Company does not suffer any loss;
- (e) the PRC Affiliated Entities agreed that, without the prior written consent of the WFOE, the 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

## DIRECTORS' REPORT

- (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 the PRC Affiliated Entities, Shanghai MedSci Registered Shareholders and the PRC Affiliated Entities have undertaken that, without the prior written consent of the WFOE or its designated party, Shanghai MedSci Registered Shareholders and the 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 the PRC Affiliated Entities or (ii) on the ability of Shanghai MedSci Registered Shareholders and each of the 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 the PRC Affiliated Entities and their subsidiaries ("**Competing Business**"); (ii) use information obtained from any of the 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.

## DIRECTORS' REPORT

### (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 the PRC Affiliated Entities on 5 November 2021, the WFOE agreed to provide exclusive technical services to the 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 the PRC Affiliated Entities; (c) design, development, update and maintenance of management information systems necessary for the platform and medical information business activities of the PRC Affiliated Entities; (d) provision of other technical support necessary for the platform and medical information business activities of the 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 the PRC Affiliated Entities.

Furthermore, the WFOE agreed to provide exclusive management and consultancy services to the 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 the PRC Affiliated Entities.

In consideration of the technical, management and consultancy services provided by the WFOE, the 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 the PRC Affiliated Entities, provided that any adjusted amount shall not exceed the amount mentioned above. The 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 the 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.

## DIRECTORS' REPORT

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 the 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 the 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 the Company to directly hold all or part of the interests in the 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 the 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 the 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 the 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 the PRC Affiliated Entities without the prior written consent of the WFOE;
- (c) shall not agree to or procure any of the 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 the PRC Affiliated Entities to dispose of any of the assets of the 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 the 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;

## DIRECTORS' REPORT

- (f) shall not procure any of the 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 the PRC Affiliated Entities without the prior written consent of the WFOE, save for transactions which are in the ordinary course of business of the 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 the 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 the PRC Affiliated Entities to amend its articles of association without the prior written consent of the WFOE;
- (i) shall ensure that any of the 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 the PRC Affiliated Entities exceeds RMB5,000,000, obligations which restrict or hinder the due performance of obligations under the Contractual Arrangements by the PRC Affiliated Entities, obligations which restrict or prohibit the financial or business operations of the PRC Affiliated Entities, or any obligations which may result in change of the equity structure of the 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 the PRC Affiliated Entities and ensure compliance with laws and regulations by the 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 the 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 the PRC Affiliated Entities;
- (l) shall sign all documents and take all necessary actions to facilitate transfer of its interests in the PRC Affiliated Entities to the WFOE or its designated purchaser;
- (m) shall take all such actions to facilitate the 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 the PRC Affiliated Entities;
- (n) shall, in its capacity as a director and/or indirect shareholder of the PRC Affiliated Entities and without prejudice to the Contractual Arrangements, procure directors nominated by it to exercise all rights to enable any of the 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;



## DIRECTORS' REPORT

- (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 the 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 the PRC Affiliated Entities and all expenses incurred by the WFOE as a result of enforcement of the obligations of Shanghai MedSci Registered Shareholders and the 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.



## DIRECTORS' REPORT

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 the 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 the 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.

## DIRECTORS' REPORT

### (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 the Company, the aforesaid shareholders' rights shall be entrusted to the Company and be exercised by other Directors or senior management members of the 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.

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.

## DIRECTORS' REPORT

### (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;

## DIRECTORS' REPORT

- (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.

### 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 the Group's 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, the Group could be subject to severe consequences, including the nullification of the contractual arrangements and being forced to relinquish our interests in those operations.
- The Contractual Arrangements may not be as effective in providing operational control as direct ownership.
- The Contractual Arrangements may be subject to scrutiny by the PRC tax authorities, and a finding that the Group owe additional taxes could negatively affect its financial condition and the value of investment of the Shareholders.
- Any failure by the Consolidated Affiliated Entities or their shareholders to perform their obligations under the Contractual Arrangements with them would have a material adverse effect on the Group's business.
- The Group may lose the ability to use, or otherwise benefit from, the licenses, approvals and assets held by the Consolidated Affiliated Entities if any of the Consolidated Affiliated Entities declares bankruptcy or becomes subject to a dissolution or liquidation proceeding.
- The shareholders of the Consolidated Affiliated Entities may have potential conflicts of interest with the Group.
- If the Group exercise the option to acquire equity interests and/or assets of the Consolidated Affiliated Entities, the equity interests and/or assets transfer may subject the Group 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.

## DIRECTORS' REPORT

### 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 its 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 the 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.

## DIRECTORS' REPORT

Accordingly, the transactions contemplated under the Contractual Arrangements constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. 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 the 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.

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 the 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;

## DIRECTORS' REPORT

- 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 the 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. As for the independent non-executive Directors, their remuneration is determined by the Board based on the recommendation from the Remuneration Committee with reference to factors including the salaries paid by comparable companies, time commitment and responsibilities. The Directors receive compensation in the form of salaries, bonuses, allowances, pension scheme contributions and equity-settled share option expenses.

Details of the remuneration of the Directors and the five highest paid individuals are set out in Notes 8 and 9 to the consolidated financial statements of this annual report.

There were no amounts paid during the year ended 31 December 2024 to the Directors or any of the five highest paid individuals (as set out in Notes 8 and 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 consolidated financial statements of this annual report, no directors' fees were paid to the Directors during the year ended 31 December 2024.

Pursuant to Code Provision E.1.5 of the CG Code, the annual remuneration of members of the senior management (other than Directors) by band for the year ended 31 December 2024 is set out below:

|                              | Number of members of<br>senior management |
|------------------------------|---|
| Nil to RMB1,000,000          | 6   |
| RMB1,000,000 to RMB2,000,000 | 3   |
| Over RMB2,000,000            | 1   |



# DIRECTORS' REPORT

## 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 2024, 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 register 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<br>Shares/underlying<br>Shares as at<br>31 December 2024 <sup>(1)</sup> | Approximate<br>percentage of<br>shareholding in the<br>Company as at<br>31 December 2024 <sup>(2)</sup> |
|-----------|--------------------------------------|---|---|
| Dr. Li    | Interest in a controlled corporation | 177,929,750(L) <sup>(3)</sup>   | 29.30%  |
|           | Interest of spouse                   | 165,189,250(L) <sup>(3)</sup>   | 27.20%  |
| Dr. Zhang | Interest in a controlled corporation | 140,972,700(L) <sup>(4)</sup>   | 23.22%  |
|           | Interest in a controlled corporation | 24,216,550(L) <sup>(4)</sup>  | 3.99%   |
|           | Interest of spouse                   | 177,929,750(L) <sup>(4)</sup>   | 29.30%  |

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 2024.
- (3) Microhealth Limited is wholly owned by Dr. Li and Dr. Li beneficially holds 177,929,750 Shares. By virtue of the SFO, Dr. Li is deemed to be interested in the Shares held by Microhealth Limited. As Dr. Zhang is the spouse of Dr. Li, Dr. Li is deemed to be interested in the Shares in which Dr. Zhang is interested by virtue of the SFO, being 165,189,250 Shares.
- (4) Dtx Health Limited is wholly owned by Dr. Zhang and Dr. Zhang beneficially holds 140,972,700 Shares. By virtue of the SFO, Dr. Zhang is deemed to be interested in the Shares held by Dtx Health Limited. As Dr. Li is the spouse of Dr. Zhang, Dr. Zhang is deemed to be interested in the Shares in which Dr. Li 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 (including approximately 2.58% held through Dtx Health Limited) as at 31 December 2024, and beneficially held 24,216,550 Shares. By virtue of the SFO, Dr. Zhang is deemed to be interested in the Shares held by Meilong Limited.

## DIRECTORS' REPORT

Save as disclosed above, as at 31 December 2024, to the knowledge of the Board, none of the Directors, or the 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 the 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.

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

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

Notes:

- (1) As Dr. Zhang is the spouse of Dr. Li, Dr. Li 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 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 as at 31 December 2024, holds RMB484,331 registered capital of Shanghai MedSci, in which Dr. Zhang is deemed to be interested by virtue of the SFO.
- (3) As Dr. Li is the spouse of Dr. Zhang, Dr. Zhang is deemed to be interested in the registered capital of Shanghai MedSci held by Dr. Li by virtue of the SFO, being RMB3,630,408.

Save as disclosed above, as at 31 December 2024, to the knowledge of the Board, none of the Directors or the 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 the 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 2024, so far is known to, or can be ascertained after reasonable enquiry by the Directors, the following persons/entities have interests and/or short positions in the Shares or underlying shares of the Company 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 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 2024 <sup>(1)</sup> | Approximate percentage of shareholding in the Company as at 31 December 2024 |
|-------------------------------------|--------------------------------------|--|--|
| Microhealth Limited                 | Beneficial interest                  | 177,929,750(L) <sup>(2)</sup>  | 29.30%   |
| Dtx Health Limited                  | Beneficial interest                  | 140,972,700(L) <sup>(3)</sup>  | 23.22%   |
| Ms. Yu Jia (于佳)                     | Interest in a controlled corporation | 65,983,400(L) <sup>(4)</sup>   | 10.87%   |
| Mr. Hu Xu Bo (胡旭波)                  | Interest in a controlled corporation | 65,983,400(L) <sup>(4)</sup>   | 10.87%   |
| Dragon Step Ventures Limited        | Beneficial interest                  | 53,865,750(L) <sup>(4)</sup>   | 8.87%  |
| Qiming Ronghe                       | Interest in a controlled corporation | 53,865,750(L) <sup>(4)</sup>   | 8.87%  |
| Suzhou Qicheng                      | Interest in a controlled corporation | 53,865,750(L) <sup>(4)</sup>   | 8.87%  |
| Shanghai Qicheng                    | Interest in a controlled corporation | 53,865,750(L) <sup>(4)</sup>   | 8.87%  |
| Meiyue Limited                      | Beneficial interest                  | 37,341,005(L) <sup>(5)</sup>   | 6.15%  |
| Image Frame Investment (HK) Limited | Beneficial interest                  | 37,700,750(L) <sup>(6)</sup>   | 6.21%  |
| Tencent Holdings Limited            | Interest in a controlled corporation | 37,700,750(L) <sup>(6)</sup>   | 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.
- (3) Dtx Health Limited is wholly owned by Dr. Zhang.
- (4) 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 the Shares held by Dragon Step Ventures Limited and Gleaming Global Investments Limited by virtue of the SFO.

## DIRECTORS' REPORT

- (5) Meiyue Limited is one of our employee equity incentive platforms and beneficially held 37,341,005 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 2024, 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 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.

#### *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 participate 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.

## DIRECTORS' REPORT

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.

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

As at 31 December 2024, Meiyue Limited held 37,341,005 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 10.14% 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 |
|---|--|--------------------------------------|---|
| <b>Directors</b>  |  |                                      |   |
| Dr. Zhang Fabao   | Executive Director and chairman of the Board | Meiyue Limited                       | 12.69%  |
|   |  | Meilong Limited                      | 44.67% <sup>(1)</sup>   |
| 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                       | 72.36%  |
|   |  | Meilong Limited                      | 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 2024.

# DIRECTORS' REPORT

## (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 eight 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.

## DIRECTORS' REPORT

### *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.

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.



## DIRECTORS' REPORT

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).

# DIRECTORS' REPORT

## Grant of Awards

Below is a list of Selected Participant of the Award Shares who was a Director under the Share Award Scheme.

| Name and category of Selected Participant | Date of grant   | Closing price immediately before the date of grant | Purchase price per Awarded Share | Outstanding as at 1 January 2024 | Vesting period                  | Number of Awarded Shares                           |                                    |                                       |                                    | Outstanding as at 31 December 2024 | Weighted average closing price immediately before the date on which the Awarded Shares were vested |
|---|-----------------|--|----------------------------------|----------------------------------|---------------------------------|--|------------------------------------|---------------------------------------|------------------------------------|------------------------------------|--|
|   |                 |  |                                  |                                  |                                 | Granted during the Reporting Period                | Vested during the Reporting Period | Cancelled during the Reporting Period | Lapsed during the Reporting Period |                                    |  |
| Mr. Fan Jie (樊傑先生)                        | 27 January 2024 | HK\$3.13   | HK\$0.278                        | —                                | 27 January 2024<br>30 June 2024 | 5,241,705 <sup>(1)</sup><br>162,115 <sup>(2)</sup> | 5,241,705<br>—                     | —<br>—                                | —<br>162,115                       | —<br>—                             | HK\$3.13<br>—  |

Notes:

- (1) The fair value of the Awarded Shares as at the date of grant was RMB15,376,000, which is calculated with reference to the fair value as at the date at which they were granted.
- (2) Considering Mr. Fan Jie's positions, long period of services with the Group, performance and future long-term contribution to the Group, the Remuneration Committee believes the grant of the Awarded Shares to Mr. Fan Jie without performance targets aligns with the purpose of the Share Award Scheme.
- (3) Exercise period is not applicable as the Awarded Shares shall be transferred to the Selected Participants after the vesting period concludes.
- (4) Save as disclosed above, during the Reporting Period, there were no Selected Participants (i) who were Directors, chief executive or substantial shareholders of the Company, or their respective associates; (ii) who were with Awards granted and to be granted in excess of 1% of the individual limit; (iii) who were related entity participant or service provider with Awards granted and to be granted in any 12-month period exceeding 0.1% of the Shares in issue (excluding treasury shares, if any); nor (iv) who were other employee participants, related entity participants and service providers.

As at 1 January 2024 and 31 December 2024, the number of Shares available for future grant under the Share Award Scheme was nil and 55,313,275, respectively. The number of shares of the Company that may be issued in respect of the Awards granted under the Share Award Scheme during the Reporting Period dividend by weighted average number of issued shares of the Company for the Reporting Period was nil as the Share Award Scheme does not and will not involve in issue of any new Shares.

## 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.

# DIRECTORS' REPORT

## DIVIDEND

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

## DISTRIBUTABLE RESERVES

As at 31 December 2024, the aggregate amount of reserves available for distribution to equity shareholders of the Company was RMB850 million.

## USE OF PROCEEDS FROM LISTING

Details of the Group's use of proceeds from the Global Offering as at 31 December 2024 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

For the year ended 31 December 2024, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities (including sale or transfer of treasury shares), except that the trustee of the Share Award Scheme, pursuant to the terms of the rules and trust deed of the Share Award Scheme, purchased on the Stock Exchange a total of 400,000 Shares at a total consideration of approximately HK\$0.4 million.

As at 31 December 2024, there were no treasury shares held by the Company or any of its subsidiaries.

## 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 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 as at the date of this annual report, our Company has always maintained sufficient public float as required under the Listing Rules during the Reporting Period.

## 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 Company's 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.

## EVENTS AFTER THE END OF THE REPORTING PERIOD

Save as disclosed in this annual report, there are no significant events affecting the Group occurred since 31 December 2024 and up to the date of this annual report.

# DIRECTORS' REPORT

## AUDITOR

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

## AGM AND CLOSURE OF REGISTER OF MEMBERS

The AGM will be held on 30 June 2025. A notice convening the AGM will be published on the Company's website and the Stock Exchange's website and dispatched to the Shareholders in accordance with the requirements of the Listing Rules in due course. For the purposes of determining the Shareholders' eligibility to attend, speak and vote at the AGM, the Register of Members will be closed as appropriate as set out below.

## FOR DETERMINING THE ENTITLEMENT TO ATTEND AND VOTE AT THE AGM

The Register of Members will be closed from Wednesday, 25 June 2025 to Monday, 30 June 2025, both days inclusive, during which period no transfer of Shares will be effected. In order to determine the identity of members who are entitled to attend and vote at the AGM, all share transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's H share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong no later than 4:30 p.m. on Tuesday, 24 June 2025.

## CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE LISTING RULES

As at the date of this annual 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*

# DIRECTORS AND SENIOR MANAGEMENT

## DIRECTORS

### Executive Directors

**Dr. Zhang Fabao** (張發寶博士), aged 49, a founder of the Group, 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.<br>("Shanghai MedSci")                 | Director and chairman of the Board           | April 2015          |
| Shanghai Chungu Bio Medicine Technology Co., Ltd.<br>("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 49, a founder of the Group, 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.

## DIRECTORS AND SENIOR MANAGEMENT

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

**Mr. Wang Shuai** (王帥先生), aged 44, 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, and the co-chief executive officer of our Group since 16 July 2024. 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.

**Mr. Cheng Liang** (程亮先生), aged 42, joined the Group in June 2020. Mr. Cheng has been the chief operating officer of the Group and is primarily responsible for the legal compliance and strategic cooperation of the Group since July 2024. Prior to that, Mr. Cheng worked as the development director from June 2020 to December 2022 and the vice president from January 2023 to July 2024, and was primarily responsible for the Group's government affairs, intellectual property rights and external strategic cooperation, and the Group's external strategic cooperation, government affairs, intellectual property rights, legal and compliance matters respectively.

Prior to joining the Group, Mr. Cheng served as a customer executive at Uniland Consulting (Shanghai) Co., Ltd.\* (優利諮詢(上海)有限公司), an entity principally engaged in outsourcing information technology services, from July 2004 to June 2005, and a customer manager from June 2005 to December 2006, and he was primarily responsible for providing customer service and management. During the period from January 2007 to July 2007 and from August 2007 to July 2009, Mr. Cheng was a consulting manager and a senior consulting manager at Livingston Market Consultants\* (上海歐逸市場行銷顧問有限公司), an entity principally engaged in providing consulting services in the FMCG and pharmaceutical industries, where he was primarily responsible for the management and execution of consulting projects, client-needs analysis, programme development and team coordination, respectively. Mr. Cheng held the position as a key customer manager at Dabang (Shanghai) Management Co., Ltd.\* (達邦(上海)管理有限公司), an entity principally engaged in providing communications and public relations services, from August 2009 to July 2011, and he was mainly responsible for customer relationship management, market development, team management and business execution. During the period from August 2011 to February 2014 and from March 2014 to December 2016, Mr. Cheng was a research director and management director at Haier Asia International\* (海爾亞洲國際株式會社), an entity principally engaged in operating brands under Haier in Japan and Southeast Asia, and was mainly responsible for execution of company strategy, team management, business operations and customer relationship management, respectively. Mr. Cheng also served as the deputy general manager at Shanghai Shuyue Life Trading Co., Ltd.\* (舒悦生活), an entity principally engaged in the sales of shoes, from March 2017 to June 2020, and was mainly responsible for brand strategy development and brand assets management.

## DIRECTORS AND SENIOR MANAGEMENT

Mr. Cheng is currently a member of the International Management Consulting Association and a National Certified Management Consultant in China. Mr. Cheng received a bachelor's degree in management and a master's degree in business administration for senior management from Shanghai Jiao Tong University (上海交通大學) in July 2004 and July 2017, respectively.

### Non-executive Directors

**Ms. Wang Xin** (王欣女士), aged 40, was appointed as our non-executive Director in September 2024. Ms. Wang has around 12 years of experience in equity investment. She has been serving as an executive director of Qiming Venture Partners\* (啟明創投), a venture capital firm, since March 2012.

Ms. Wang also served as a manager at Egon Zehnder International Ltd.\* (億康先達國際人力資源顧問股份有限公司), an entity principally engaged in executive recruitment and leadership consulting, from July 2008 to May 2010, and she was primarily responsible for providing executive recruitment services for Chinese financial institutes. During the period from September 2006 to July 2008, Ms. Wang was a reporter at Agence France-Presse, Shanghai branch, a global news agency.

Ms. Wang obtained a bachelor's degree in broadcasting and television journalism (廣播電視新聞學士) from Fudan University (復旦大學) and a master's degree in business administration from China Europe International Business School (中歐國際工商學院) in July 2006 and March 2012, respectively.

**Mr. Yan Shengfeng** (閻盛楓先生), aged 33, 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.

### Independent Non-executive Directors

**Ms. Liu Tao** (劉濤女士), aged 60, 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) from September 2015 to July 2024; and as an independent director and a member of the audit committee of Changjiang Investment Industrial Co., Ltd. (長江投



## DIRECTORS AND SENIOR MANAGEMENT

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.

**Mr. Yu Mingyang** (余明陽先生), aged 61, 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. (金牌廚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 70, 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.

## DIRECTORS AND SENIOR MANAGEMENT

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 pharmaceuticals from University of London in the United Kingdom.

### SENIOR MANAGEMENT

**Dr. Li Xinmei** (李欣梅博士), aged 49, is our executive Director and chief executive officer. Please see her biography in “— Executive Directors” above.

**Mr. Cheng Liang** (程亮先生), aged 42, is our executive Director. Please see his biography in “— Executive Directors” above.

**Mr. Yang Chun** (楊春先生), aged 47, 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 44, is our executive Director and vice president. Please see his biography in “— Executive Directors” above.

## DIRECTORS AND SENIOR MANAGEMENT

**Ms. Huang Mingai** (黃明愛女士), aged 51, 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) is one of our joint company secretaries. Ms. Kwan is a manager of corporate services of Tricor Services Limited. She has over eleven 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

For changes in the biographical details of the Directors, there is no change in Directors' information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since publication of the Group's 2024 Interim Report up to the date of publication of this report.

# INDEPENDENT AUDITOR'S REPORT



Ernst & Young  
27/F, One Taikoo Place  
979 King's Road  
Quarry Bay, Hong Kong

安永會計師事務所  
香港鰂魚涌英皇道979號  
太古坊一座27樓

Tel 電話: +852 2846 9888  
Fax 傳真: +852 2868 4432  
ey.com

## 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 79 to 155, which comprise the consolidated statement of financial position as at 31 December 2024, 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 material 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 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the 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.

# INDEPENDENT AUDITOR'S REPORT

## KEY AUDIT MATTERS

### Key audit matter

### How our audit addressed the key audit matter

#### *Revenue recognition from contracts with customers*

The Group derived its revenue from 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 revenue and contract risks. In addition, revenue, costs and gross profit realised on such contracts could vary from the Group's original estimates due to changes in conditions.

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:

- (i) Obtaining an understanding of the management processes relating to recognition of contract revenue and contract costs, and budget estimation;
- (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;
- (iii) Reviewing contracts on a sample basis and discussing with management and the respective project teams about the progress, status and details of the projects;
- (iv) Performing comparisons between the percentage of completion and the percentage of progress billings on selected contracts to identify any significant differences; and
- (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 2024, the net carrying amounts of trade receivables and contract assets were RMB33,026,000 and RMB68,133,000, respectively, net of accumulated impairment losses of RMB1,607,000 and RMB17,145,000, respectively.

The Group uses a provision matrix to calculate expected credit losses ("ECL") for trade receivables and contract assets. The provision matrix considered migration rates, historical loss ratios 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.

The related disclosures are included in note 17 "Trade receivables" and note 18 "Contract assets" to the consolidated financial statements.

Our procedures in relation to the impairment of trade receivables and contract assets included:

- (i) Evaluating and testing the methodology and data/parameters used by management, including historical loss information and forward-looking factors;
- (ii) Testing the accuracy of ageing on a sampling basis over the billing and collection cycle;
- (iii) Performing confirmation procedure and inspecting cash receipts from customers subsequent to the financial year end on a sampling basis; and
- (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.

# INDEPENDENT AUDITOR'S REPORT

## 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 HKSAAs 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 HKSAAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.



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

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

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and 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 HO Siu Fung, Terence.

*Certified Public Accountants*

Hong Kong

28 March 2025

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2024

|   | Notes | 2024<br>RMB'000 | 2023<br>RMB'000 |
|---|-------|-----------------|-----------------|
| <b>REVENUE</b>  | 5     | <b>260,623</b>  | 349,194         |
| Cost of sales   |       | (98,449)        | (132,587)       |
| <b>GROSS PROFIT</b>   |       | <b>162,174</b>  | 216,607         |
| Other income and gains  | 5     | 41,314          | 35,310          |
| Selling and distribution expenses   |       | (78,810)        | (90,492)        |
| Administrative expenses   |       | (61,193)        | (56,404)        |
| Research and development expenses   | 6     | (23,238)        | (39,855)        |
| Impairment losses on financial and contract assets  |       | (14,180)        | (13,616)        |
| Fair value gains on convertible redeemable preferred shares                                       | 24    | —               | 12,785          |
| Other expenses  |       | (418)           | (3,609)         |
| Finance costs   | 7     | (152)           | (276)           |
| <b>PROFIT BEFORE TAX</b>  | 6     | <b>25,497</b>   | 60,450          |
| Income tax expenses   | 10    | (530)           | (5,408)         |
| <b>PROFIT FOR THE YEAR</b>  |       | <b>24,967</b>   | 55,042          |
| Attributable to:  |       |                 |                 |
| Owners of the parent  |       | 24,967          | 55,042          |
| <b>OTHER COMPREHENSIVE INCOME</b>   |       |                 |                 |
| Other comprehensive income that will not be reclassified to profit or loss in subsequent periods: |       |                 |                 |
| Exchange differences on translation of the Company's financial statements                         |       | 4,322           | 30,394          |
| Other comprehensive income that may be reclassified to profit or loss in subsequent periods:      |       |                 |                 |
| Exchange differences on translation of the foreign operations                                     |       | (55)            | 143             |
| <b>OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX</b>  |       | <b>4,267</b>    | 30,537          |
| <b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>  |       | <b>29,234</b>   | 85,579          |

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2024

|   | Notes | 2024<br>RMB'000     | 2023<br>RMB'000     |
|---|-------|---------------------|---------------------|
| Attributable to Owners of the parent  |       | <u>29,234</u>       | <u>85,579</u>       |
| EARNINGS PER SHARE ATTRIBUTABLE TO<br>ORDINARY EQUITY HOLDERS OF THE PARENT |       |                     |                     |
| Basic   | 12    | <u>RMB0.05 yuan</u> | <u>RMB0.11 yuan</u> |
| Diluted   | 12    | <u>RMB0.05 yuan</u> | <u>RMB0.08 yuan</u> |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2024

|   | Notes | 2024<br>RMB'000 | 2023<br>RMB'000 |
|---|-------|-----------------|-----------------|
| <b>NON-CURRENT ASSETS</b>                             |       |                 |                 |
| Property, plant and equipment                         | 13    | 15,663          | 16,403          |
| Right-of-use assets                                   | 14(a) | 2,407           | 5,362           |
| Intangible assets                                     | 15    | 2,155           | 2,683           |
| Prepayments and other receivables                     | 19    | 5,211           | 801             |
| Deferred tax assets                                   | 16    | 2,833           | 3,342           |
| Total non-current assets                              |       | 28,269          | 28,591          |
| <b>CURRENT ASSETS</b>                                 |       |                 |                 |
| Trade receivables                                     | 17    | 33,026          | 34,765          |
| Contract assets                                       | 18    | 68,133          | 88,637          |
| Due from a related party                              | 29(b) | 2,524           | —               |
| Prepayments, deposits and other receivables           | 19    | 13,150          | 8,722           |
| Financial assets at fair value through profit or loss | 20    | 552,882         | 501,892         |
| Time deposits   | 21    | 284,313         | 451,074         |
| Cash and bank balances                                | 21    | 366,959         | 181,920         |
| Total current assets                                  |       | 1,320,987       | 1,267,010       |
| <b>CURRENT LIABILITIES</b>                            |       |                 |                 |
| Trade payables  | 22    | 2,031           | 2,052           |
| Other payables and accruals                           | 23    | 174,549         | 162,137         |
| Lease liabilities                                     | 14(b) | 1,792           | 3,992           |
| Tax payables  |       | 989             | 6,397           |
| Total current liabilities                             |       | 179,361         | 174,578         |
| <b>NET CURRENT ASSETS</b>                             |       | 1,141,626       | 1,092,432       |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>          |       | 1,169,895       | 1,121,023       |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2024

|  | Notes | 2024<br>RMB'000  | 2023<br>RMB'000  |
|--|-------|------------------|------------------|
| <b>NON-CURRENT LIABILITIES</b>                     |       |                  |                  |
| Lease liabilities                                  | 14(b) | 207              | 644              |
| Total non-current liabilities                      |       | 207              | 644              |
| <b>NET ASSETS</b>                                  |       | <b>1,169,688</b> | <b>1,120,379</b> |
| <b>EQUITY</b>                                      |       |                  |                  |
| <b>Equity attributable to owners of the parent</b> |       |                  |                  |
| Issued capital                                     | 25    | 420              | 420              |
| Treasury shares                                    | 25    | (582)            | (42,037)         |
| Reserves   | 27    | 1,169,850        | 1,161,996        |
| <b>TOTAL EQUITY</b>                                |       | <b>1,169,688</b> | <b>1,120,379</b> |

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year Ended 31 December 2024

|  | Attributable to owners of the parent |                                       |   |   |  |   |  |   |                                |                  |
|--|--------------------------------------|---------------------------------------|---|---|--|---|--|---|--------------------------------|------------------|
|  | Issued capital<br>RMB'000<br>Note 25 | Treasury shares<br>RMB'000<br>Note 25 | Share premium*<br>RMB'000<br>Note 27(a) | Capital reserve*<br>RMB'000<br>Note 27(b) | Merger reserve*<br>RMB'000<br>Note 27(c) | Statutory surplus reserve*<br>RMB'000<br>Note 27(d) | Exchange fluctuation reserve*<br>RMB'000 | Share-based payment reserve*<br>RMB'000<br>Note 27(e) | Accumulated losses*<br>RMB'000 | Total<br>RMB'000 |
| At 31 December 2023 and<br>1 January 2024                                    | 420                                  | (42,037)                              | 1,266,733                               | (1,993)                                   | 10,154                                   | 5,226   | 48,461                                   | 106,750   | (273,335)                      | 1,120,379        |
| Profit for the year  | —                                    | —                                     | —                                       | —   | —  | —   | —  | —   | 24,967                         | 24,967           |
| Other comprehensive income for the year:                                     |                                      |                                       |   |   |  |   |  |   |                                |                  |
| Exchange differences on translation<br>of the Company's financial statements | —                                    | —                                     | —                                       | —   | —  | —   | 4,322                                    | —   | —                              | 4,322            |
| Exchange differences on translation<br>of foreign operations                 | —                                    | —                                     | —                                       | —   | —  | —   | (55)                                     | —   | —                              | (55)             |
| Total comprehensive income for<br>the year                                   | —                                    | —                                     | —                                       | —   | —  | —   | 4,267                                    | —   | 24,967                         | 29,234           |
| Transfer to statutory surplus reserve  | —                                    | —                                     | —                                       | —   | —  | 1,884   | —  | —   | (1,884)                        | —                |
| Shares repurchased for a share award<br>scheme                               | —                                    | (366)                                 | —                                       | —   | —  | —   | —  | —   | —                              | (366)            |
| Shares granted for a share award scheme                                      | —                                    | 41,821                                | —                                       | —   | —  | —   | —  | (40,442)  | —                              | 1,379            |
| Share-based payments   | —                                    | —                                     | —                                       | —   | —  | —   | —  | 19,062  | —                              | 19,062           |
| At 31 December 2024  | 420                                  | (582)                                 | 1,266,733                               | (1,993)                                   | 10,154                                   | 7,110   | 52,728                                   | 85,370  | (250,252)                      | 1,169,688        |

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year Ended 31 December 2024

|   | Attributable to owners of the parent |                 |                              |                |                  |                 |                            |                               |                              |                     |           |
|---|--------------------------------------|-----------------|------------------------------|----------------|------------------|-----------------|----------------------------|-------------------------------|------------------------------|---------------------|-----------|
|   | Issued capital                       | Treasury Shares | Convertible preferred shares | Share premium* | Capital reserve* | Merger reserve* | Statutory surplus reserve* | Exchange fluctuation reserve* | Share-based payment reserve* | Accumulated losses* | Total     |
|   | RMB'000                              | RMB'000         | RMB'000                      | RMB'000        | RMB'000          | RMB'000         | RMB'000                    | RMB'000                       | RMB'000                      | RMB'000             | RMB'000   |
|   | Note 25                              | Note 25         | Note 24                      | Note 27(a)     | Note 27(b)       | Note 27(c)      | Note 27(d)                 |                               | Note 27(e)                   |                     |           |
| 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 |

\* These reserve accounts comprise the consolidated reserves of RMB1,169,850,000 (2023: RMB1,161,996,000) in the consolidated statements of financial position as at 31 December 2024.

\*\* Amount less than RMB1,000.



# CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended 31 December 2024

|  | Notes | 2024<br>RMB'000 | 2023<br>RMB'000 |
|--|-------|-----------------|-----------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                              |       |                 |                 |
| Profit before tax  |       | 25,497          | 60,450          |
| Adjustments for:   |       |                 |                 |
| Interest income  | 5     | (16,197)        | (15,371)        |
| Impairment/(reversal of impairment) of trade receivable                  | 6,17  | 426             | (35)            |
| Impairment of contract assets  | 6,18  | 13,592          | 13,632          |
| Impairment of other receivables  | 6,19  | 162             | 19              |
| Depreciation of property, plant and equipment                            | 6,13  | 921             | 1,141           |
| Depreciation of right-of-use assets                                      | 6,14  | 5,602           | 6,555           |
| Amortisation of intangible assets  | 6,15  | 672             | 654             |
| Fair value gains on convertible redeemable preferred shares              | 6,24  | —               | (12,785)        |
| Fair value gain on financial assets at fair value through profit or loss | 5,6   | (23,406)        | (6,974)         |
| Finance costs  | 7     | 152             | 276             |
| Equity-settled share-based payments                                      | 6,26  | 19,062          | 5,370           |
|  |       | <b>26,483</b>   | <b>52,932</b>   |
| Decrease in trade receivables  |       | 1,313           | 2,990           |
| Decrease/(Increase) in contract assets                                   |       | 6,912           | (37,342)        |
| Increase in prepayments, deposits and other receivables                  |       | (3,190)         | (623)           |
| (Decrease)/Increase in trade payables                                    |       | (21)            | 85              |
| Increase in other payables and accruals                                  |       | 12,412          | 7,989           |
| (Decrease)/Increase in restricted deposits                               |       | 137             | (156)           |
| <b>Cash generated from operations</b>                                    |       | <b>44,046</b>   | <b>25,875</b>   |
| Interest received  |       | 16,197          | 15,371          |
| Income tax paid  |       | (5,429)         | (3,210)         |
| <b>Net cash flows from operating activities</b>                          |       | <b>54,814</b>   | <b>38,036</b>   |

# CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended 31 December 2024

|   | Notes | 2024<br>RMB'000  | 2023<br>RMB'000  |
|---|-------|------------------|------------------|
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |       |                  |                  |
| Purchases of items of property, plant and equipment                                       | 13    | (202)            | (181)            |
| Purchases of items of intangible assets   | 15    | (144)            | (1,770)          |
| Advance to a key management person  |       | (15,548)         | (18,104)         |
| Repayment from a related party  |       | —                | 250              |
| Repayment from a key management person  |       | 12,214           | 18,104           |
| Disposal of items of property, plant and equipment  |       | 21               | —                |
| Advances of an equity investment  |       | (5,000)          | —                |
| Redemption of financial assets at fair value through profit and loss                      |       | 217,422          | 299,324          |
| Payment for purchase of financial assets at fair value through profit and loss            |       | (245,400)        | (788,347)        |
| Placement of time deposits with original maturity of more than three months when acquired |       | (280,063)        | (4,250)          |
| <b>Net cash flows used in investing activities</b>  |       | <b>(316,700)</b> | <b>(494,974)</b> |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>   |       |                  |                  |
| Net proceeds on issue of shares from IPO  |       | —                | 519,857          |
| Lease payments (including related interests)  |       | (5,436)          | (6,922)          |
| Repurchase of shares held for a share award scheme  |       | (366)            | (42,007)         |
| Proceeds from grant of shares for a share award scheme                                    |       | 1,379            | —                |
| <b>Net cash flows (used in)/from financing activities</b>                                 |       | <b>(4,423)</b>   | <b>470,928</b>   |
| <b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>                               |       |                  |                  |
|   |       | (266,309)        | 13,990           |
| Cash and cash equivalents at beginning of year  |       | 628,588          | 599,266          |
| Effect of foreign exchange rate changes, net  |       | 4,661            | 15,332           |
| <b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>   |       | <b>366,940</b>   | <b>628,588</b>   |
| <b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>                                  |       |                  |                  |
| Cash and bank balances  | 21    | 366,959          | 181,920          |
| Time deposits   | 21    | 284,313          | 451,074          |
| Less: Time deposits with original maturity of more than three months when acquired        | 21    | 284,313          | 4,250            |
| Restricted deposits   | 21    | 19               | 156              |
| <b>CASH AND CASH EQUIVALENTS AS STATED IN THE STATEMENT OF CASH FLOWS</b>                 |       | <b>366,940</b>   | <b>628,588</b>   |

# NOTES TO FINANCIAL STATEMENTS

31 December 2024

## 1. CORPORATE AND GROUP INFORMATION

MedSci Healthcare Holdings Limited (the “Company”) is incorporated in the 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 2024, the principal activities of the Company and its subsidiaries (collectively referred to as the “Group”) were the provision of physician platform solutions, precision omni-channel marketing solutions, and real-world study solutions (collectively, the “Listing Business”) in Mainland China.

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

# NOTES TO FINANCIAL STATEMENTS

31 December 2024

## 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/<br>establishment and<br>place of operations | Issued ordinary/<br>registered share<br>capital | Percentage<br>of equity<br>attributable<br>to the<br>Company | Principal activities   |
|--|---------|--|---|--|--|
| Directly held: — <i>continued</i>  |         |  |   |  |  |
| Shanghai MedSci MedTech Co., Ltd.<br>上海梅斯醫藥科技有限公司<br>("Shanghai MedSci")                     | (1),(2) | PRC/Mainland China<br>6 November 2012  | RMB10,053,624                                   | 100%   | Investigator initiated<br>clinical<br>research, investigator<br>initiated trials,<br>post-marketing<br>clinical research, and<br>omni-channel<br>marketing |
| Shanghai Chungu Bio Medical<br>Technology Co., Ltd.<br>上海春谷生物醫藥科技有限公司<br>("Shanghai Chungu") | (1),(2) | PRC/Mainland China<br>21 January 2013  | RMB10,000,000                                   | 100%   | Precision omni-<br>channel marketing   |
| Indirectly held:   |         |  |   |  |  |
| Hangzhou Yilan Information<br>Technology Co., Ltd.<br>杭州醫覽信息科技有限公司<br>("Hangzhou Yilan")     | (1),(2) | PRC/Mainland China<br>31 October 2018  | RMB10,000,000                                   | 100%   | Internet data services   |
| Medical Internet Hospital(Guangzhou)<br>Co., Ltd. 醫咖互聯網醫院(廣州)<br>有限公司 ("Yika Internet")      | (1),(2) | PRC/Mainland China<br>3 September 2018                                       | RMB1,000,000                                    | 100%   | Precision omni-<br>channel marketing   |
| Hefei Kangen Information Technology<br>Co., Ltd. 合肥康恩信息技術有限<br>公司 ("Hefei Kangen")           | (1),(2) | PRC/Mainland China<br>8 June 2021  | RMB1,000,000                                    | 100%   | Precision omni-<br>channel marketing   |
| Zhejiang Meisi Pharmaceutical<br>Technology Co., Ltd 浙江梅斯醫藥<br>科技有限公司 ("Zhejiang Medsci")    | (2)     | PRC/Mainland China<br>28 December 2023                                       | RMB10,000,000                                   | 100%   | Investigator initiated<br>clinical research  |
| Zhejiang Zhiameisi Technology Co.,<br>Ltd 浙江智愛梅斯科技有限公司<br>("Zhi'ai Medsci")                  | (2)     | PRC/Mainland China<br>16 August 2024   | RMB7,000,000                                    | 70%  | Precision omni-<br>channel marketing   |

\* Shanghai Meiyi Hehong and Zhejiang Meiyi Hehong are registered as 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 the 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 efforts made by the management of the Company to directly translate the Chinese names as they have not registered any official English names.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

# NOTES TO FINANCIAL STATEMENTS

31 December 2024

## 2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) (which include all International Financial Reporting Standards, International Accounting Standards (“IASs”) and Interpretations) 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 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 2024. 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 the related assets (including goodwill), liabilities, any non-controlling interest and the exchange fluctuation reserve; and recognises the fair value of any investment retained and any resulting surplus or deficit in profit or loss. The Group’s share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

# NOTES TO FINANCIAL STATEMENTS

31 December 2024

## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

|                               |  |
|-------------------------------|--|
| Amendments to IFRS 16         | <i>Lease Liability in a Sale and Leaseback</i>   |
| Amendments to IAS 1           | <i>Classification of Liabilities as Current or Non-current</i> (the "2020 Amendments") |
| Amendments to IAS 1           | <i>Non-current Liabilities with Covenants</i> (the "2022 Amendments")                  |
| Amendments to IAS 7 and IFRS7 | <i>Supplier Finance Arrangements</i>   |

The nature and the impact of the revised IFRSs are described below:

- (a) 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. Since the Group has no sale and leaseback transactions with variable lease payments that do not depend on an index or a rate occurring from the date of initial application of IFRS 16, the amendments did not have any impact on the financial position or performance of the Group.
- (b) 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 Group has reassessed the terms and conditions of its liabilities as at 1 January 2023 and 2024 and concluded that the classification of its liabilities as current or non-current remained unchanged upon initial application of the amendments. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

- (c) 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. As the Group does not have supplier finance arrangements, the amendments did not have any impact on the Group's financial statements.

# NOTES TO FINANCIAL STATEMENTS

31 December 2024

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

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

|   |   |
|---|---|
| IFRS 18   | <i>Presentation and Disclosure in Financial Statements</i> <sup>3</sup>   |
| IFRS 19   | <i>Subsidiaries without Public Accountability: Disclosures</i> <sup>3</sup>   |
| Amendments to IFRS 9 and IFRS 7                                     | <i>Amendments to the Classification and Measurement of Financial Instruments</i> <sup>2</sup>                                 |
| Amendments to IFRS 10 and IAS 28                                    | <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> <sup>4</sup>                     |
| Amendments to IAS 21  | <i>Lack of Exchangeability</i> <sup>1</sup>   |
| <i>Annual Improvements to IFRS Accounting Standards – Volume 11</i> | Amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7 <sup>2</sup>  |
| Amendments to IFRS 9 and IFRS 7                                     | <i>Contracts Referencing Nature-dependent Electricity (Effective for annual periods beginning on or after 1 January 2026)</i> |

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

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2026

<sup>3</sup> Effective for annual/reporting periods beginning on or after 1 January 2027

<sup>4</sup> No mandatory effective date yet determined but available for adoption

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

IFRS 18 replaces IAS 1 Presentation of Financial Statements. While a number of sections have been brought forward from IAS 1 with limited changes, IFRS 18 introduces new requirements for presentation within the statement of profit or loss and other comprehensive income, including specified totals and subtotals. Entities are required to classify all income and expenses within the statement of profit or loss and other comprehensive income into one of the five categories: operating, investing, financing, income taxes and discontinued operations and to present two new defined subtotals. It also requires disclosures about management-defined performance measures in a single note and introduces enhanced requirements on the grouping (aggregation and disaggregation) and the location of information in both the primary financial statements and the notes. Some requirements previously included in IAS 1 are moved to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, which is renamed as IAS 8 *Basis of Preparation of Financial Statements*. As a consequence of the issuance of IFRS 18, limited, but widely applicable, amendments are made to IAS 7 *Statement of Cash Flows*, IAS 33 *Earnings per Share* and IAS 34 *Interim Financial Reporting*. In addition, there are minor consequential amendments to other IFRSs. IFRS 18 and the consequential amendments to other IFRSs are effective for annual periods beginning on or after 1 January 2027 with earlier application permitted. Retrospective application is required. The Group is currently analysing the new requirements and assessing the impact of IFRS 18 on the presentation and disclosure of the Group's financial statements.

IFRS 19 allows eligible entities to elect to apply reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other IFRSs. To be eligible, at the end of the reporting period, an entity must be a subsidiary as defined in IFRS 10 *Consolidated Financial Statements*, cannot have public accountability and must have a parent (ultimate or intermediate) that prepares consolidated financial statements available for public use which comply with IFRSs. Earlier application is permitted. As the Company is a listed company, it is not eligible to elect to apply IFRS 19. Some of the Company's subsidiaries are considering the application of IFRS 19 in their specified financial statements.



# NOTES TO FINANCIAL STATEMENTS

31 December 2024

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

— *continued*

Amendments to IFRS 9 and IFRS 7 clarify the date on which a financial asset or financial liability is derecognised and introduce an accounting policy option to derecognise a financial liability that is settled through an electronic payment system before the settlement date if specified criteria are met. The amendments clarify how to assess the contractual cash flow characteristics of financial assets with environmental, social and governance and other similar contingent features. Moreover, the amendments clarify the requirements for classifying financial assets with non-recourse features and contractually linked instruments. The amendments also include additional disclosures for investments in equity instruments designated at fair value through other comprehensive income and financial instruments with contingent features. The amendments shall be applied retrospectively with an adjustment to opening retained profits (or other component of equity) at the initial application date. Prior periods are not required to be restated and can only be restated without the use of hindsight. Earlier application of either all the amendments at the same time or only the amendments related to the classification of financial assets is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

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.

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.

*Annual Improvements to IFRS Accounting Standards — Volume 11* set out amendments to IFRS 1, IFRS 7 (and the accompanying *Guidance on implementing IFRS 7*), IFRS 9, IFRS 10 and IAS 7. Details of the amendments that are expected to be applicable to the Group are as follows:

- **IFRS 7 *Financial Instruments: Disclosures*:** The amendments have updated certain wording in paragraph B38 of IFRS 7 and paragraphs IG1, IG14 and IG20B of the *Guidance on implementing IFRS 7* for the purpose of simplification or achieving consistency with other paragraphs in the standard and/or with the concepts and terminology used in other standards. In addition, the amendments clarify that the *Guidance on implementing IFRS 7* does not necessarily illustrate all the requirements in the referenced paragraphs of IFRS 7 nor does it create additional requirements. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

# NOTES TO FINANCIAL STATEMENTS

31 December 2024

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

— continued

- **IFRS 9 *Financial Instruments*:** The amendments clarify that when a lessee has determined that a lease liability has been extinguished in accordance with IFRS 9, the lessee is required to apply paragraph 3.3.3 of IFRS 9 and recognise any resulting gain or loss in profit or loss. In addition, the amendments have updated certain wording in paragraph 5.1.3 of IFRS 9 and Appendix A of IFRS 9 to remove potential confusion. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.
- **IFRS 10 *Consolidated Financial Statements*:** The amendments clarify that the relationship described in paragraph B74 of IFRS 10 is just one example of various relationships that might exist between the investor and other parties acting as de facto agents of the investor, which removes the inconsistency with the requirement in paragraph B73 of IFRS 10. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.
- **IAS 7 *Statement of Cash Flows*:** The amendments replace the term “cost method” with “at cost” in paragraph 37 of IAS 7 following the prior deletion of the definition of “cost method”. Earlier application is permitted. The amendments are not expected to have any 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.

# NOTES TO FINANCIAL STATEMENTS

31 December 2024

## 2.4 MATERIAL ACCOUNTING POLICIES – *continued*

### Fair value measurement – *continued*

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.

### 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.

# NOTES TO FINANCIAL STATEMENTS

31 December 2024

## 2.4 MATERIAL ACCOUNTING POLICIES – *continued*

### 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;

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 2024

## 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.

# NOTES TO FINANCIAL STATEMENTS

31 December 2024

## 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 | 1 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 2024

## 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 through 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.



# NOTES TO FINANCIAL STATEMENTS

31 December 2024

## 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 2024

## 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.

# NOTES TO FINANCIAL STATEMENTS

31 December 2024

## 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 2024

## 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.

# NOTES TO FINANCIAL STATEMENTS

31 December 2024

## 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 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 2024

## 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.

# NOTES TO FINANCIAL STATEMENTS

31 December 2024

## 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.

#### *(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 2024

## 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.

# NOTES TO FINANCIAL STATEMENTS

31 December 2024

## 2.4 MATERIAL ACCOUNTING POLICIES – *continued*

### Revenue recognition – *continued*

#### *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.

# NOTES TO FINANCIAL STATEMENTS

31 December 2024

## 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 Mainland China are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries operating in Mainland China 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.

# NOTES TO FINANCIAL STATEMENTS

31 December 2024

## 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.

## 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:

# NOTES TO FINANCIAL STATEMENTS

31 December 2024

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

### *Judgements – continued*

#### *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 2024 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.

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 2024. 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.

# NOTES TO FINANCIAL STATEMENTS

31 December 2024

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

### *Estimation uncertainty – continued*

#### *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.

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.

## 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 Mainland China.

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 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.

# NOTES TO FINANCIAL STATEMENTS

31 December 2024

## 4. OPERATING SEGMENT INFORMATION – *continued*

### Geographical information

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

### Information about major customers

There was no revenue from sales to a single customer or a group of customers under common control amounting to 10% or more of the Group's revenue for the years ended 31 December 2023 and 2024.

## 5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

|                                       | 2024<br>RMB'000 | 2023<br>RMB'000 |
|---------------------------------------|-----------------|-----------------|
| Revenue                               |                 |                 |
| Revenue from contracts with customers | <u>260,623</u>  | <u>349,194</u>  |

### Revenue from contracts with customers

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

*For the year ended 31 December 2024*

|                                      | Physician<br>platform<br>solutions<br>RMB'000 | Precision<br>omni-channel<br>marketing<br>solutions<br>RMB'000 | Real-world<br>study<br>solutions<br>RMB'000 | Total<br>RMB'000 |
|--------------------------------------|---|--|---|------------------|
| <b>Types of services</b>             |   |  |   |                  |
| Provision of services                | <u>109,771</u>                                | <u>115,097</u>   | <u>35,755</u>                               | <u>260,623</u>   |
| <b>Geographical markets</b>          |   |  |   |                  |
| Mainland China                       | <u>109,771</u>                                | <u>115,097</u>   | <u>35,755</u>                               | <u>260,623</u>   |
| <b>Timing of revenue recognition</b> |   |  |   |                  |
| Over time                            | <u>109,771</u>                                | <u>115,097</u>   | <u>35,755</u>                               | <u>260,623</u>   |
| Total                                | <u>109,771</u>                                | <u>115,097</u>   | <u>35,755</u>                               | <u>260,623</u>   |



# NOTES TO FINANCIAL STATEMENTS

31 December 2024

## 5. REVENUE, OTHER INCOME AND GAINS – continued

### Revenue from contracts with customers – continued

#### (a) Disaggregated revenue information – continued

For the year ended 31 December 2023

|                                      | Physician<br>platform<br>solutions<br>RMB'000 | Precision<br>omni-channel<br>marketing<br>solutions<br>RMB'000 | Real-world<br>study<br>solutions<br>RMB'000 | Total<br>RMB'000 |
|--------------------------------------|---|--|---|------------------|
| <b>Types of services</b>             |   |  |   |                  |
| Provision of services                | 120,045                                       | 173,764  | 55,385                                      | 349,194          |
| <b>Geographical markets</b>          |   |  |   |                  |
| Chinese Mainland                     | 120,045                                       | 173,764  | 55,385                                      | 349,194          |
| <b>Timing of revenue recognition</b> |   |  |   |                  |
| Over time                            | 120,045                                       | 173,764  | 55,385                                      | 349,194          |
| Total                                | 120,045                                       | 173,764  | 55,385                                      | 349,194          |

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:

|   | 2024<br>RMB'000 | 2023<br>RMB'000 |
|---|-----------------|-----------------|
| Revenue recognised that was included in contract liabilities at the beginning of year | 94,214          | 107,234         |

#### (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.

# NOTES TO FINANCIAL STATEMENTS

31 December 2024

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

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

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

##### *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.

##### *Other income and gains*

|  | 2024<br>RMB'000 | 2023<br>RMB'000 |
|--|-----------------|-----------------|
| <b>Other income</b>  |                 |                 |
| Bank interest income   | 16,197          | 15,371          |
| Tax linked incentives by local authorities                               | 148             | 3,569           |
| Government grants*   | 1,471           | 8,954           |
| Value-added tax additional deduction                                     | —               | 374             |
| Others   | 92              | 68              |
| Total other income   | 17,908          | 28,336          |
| <b>Gains</b>   |                 |                 |
| Fair value gain on financial assets at fair value through profit or loss | 23,406          | 6,974           |
| Total other income and gains   | 41,314          | 35,310          |

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

# NOTES TO FINANCIAL STATEMENTS

31 December 2024

## 6. PROFIT BEFORE TAX

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

|   | Notes | 2024<br>RMB'000 | 2023<br>RMB'000 |
|---|-------|-----------------|-----------------|
| Cost of services provided**   |       | 55,880          | 76,596          |
| Depreciation of property, plant and equipment   | 13    | 921             | 1,141           |
| Depreciation of right-of-use assets   | 14    | 5,602           | 6,555           |
| Amortisation of intangible assets   | 15    | 672             | 654             |
| Research and development expenses*  |       | 23,238          | 39,855          |
| Impairment/(reversal of Impairment) of financial assets, net:                                 |       |                 |                 |
| — Trade receivables   | 17    | 426             | (35)            |
| — Contract assets   | 18    | 13,592          | 13,632          |
| — Other receivables   | 19    | 162             | 19              |
| Lease payment not included in the measurement of lease liabilities                            | 14(c) | 30              | 72              |
| Bank interest income  | 5     | (16,197)        | (15,371)        |
| Tax incentives  | 5     | (148)           | (3,943)         |
| Fair value gains on convertible redeemable preferred shares                                   | 24    | —               | (12,785)        |
| Fair value gain on financial assets at fair value through profit or loss                      | 5     | (23,406)        | (6,974)         |
| Listing fee   |       | —               | 13,250          |
| Auditor remuneration  |       | 2,600           | 2,680           |
| Employee benefit expenses (including directors' and chief executive's remuneration (note 8)): |       |                 |                 |
| Salaries, bonus and other allowances  |       | 119,828         | 139,718         |
| Pension scheme contributions and social welfare   |       | 29,780          | 35,587          |
| Equity-settled share-based payments   | 26    | 19,062          | 5,370           |
| <b>Total</b>  |       | <b>168,670</b>  | <b>180,675</b>  |

\* 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 and other comprehensive income 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 2024

## 7. FINANCE COSTS

An analysis of finance costs is as follows:

|                               | 2024<br>RMB'000 | 2023<br>RMB'000 |
|-------------------------------|-----------------|-----------------|
| Interest on lease Liabilities | 152             | 276             |

## 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:

|   | 2024<br>RMB'000 | 2023<br>RMB'000 |
|---|-----------------|-----------------|
| Fees  | 270             | 270             |
| Other emoluments:                               |                 |                 |
| Salaries, allowances and benefits in kind       | 5,953           | 4,582           |
| Performance-related bonuses*                    | 569             | 55              |
| Equity-settled share-based payments             | 13,998          | —               |
| Pension scheme contributions and social welfare | 519             | 444             |
| Subtotal  | 21,039          | 5,081           |
| Total   | 21,309          | 5,351           |

\* 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.

# NOTES TO FINANCIAL STATEMENTS

31 December 2024

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

### (a) Independent non-executive directors

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

|                          | 2024<br>RMB'000 | 2023<br>RMB'000 |
|--------------------------|-----------------|-----------------|
| Ms. Liu Tao              | 90              | 90              |
| Mr. Yu Minyang           | 90              | 90              |
| Mr. Lau Yiu Kwan Stanley | 90              | 90              |
| Total                    | 270             | 270             |

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

*Year ended 31 December 2024*

|                                | Salaries,<br>allowances<br>and benefits<br>in kind<br>RMB'000 | Performance<br>related<br>bonuses*<br>RMB'000 | Equity-<br>settled<br>share-based<br>payments<br>RMB'000 | Pension<br>scheme<br>contributions<br>and social<br>welfare<br>RMB'000 | Total<br>remuneration<br>RMB'000 |
|--------------------------------|---|---|--|--|----------------------------------|
| Executive directors:           |   |   |  |  |                                  |
| – Dr. Zhang Fabao              | 2,068   | 50  | –  | 114  | 2,232                            |
| – Dr. Li Xinmei                | 1,505   | 18  | –  | 114  | 1,637                            |
| – Mr. Wang Shuai               | 1,200   | 400   | –  | 111  | 1,711                            |
| – Mr. Fan Jie <sup>1</sup>     | 583   | –   | 13,998   | 66   | 14,647                           |
| – Mr. Cheng Liang <sup>2</sup> | 597   | 101   | –  | 114  | 812                              |
| Non-executive directors:       |   |   |  |  |                                  |
| – Ms. Wang Xin <sup>4</sup>    | –   | –   | –  | –  | –                                |
| – Mr. Yan Shengfeng            | –   | –   | –  | –  | –                                |
| Total                          | 5,953   | 569   | 13,998   | 519  | 21,039                           |

# NOTES TO FINANCIAL STATEMENTS

31 December 2024

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

### (b) Executive directors and non-executive directors – *continued*

*Year ended 31 December 2023*

|                            | Salaries,<br>allowances<br>and benefits<br>in kind<br>RMB'000 | Performance<br>related<br>bonuses*<br>RMB'000 | Pension<br>scheme<br>contributions<br>and social<br>welfare<br>RMB'000 | Total<br>remuneration<br>RMB'000 |
|----------------------------|---|---|--|----------------------------------|
| Executive directors:       |   |   |  |                                  |
| – Dr. Zhang Fabao          | 1,200   | —   | 113  | 1,313                            |
| – Dr. Li Xinmei            | 1,500   | —   | 113  | 1,613                            |
| – Mr. Wang Shuai           | 882   | 55  | 105  | 1,042                            |
| – Mr. Fan Jie <sup>1</sup> | 1,000   | —   | 113  | 1,113                            |
| Non-executive directors:   |   |   |  |                                  |
| – Mr. Hu Xubo <sup>3</sup> | —   | —   | —  | —                                |
| – Mr. Yan Shengfeng        | —   | —   | —  | —                                |
| Total                      | <u>4,582</u>  | <u>55</u>                                     | <u>444</u>   | <u>5,081</u>                     |

<sup>1</sup> Mr. Fan Jie resigned as an executive director with effect from 25 September 2024.

<sup>2</sup> Mr. Cheng Liang was appointed as an executive director with effect from 25 September 2024.

<sup>3</sup> Mr. Hu Xubo resigned as a non-executive director with effect from 25 September 2024.

<sup>4</sup> Ms. Wang Xin has appointed as a non-executive director with effect from 25 September 2024.

\* Certain executive directors of the Company are entitled to bonus payments which are determined as a percentage of the operating profit after tax excluding 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 2024

## 9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees for the year ended 31 December 2024 included four (2023: one) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration for the year ended 31 December 2024 of the remaining one (2023: four) highest paid employees who is neither a director nor chief executive of the Company, are as follows:

|   | 2024<br>RMB'000 | 2023<br>RMB'000 |
|---|-----------------|-----------------|
| Salaries, allowances and benefits in kind       | 1,200           | 3,025           |
| Pension scheme contributions and social welfare | 114             | 450             |
| Equity-settled share-based payments             | —               | 4,714           |
| Total   | 1,314           | 8,189           |

\* 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:

|                                  | 2024 | 2023 |
|----------------------------------|------|------|
| HKD\$1,000,001 to HKD\$1,500,000 | 1    | 1    |
| HKD\$1,500,001 to HKD\$2,000,000 | —    | 2    |
| HKD\$4,500,001 to HKD\$5,000,000 | —    | 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 2024.

The provision for current income tax in Mainland China is based on a statutory tax rate of 25% of the assessable profits of the PRC subsidiaries of the Group as determined in accordance with the 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. The certification will be valid for three years. Therefore, Shanghai MedSci was entitled to a preferential PRC Corporate Income tax rate of 15% for the year ended 31 December 2024 (2023: 15%).



# NOTES TO FINANCIAL STATEMENTS

31 December 2024

## 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 Mainland China during the year ended 31 December 2024. The major components of income tax expense of the Group are as follows:

|                               | 2024<br>RMB'000 | 2023<br>RMB'000 |
|-------------------------------|-----------------|-----------------|
| Current — Mainland China:     |                 |                 |
| Charge for the year           | 21              | 7,444           |
| Deferred tax (note 16)        | 509             | (2,036)         |
| Total tax charge for the year | 530             | 5,408           |

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

|   | 2024<br>RMB'000 | 2023<br>RMB'000 |
|---|-----------------|-----------------|
| Profit before tax   | 25,497          | 60,450          |
| Tax at the statutory tax rate of 25% in Mainland China                              | 6,374           | 15,113          |
| Preferential tax rates enacted by local authority                                   | (5,181)         | (3,918)         |
| Fair value losses on convertible redeemable preferred shares not deductible for tax | —               | (3,196)         |
| Additional deductible allowance for qualified research and development expenses     | (3,271)         | (4,164)         |
| Expenses not deductible for tax   | 894             | 926             |
| Tax losses not recognised   | 1,714           | 647             |
| Tax charge at the Group's effective tax rate  | 530             | 5,408           |

## 11. DIVIDENDS

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

# NOTES TO FINANCIAL STATEMENTS

31 December 2024

## 12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amounts is based on the profit attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 540,566,948 (2023: 518,070,865) outstanding during the year, as adjusted to reflect the rights issue during the year.

No adjustment has been made to the basic earnings per share amounts presented for the year ended 31 December 2024 in respect of a dilution as the impact of the awarded interests/shares of the Company's/Shanghai MedSci's share incentive plan (note 26) had an anti-dilutive effect on the basic earnings per share amount presented.

For the year ended 31 December 2023, the calculation of the diluted earnings per share amount 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 outstanding 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.

The calculations of basic and diluted earnings per share are based on:

|  | 2024<br>RMB'000         | 2023<br>RMB'000    |
|--|-------------------------|--------------------|
| <b>EARNINGS</b>  |                         |                    |
| Earnings attributable to ordinary equity holders of the parent,<br>used in the basic earnings per share calculation        | 24,967                  | 55,042             |
| Less: Fair value gains on convertible redeemable preferred shares  | —                       | 12,785             |
| Earnings attributable to ordinary equity holders of the parent,<br>used in the diluted earnings per share calculation      | 24,967                  | 42,257             |
|  | <b>Number of shares</b> |                    |
|  | 2024                    | 2023               |
| <b>Shares</b>  |                         |                    |
| Weighted average number of ordinary shares outstanding during the<br>year used in the basic earnings per share calculation | 540,566,948             | 518,070,865        |
| Effect of dilution — weighted average number of ordinary shares:<br>Convertible redeemable preferred shares                | —                       | 563,142            |
| <b>Total</b>   | <b>540,566,948</b>      | <b>518,634,007</b> |

# NOTES TO FINANCIAL STATEMENTS

31 December 2024

## 13. PROPERTY, PLANT AND EQUIPMENT

| <b>31 December 2024</b>                                 | <b>Buildings<br/>RMB'000</b> | <b>Furniture and<br/>facilities<br/>RMB'000</b> | <b>Devices and<br/>equipment<br/>RMB'000</b> | <b>Total<br/>RMB'000</b> |
|---|------------------------------|---|--|--------------------------|
| At 31 December 2023 and<br>1 January 2024:              |                              |   |  |                          |
| 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                   |
| At 1 January 2024, net of<br>accumulated depreciation   | 15,560                       | 71  | 772  | 16,403                   |
| Additions   | —                            | —   | 202  | 202                      |
| Disposals   | —                            | —   | (21)   | (21)                     |
| Depreciation provided during<br>the year                | (465)                        | (11)  | (445)  | (921)                    |
| At 31 December 2024, net of<br>accumulated depreciation | 15,095                       | 60  | 508  | 15,663                   |
| At 31 December 2024:                                    |                              |   |  |                          |
| Cost  | 19,207                       | 348   | 4,605  | 24,160                   |
| Accumulated depreciation                                | (4,112)                      | (288)   | (4,097)                                      | (8,497)                  |
| Net carrying amount                                     | 15,095                       | 60  | 508  | 15,663                   |

# NOTES TO FINANCIAL STATEMENTS

31 December 2024

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

| 31 December 2023  | Buildings<br>RMB'000 | Furniture and<br>facilities<br>RMB'000 | Devices and<br>equipment<br>RMB'000 | Total<br>RMB'000 |
|---|----------------------|--|-------------------------------------|------------------|
| At 31 December 2022 and<br>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<br>accumulated depreciation   | 16,025               | 82                                     | 1,256                               | 17,363           |
| Additions   | —                    | —                                      | 181                                 | 181              |
| Depreciation provided during<br>the year                | (465)                | (11)                                   | (665)                               | (1,141)          |
| At 31 December 2023, net of<br>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 2024

## 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 1 and 3 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:

|                                | 2024<br>RMB'000 | 2023<br>RMB'000 |
|--------------------------------|-----------------|-----------------|
| Carrying amount at 1 January   | 5,362           | 10,229          |
| Additions                      | 2,647           | 1,688           |
| Deprecation charge             | (5,602)         | (6,555)         |
| Carrying amount at 31 December | 2,407           | 5,362           |

#### (b) Lease liabilities

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

|  | 2024<br>RMB'000 | 2023<br>RMB'000 |
|--|-----------------|-----------------|
| Carrying amount at 1 January                     | 4,636           | 9,594           |
| New leases                                       | 2,647           | 1,688           |
| Accretion of interest recognised during the year | 152             | 276             |
| Payments   | (5,436)         | (6,922)         |
| Carrying amount at 31 December                   | 1,999           | 4,636           |
| Analysed into:                                   |                 |                 |
| Current portion                                  | 1,792           | 3,992           |
| Non-current portion                              | 207             | 644             |

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

# NOTES TO FINANCIAL STATEMENTS

31 December 2024

## 14. LEASES – *continued*

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

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

|  | 2024<br>RMB'000 | 2023<br>RMB'000 |
|--|-----------------|-----------------|
| Interest on lease liabilities              | 152             | 276             |
| Expenses relating to short-term leases     | 30              | 72              |
| Depreciation charge of right-of-use assets | 5,602           | 6,555           |
| Total amount recognised in profit or loss  | 5,784           | 6,903           |

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

## 15. INTANGIBLE ASSETS

|   | Software<br>RMB'000 |
|---|---------------------|
| <b>31 December 2024</b>                 |                     |
| At 1 January 2024:                      |                     |
| Cost and accumulated amortisation       | 2,683               |
| Carrying amount at 1 January 2024       |                     |
| Additions                               | 144                 |
| Amortisation provided during the period | (672)               |
| Carrying amount at 31 December 2024:    | 2,155               |
| At 31 December 2024:                    |                     |
| Cost                                    | 3,769               |
| Accumulated amortisation                | (1,614)             |
| Net carrying amount                     | 2,155               |

# NOTES TO FINANCIAL STATEMENTS

31 December 2024

## 15. INTANGIBLE ASSETS – *continued*

Software  
RMB'000

### 31 December 2023

At 1 January 2023:

|                                   |       |
|-----------------------------------|-------|
| Cost and accumulated amortisation | 1,567 |
|-----------------------------------|-------|

Carrying amount at 1 January 2023

|           |       |
|-----------|-------|
| Additions | 1,770 |
|-----------|-------|

|   |       |
|---|-------|
| Amortisation provided during the period | (654) |
|---|-------|

|                                      |       |
|--------------------------------------|-------|
| Carrying amount at 31 December 2023: | 2,683 |
|--------------------------------------|-------|

At 31 December 2023:

|      |       |
|------|-------|
| Cost | 3,415 |
|------|-------|

|                          |       |
|--------------------------|-------|
| Accumulated amortisation | (732) |
|--------------------------|-------|

|                     |       |
|---------------------|-------|
| Net carrying amount | 2,683 |
|---------------------|-------|

## 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 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 and 1 January 2024 | 583 |
|---|-----|

|   |       |
|---|-------|
| Deferred tax credited to profit or loss during the year (note 10) | (348) |
|---|-------|

|  |     |
|--|-----|
| Gross deferred tax liabilities at 31 December 2024 | 235 |
|--|-----|



# NOTES TO FINANCIAL STATEMENTS

31 December 2024

## 16. DEFERRED TAX – *continued*

### Deferred tax assets

|  | Impairment of<br>financial and<br>contract assets<br>RMB'000 | Lease liabilities<br>RMB'000 | Total<br>RMB'000 |
|--|--|------------------------------|------------------|
| Gross deferred tax assets at<br>31 December 2022 and 1 January 2023            | 1,369  | 1,119                        | 2,488            |
| Deferred tax credited/(charged) to<br>profit or loss during the year (note 10) | <u>2,055</u>   | <u>(618)</u>                 | <u>1,437</u>     |
| Gross deferred tax assets at<br>31 December 2023 and 1 January 2024            | <u>3,424</u>   | <u>501</u>                   | <u>3,925</u>     |
| Deferred tax charged to profit or loss during<br>the year (note 10)            | <u>(565)</u>   | <u>(292)</u>                 | <u>(857)</u>     |
| Gross deferred tax assets at<br>31 December 2024                               | <u>2,859</u>   | <u>209</u>                   | <u>3,068</u>     |

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statements of financial position as at 31 December 2024. The following is an analysis of the deferred tax balances for financial reporting purposes:

|  | 2024<br>RMB'000 | 2023<br>RMB'000 |
|--|-----------------|-----------------|
| Net deferred tax liabilities recognised in the statements of<br>financial position | <u>—</u>        | <u>—</u>        |
| Net deferred tax assets recognised in the statements of<br>financial position      | <u>2,833</u>    | <u>3,342</u>    |

# NOTES TO FINANCIAL STATEMENTS

31 December 2024

## 16. DEFERRED TAX – *continued*

### Deferred tax assets – *continued*

The Group has tax losses arising in the United States of RMB9,315,000 as at 31 December 2024 (2023: RMB3,976,000) that will expire in one to twenty years for offsetting against future taxable profits. The Group has tax losses arising in Mainland China of RMB9,240,000 as at 31 December 2024 (2023: RMB11,619,000) 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 items:

|                                  | 2024<br>RMB'000 | 2023<br>RMB'000 |
|----------------------------------|-----------------|-----------------|
| Tax losses                       | 18,555          | 15,595          |
| Deductible temporary differences | 220             | 185             |
|                                  | <u>18,775</u>   | <u>15,780</u>   |

The Group is liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008. The applicable rate is 10% for the Group. At 31 December 2024, 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 Mainland China. 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 Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB18,346,000 at 31 December 2024 (2023: RMB16,703,000).

## 17. TRADE RECEIVABLES

|                     | 2024<br>RMB'000 | 2023<br>RMB'000 |
|---------------------|-----------------|-----------------|
| Trade receivables   | 34,633          | 35,946          |
| Impairment          | (1,607)         | (1,181)         |
| Net carrying amount | <u>33,026</u>   | <u>34,765</u>   |

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 2024

## 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:

|                                 | 2024<br>RMB'000 | 2023<br>RMB'000 |
|---------------------------------|-----------------|-----------------|
| Within 6 months                 | 28,419          | 29,718          |
| Over 6 months and within 1 year | 2,568           | 4,114           |
| 1 to 2 years                    | 1,992           | 887             |
| 2 to 3 years                    | 47              | 46              |
| Total                           | 33,026          | 34,765          |

The movements in the loss allowance for impairment of trade receivables are as follows:

|  | 2024<br>RMB'000 | 2023<br>RMB'000 |
|--|-----------------|-----------------|
| At beginning of year                   | 1,181           | 1,216           |
| Reversal of impairment losses (note 6) | 426             | (35)            |
| At end of year                         | 1,607           | 1,181           |

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 |         |         |         |         |         |
|---------------------------|--------------------------|---------|---------|---------|---------|---------|
|                           |                          | Within  | 1 to    | 2 to    | Above   |         |
|                           | Current                  | 1 year  | 2 years | 3 years | 3 years | Total   |
|                           | RMB'000                  | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| At 31 December 2024       |                          |         |         |         |         |         |
| Expected credit loss rate | Note                     | 4.2%    | 22.3%   | 85.4%   | 100.0%  | 4.6%    |
| Gross carrying amount     | 25,851                   | 5,361   | 2,564   | 322     | 535     | 34,633  |
| Expected credit losses    | —                        | 225     | 572     | 275     | 535     | 1,607   |

# NOTES TO FINANCIAL STATEMENTS

31 December 2024

## 17. TRADE RECEIVABLES – *continued*

|                           | Current<br>RMB'000 | Past due and with ageing    |                            |                            |                             | Total<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 |                  |
| 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            |

Note: During each reporting period, the Group estimated the expected credit loss rate to be minimal on the current trade receivables.

## 18. CONTRACT ASSETS

|  | 2024<br>RMB'000 | 2023<br>RMB'000 |
|--|-----------------|-----------------|
| Contract assets arising from:              |                 |                 |
| Real-world study solutions                 | 36,937          | 57,395          |
| Precision omni-channel marketing solutions | 48,341          | 52,735          |
| Total                                      | 85,278          | 110,130         |
| Impairment                                 | (17,145)        | (21,493)        |
| Net carrying amount                        | 68,133          | 88,637          |

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 decrease in contract assets during the year ended 31 December 2024 were the result of decrease in the ongoing provision of services at the end of the reporting period.

As at 31 December 2024, RMB17,145,000 (2023: RMB21,493,000) 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 2024

## 18. CONTRACT ASSETS – continued

The expected timing of recovery or settlement for contract assets as at each reporting date is as follows:

|               | 2024<br>RMB'000 | 2023<br>RMB'000 |
|---------------|-----------------|-----------------|
| Within 1 year | 38,538          | 71,186          |
| 1 to 2 years  | 23,701          | 17,451          |
| 2 to 3 years  | 5,894           | —               |
| Total         | 68,133          | 88,637          |

The movements in the loss allowance for impairment of contract assets are as follows:

|                                   | 2024<br>RMB'000 | 2023<br>RMB'000 |
|-----------------------------------|-----------------|-----------------|
| At beginning of year              | 21,493          | 7,861           |
| Impairment losses, net (note 6)   | 13,592          | 13,632          |
| Amount write off as uncollectible | (17,940)        | —               |
| At end of year                    | 17,145          | 21,493          |

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:

|                           | 2024<br>RMB'000 | 2023<br>RMB'000 |
|---------------------------|-----------------|-----------------|
| Expected credit loss rate | 20.1%           | 19.5%           |
| Gross carrying amount     | 85,278          | 110,130         |
| Expected credit losses    | 17,145          | 21,493          |

# NOTES TO FINANCIAL STATEMENTS

31 December 2024

## 19. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

|                          | 2024<br>RMB'000 | 2023<br>RMB'000 |
|--------------------------|-----------------|-----------------|
| Current portion          |                 |                 |
| Prepayments to suppliers | 1,636           | 2,428           |
| Deposits                 | 4,073           | 3,086           |
| Other receivables        | 7,749           | 3,354           |
|                          | 13,458          | 8,868           |
| Impairment allowance     | (308)           | (146)           |
|                          | 13,150          | 8,722           |
| Non-current portion      |                 |                 |
| Prepayments              | 5,000           | —               |
| Deposits                 | 211             | 801             |
| Total                    | 18,361          | 9,523           |

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:

|                            | 2024<br>RMB'000 | 2023<br>RMB'000 |
|----------------------------|-----------------|-----------------|
| At beginning of year       | 146             | 127             |
| Impairment losses (note 6) | 162             | 19              |
| At end of year             | 308             | 146             |

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 2024.

|                                | At 31 December 2024  |  |  | At 31 December 2023  |  |  |
|--------------------------------|----------------------|--|--|----------------------|--|--|
|                                | Average<br>loss rate | Gross<br>carrying<br>amount<br>RMB'000 | Impairment<br>loss<br>allowance<br>RMB'000 | Average<br>loss rate | Gross<br>carrying<br>amount<br>RMB'000 | Impairment<br>loss<br>allowance<br>RMB'000 |
| Deposits and other receivables | 2.6%                 | 12,033                                 | 308  | 2.0%                 | 7,241                                  | 146  |

# NOTES TO FINANCIAL STATEMENTS

31 December 2024

## 20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

|   | 2024<br>RMB'000 | 2023<br>RMB'000 |
|---|-----------------|-----------------|
| Other unlisted investments, at fair value | <u>552,882</u>  | <u>501,892</u>  |

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 | 2024<br>RMB'000 | 2023<br>RMB'000 |
|--|------|-----------------|-----------------|
| Cash and bank balances   |      | 366,959         | 181,920         |
| Time deposits  | (i)  | 284,313         | 451,074         |
| Less: Non-pledged time deposits with original maturity of more than three months when acquired |      | 284,313         | 4,250           |
| Restricted deposits  |      | <u>19</u>       | <u>156</u>      |
| Cash and cash equivalents  |      | <u>366,940</u>  | <u>628,588</u>  |
| Cash and bank balances:  |      |                 |                 |
| Denominated in RMB   |      | 126,559         | 91,652          |
| Denominated in USD   |      | 232,421         | 83,464          |
| Denominated in HKD   |      | <u>7,979</u>    | <u>6,804</u>    |
| Total  |      | <u>366,959</u>  | <u>181,920</u>  |
| Time deposits:   |      |                 |                 |
| Denominated in RMB   |      | 280,000         | 250,000         |
| Denominated in USD   |      | <u>4,313</u>    | <u>201,074</u>  |
| Total  |      | <u>284,313</u>  | <u>451,074</u>  |

Note (i): The time deposits held by the Group as of 31 December 2024 bear interest at rates ranging from 1.85% to 3.15% per annum with durations of six months to three years. 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 Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, and 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.



# NOTES TO FINANCIAL STATEMENTS

31 December 2024

## 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:

|                 | 2024<br>RMB'000 | 2023<br>RMB'000 |
|-----------------|-----------------|-----------------|
| Within 3 months | <u>2,031</u>    | <u>2,052</u>    |

The trade payables are non-interest-bearing and are normally settled on terms of three months.

## 23. OTHER PAYABLES AND ACCRUALS

|  | 2024<br>RMB'000 | 2023<br>RMB'000 |
|--|-----------------|-----------------|
| Contract liabilities                       | 130,198         | 109,484         |
| Accrued salaries and other staff costs     | 13,859          | 18,146          |
| Other tax payables (other than income tax) | 17,572          | 13,271          |
| Other payables and accruals                | <u>12,920</u>   | <u>21,236</u>   |
| Total                                      | <u>174,549</u>  | <u>162,137</u>  |

(a) Details of contract liabilities are as follows:

|  | 2024<br>RMB'000 | 2023<br>RMB'000 |
|--|-----------------|-----------------|
| Short-term advances received from customers: |                 |                 |
| Physician platform solutions                 | 88,448          | 75,798          |
| Precision omni-channel marketing solutions   | 32,472          | 25,083          |
| Real-world study solutions                   | <u>9,278</u>    | <u>8,603</u>    |
| Total  | <u>130,198</u>  | <u>109,484</u>  |

Contract liabilities include short-term advances received to render services. The increase in contract liabilities during the year ended 31 December 2024 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.

# NOTES TO FINANCIAL STATEMENTS

31 December 2024

## 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 USD0.0001 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 USD0.0001 each on the same day.

# NOTES TO FINANCIAL STATEMENTS

31 December 2024

## 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 during the year ended 31 December 2023 and 2024 are as follows:

|   | Number of<br>convertible<br>redeemable<br>Preferred shares | Amount<br>RMB'000 |
|---|--|-------------------|
| At 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   | —  | —                 |
| At 31 December 2024   | —  | —                 |

The Group did not have any convertible redeemable preferred shares as at 31 December 2023 and 2024.

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.

# NOTES TO FINANCIAL STATEMENTS

31 December 2024

## 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 during the year ended 31 December 2023 and 2024 are set out as below:

|  | Number of<br>Series A-1<br>Preferred shares | Amount<br>RMB'000 |
|--|---|-------------------|
| At 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  | —   | —                 |
| At 31 December 2024  | —   | —                 |

The Group did not have any convertible preferred shares as at 31 December 2023 and 2024.

## 25. SHARE CAPITAL AND TREASURY SHARES

|                                   | 2024                |                   | 2023                |                   |
|-----------------------------------|---------------------|-------------------|---------------------|-------------------|
|                                   | Number of<br>shares | Amount<br>RMB'000 | Number of<br>shares | Amount<br>RMB'000 |
| Authorised:                       |                     |                   |                     |                   |
| Ordinary shares of USD0.0001 each | 15,000,000,000      | 10,361            | 15,000,000,000      | 10,361            |
| Issued:                           |                     |                   |                     |                   |
| Ordinary shares of USD0.0001 each | 607,170,950         | 420               | 607,170,950         | 420               |
| Treasury shares held              | (66,488,745)        | (582)             | (71,330,450)        | (42,037)          |

# NOTES TO FINANCIAL STATEMENTS

31 December 2024

## 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<br>ordinary shares | Amount<br>RMB'000 | Number of<br>treasury shares | Amount<br>RMB'000 |
|--|------------------------------|-------------------|------------------------------|-------------------|
| At 1 January 2023  | 7,988,403                    | 5                 | (1,321,309)                  | — *               |
| Conversion of convertible preferred<br>shares to ordinary shares (a) | 1,077,315                    | 1                 | —                            | —                 |
| Conversion of convertible redeemable<br>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 and<br>1 January 2024                            | 607,170,950                  | 420               | (71,330,450)                 | (42,037)          |
| Shares repurchased (f)   | —                            | —                 | (400,000)                    | (366)             |
| Shares granted for a share award<br>scheme (g)                       | —                            | —                 | 5,241,705                    | 41,821            |
| At 31 December 2024  | 607,170,950                  | 420               | (66,488,745)                 | (582)             |

\* 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 ("27 April 2023") 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

31 December 2024

## 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, 5,265,000 of the Company's issued shares were purchased by a trustee under the 2023 Plan (note 26) at a total consideration of approximately HKD45,777,000 (equivalent to approximately RMB42,007,000).
- (f) During the year ended 31 December 2024, 400,000 of the Company's issued shares were purchased under the 2023 Plan at a total consideration of approximately HK\$401,000 (equivalent to approximately RMB366,000).
- (g) During the year ended 31 December 2024, 5,241,705 treasury shares amounted to approximately RMB41,821,000 were vested to Mr. Fan Jie.

## 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. As mentioned in note 24, since 24 September 2021, Meiyue Limited and Meilong Limited hold 836,978 shares and 484,331 ordinary shares of the Company, respectively.

### 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".

# NOTES TO FINANCIAL STATEMENTS

31 December 2024

## 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 RMB5,064,000 in profit or loss for the year ended 31 December 2024 (2023: RMB5,370,000).

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:

|                      | <b>Granted on<br/>1 January 2021</b> |
|----------------------|--------------------------------------|
| 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 the following individuals are eligible to participate (the “Eligible Participate”): (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 the 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 providers 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.



# NOTES TO FINANCIAL STATEMENTS

31 December 2024

## 26. SHARE-BASED PAYMENTS – *continued*

### 2023 Plan – *continued*

Subject to any early termination as may be determined by the board of directors pursuant to the 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 of directors 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 or amended from time to time), namely Future Trustee Limited (the “Trustee”).

The board of directors 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 of directors may, in its sole and absolute discretion determine.

The board of directors 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 of directors 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 of directors 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 fulfilment 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.

On 27 January 2024, the board of directors resolved to grant a total of 5,403,820 awarded shares (“Awarded Shares”) to Mr. Fan Jie at HKD0.278 per awarded share, for a total consideration of HKD1,502,000. The Awarded Shares granted to Mr. Fan Jie represent approximately 0.89% of the issued share capital of the Company as at 27 January 2024, and represent the value of approximately HKD16,914,000, taking into account the closing price of HKD3.13 per share as stated in the daily quotation sheet issued by the Stock Exchange on 26 January 2024 (being the last trading day prior to the date of grant of the Awarded Shares).

There is no performance target attached to the Awarded Shares granted. The fair value of the Award Shares granted during the year ended 31 December 2024 was determined at RMB15,376,000, and the Group recognised expenses of RMB13,998,000 in profit or loss for the year ended 31 December 2024.

# NOTES TO FINANCIAL STATEMENTS

31 December 2024

## 26. SHARE-BASED PAYMENTS – *continued*

### 2023 Plan – *continued*

5,265,000 and 400,000 Awarded Shares were acquired during the years ended 31 December 2023 and 2024, respectively, from the market by the Trustee by utilising the Company's internal resources provided to the Trustee from the market or transferred to the Trust by persons in accordance with the rules of the 2023 Plan. On 27 January 2024, 5,241,705 Awarded Shares, have vested to Mr. Fan Jie. No further Awarded Shares were vested since then and Mr. Fan Jie resigned on 25 September 2024.

## 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.

### (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.

# NOTES TO FINANCIAL STATEMENTS

31 December 2024

## 28. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOW

- (a) During the year ended 31 December 2024, the Group had non-cash additions to right-of-use assets of RMB2,647,000 (2023: RMB1,688,000) and lease liabilities of RMB2,647,000 (2023: RMB1,688,000), in respect of lease arrangements for office premises.

(b) **Changes in liabilities arising from financing activities**

|   | Lease<br>liabilities<br>RMB'000 | Convertible<br>redeemable<br>preferred<br>shares<br>RMB'000 | Total<br>RMB'000 |
|---|---------------------------------|---|------------------|
| 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)        |
| 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 and 1 January 2024  | 4,636                           | —   | 4,636            |
| New leases                              | 2,647                           | —   | 2,647            |
| Cash flows used in financing activities | (5,436)                         | —   | (5,436)          |
| Interest expense                        | 152                             | —   | 152              |
| At 31 December 2024                     | 1,999                           | —   | 1,999            |

\* 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:

|                             | 2024<br>RMB'000 | 2023<br>RMB'000 |
|-----------------------------|-----------------|-----------------|
| Within operating activities | 30              | 72              |
| Within financing activities | 5,436           | 6,922           |
| Total                       | 5,466           | 6,994           |

# NOTES TO FINANCIAL STATEMENTS

31 December 2024

## 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<br>(holding 7.74% shares of Shanghai MedSci) |

### (b) Outstanding balances with related party

|                                  | 2024<br>RMB'000 | 2023<br>RMB'000 |
|----------------------------------|-----------------|-----------------|
| <b>Due from a related party:</b> |                 |                 |
| <b>Non-trade related</b>         |                 |                 |
| A key management person          | 2,524           | —               |
| Total                            | 2,524           | —               |

### (c) Compensation of key management personnel of the Group:

|                              | 2024<br>RMB'000 | 2023<br>RMB'000 |
|------------------------------|-----------------|-----------------|
| Share-based payment expense  | 13,998          | —               |
| Short-term employee benefits | 6,556           | 6,992           |
| Pension scheme contributions | 327             | 397             |
| Total                        | 20,881          | 7,389           |

Further details of directors' emoluments are included in note 8.

# NOTES TO FINANCIAL STATEMENTS

31 December 2024

## 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 2024

### Financial assets

|  | Financial assets<br>at fair value<br>through profit or<br>loss mandatorily<br>designated<br>as such<br>RMB'000 | Financial assets<br>at amortised cost<br>RMB'000 |
|--|--|--|
| Trade receivables (note 17)  | —  | 33,026   |
| Financial assets included in prepayments deposits and other<br>receivables (note 19) | —  | 11,726   |
| Financial assets at fair value through profit or loss                                | 552,882  | —  |
| Time deposits (note 21)  | —  | 284,313  |
| Cash and bank balances (note 21)   | —  | 366,959  |
| Total  | 552,882  | 696,024  |

### Financial liabilities

|   | Financial<br>liabilities at<br>amortised cost<br>RMB'000 |
|---|--|
| Trade payables (note 22)  | 2,031  |
| Financial liabilities included in other payables and accruals (note 23) | 12,920   |
| Total   | 14,951   |

# NOTES TO FINANCIAL STATEMENTS

31 December 2024

## 30. FINANCIAL INSTRUMENTS BY CATEGORY – *continued*

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: — continued

At 31 December 2023

### *Financial assets*

|  | Financial assets<br>at fair value<br>through profit or<br>loss mandatorily<br>designated<br>as such<br>RMB'000 | Financial assets<br>at amortised cost<br>RMB'000 |
|--|--|--|
| Trade receivables (note 17)  | —  | 34,765   |
| Financial assets included in prepayments deposits and other<br>receivables (note 19) | —  | 7,095  |
| Financial assets at fair value through profit or loss                                | 501,892  | —  |
| Time deposits (note 21)  | —  | 451,074  |
| Cash and bank balances (note 21)   | —  | 181,920  |
| Total  | <u>501,892</u>   | <u>674,854</u>                                   |

### *Financial liabilities*

|   | Financial<br>liabilities at<br>amortised cost<br>RMB'000 |
|---|--|
| Trade payables (note 22)  | 2,052  |
| Financial liabilities included in other payables and accruals (note 23) | <u>21,236</u>  |
| Total   | <u>23,288</u>  |

# NOTES TO FINANCIAL STATEMENTS

31 December 2024

## 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.

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 2024 and 2023:

|   | Valuation technique  | Significant unobservable input | Range     | Sensitivity of fair value to the input  |
|---|----------------------|--------------------------------|-----------|---|
| Wealth management products (as at 31 December 2024) | Discounted cash flow | Expected rate of return        | 2.8%–4.1% | 100 basic point increase/decrease in expected rate of return would result in an increase/decrease in fair value by RMB6,007,244 |
| 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 |

# NOTES TO FINANCIAL STATEMENTS

31 December 2024

## 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 2024

|  | Fair value measurement using                                  |   |   | Total<br>RMB'000 |
|--|---|---|---|------------------|
|  | Quoted prices<br>in active<br>markets<br>(Level 1)<br>RMB'000 | Significant<br>observable<br>inputs<br>(Level 2)<br>RMB'000 | Significant<br>unobservable<br>inputs<br>(Level 3)<br>RMB'000 |                  |
| Financial assets at fair value<br>through profit or loss — wealth<br>management products | —   | 552,882   | —   | 552,882          |

As at 31 December 2023

|  | Fair value measurement using                                  |   |   | Total<br>RMB'000 |
|--|---|---|---|------------------|
|  | Quoted prices<br>in active<br>markets<br>(Level 1)<br>RMB'000 | Significant<br>observable<br>inputs<br>(Level 2)<br>RMB'000 | Significant<br>unobservable<br>inputs<br>(Level 3)<br>RMB'000 |                  |
| Financial assets at fair value<br>through profit or loss — wealth<br>management products | —   | 501,892   | —   | 501,892          |

#### *Liabilities measured at fair value:*

The Group did not have any financial liabilities measured at fair value as at 31 December 2023 and 2024.

During the year ended 31 December 2023, the movements in fair value measurements within Level 3 are as follows:

|  | 2023<br>RMB'000 |
|--|-----------------|
| At beginning of year                           | 720,907         |
| Conversion from ordinary shares                | —               |
| Conversion to ordinary shares                  | (698,812)       |
| Fair value losses recognised in profit or loss | (12,785)        |
| Exchange differences                           | (9,310)         |
| At end of year                                 | —               |



# NOTES TO FINANCIAL STATEMENTS

31 December 2024

## 31. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS – *continued*

### *Fair value hierarchy – continued*

### *Liabilities measured at fair value: – continued*

During the year ended 31 December 2024, 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 (2023: 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.

|                                | <b>Increase/<br/>(decrease)<br/>in rate of<br/>foreign currency<br/>%</b> | <b>Increase/<br/>(decrease)<br/>in profit<br/>before tax<br/>RMB'000</b> | <b>Increase/<br/>(decrease)<br/>in equity<br/>RMB'000</b> |
|--------------------------------|---|--|---|
| 31 December 2024               |   |  |   |
| If RMB weakens against USD     | 5   | 1,089  | 12,906  |
| If RMB strengthens against USD | (5)   | (1,089)  | (12,906)  |
| If HKD weakens against USD     | 5   | 12,733   | 12,733  |
| If HKD strengthens against USD | (5)   | (12,733)   | (12,733)  |
| 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)  |

# NOTES TO FINANCIAL STATEMENTS

31 December 2024

## 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 | Lifetime ECLs |         |            |         |
|--|----------|---------------|---------|------------|---------|
|  | ECLs     |               |         |            |         |
|  | Stage 1  | Stage 2       | Stage 3 | Simplified | Total   |
|  | RMB'000  | RMB'000       | RMB'000 | approach   | RMB'000 |
|  | RMB'000  |               |         | RMB'000    |         |
| 31 December 2024   |          |               |         |            |         |
| Trade receivables*   | —        | —             | —       | 34,633     | 34,633  |
| Contract assets*   | —        | —             | —       | 85,278     | 85,278  |
| Financial assets included in<br>prepayments, deposits<br>and other receivables |          |               |         |            |         |
| — Normal**   | 12,034   | —             | —       | —          | 12,034  |
| Cash and bank balances<br>and time deposits                                    | 651,272  | —             | —       | —          | 651,272 |
| Total  | 663,306  | —             | —       | 119,911    | 783,217 |

# NOTES TO FINANCIAL STATEMENTS

31 December 2024

## 32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – *continued*

### (b) Credit risk – *continued*

|  | 12-month<br>ECLs   | Lifetime ECLs      |                    |                                   |                  |
|--|--------------------|--------------------|--------------------|-----------------------------------|------------------|
|  | Stage 1<br>RMB'000 | Stage 2<br>RMB'000 | Stage 3<br>RMB'000 | Simplified<br>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<br>prepayments, deposits<br>and other receivables |                    |                    |                    |                                   |                  |
| — Normal**   | 7,241              | —                  | —                  | —                                 | 7,241            |
| Cash and bank balances<br>and time deposits                                    | 632,994            | —                  | —                  | —                                 | 632,994          |
| Total  | 640,235            | —                  | —                  | 146,076                           | 786,311          |

\* 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 2024

## 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<br>RMB'000 | Less than<br>3 months<br>RMB'000 | 3 to<br>12 months<br>RMB'000 | 1 to<br>5 years<br>RMB'000 | Total<br>RMB'000 |
|---|----------------------|----------------------------------|------------------------------|----------------------------|------------------|
| 31 December 2024  |                      |                                  |                              |                            |                  |
| Trade payables  | 2,031                | —                                | —                            | —                          | 2,031            |
| Financial liabilities included<br>in other payables and<br>accruals (note 23) | 12,920               | —                                | —                            | —                          | 12,920           |
| Lease liabilities   | —                    | 941                              | 865                          | 209                        | 2,015            |
| Total   | 14,951               | 941                              | 865                          | 209                        | 16,966           |
| 31 December 2023  |                      |                                  |                              |                            |                  |
| Trade payables  | 2,052                | —                                | —                            | —                          | 2,052            |
| Financial liabilities included<br>in other payables and<br>accruals (note 23) | 21,236               | —                                | —                            | —                          | 21,236           |
| Lease liabilities   | —                    | 829                              | 3,375                        | 690                        | 4,894            |
| Total   | 23,288               | 829                              | 3,375                        | 690                        | 28,182           |

# NOTES TO FINANCIAL STATEMENTS

31 December 2024

## 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:

|                           | 2024<br>RMB'000 | 2023<br>RMB'000 |
|---------------------------|-----------------|-----------------|
| Total current assets      | 1,320,987       | 1,267,010       |
| Total current liabilities | 179,361         | 174,578         |
| Current ratio             | 7.36            | 7.26            |

# NOTES TO FINANCIAL STATEMENTS

31 December 2024

## 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:

|   | 2024<br>RMB'000 | 2023<br>RMB'000 |
|---|-----------------|-----------------|
| <b>NON-CURRENT ASSETS</b>                             |                 |                 |
| Investment in a subsidiary, at cost                   | 19,788          | 19,788          |
| <b>Total non-current assets</b>                       | <b>19,788</b>   | <b>19,788</b>   |
| <b>CURRENT ASSETS</b>                                 |                 |                 |
| Other receivables                                     | 54,962          | 12,155          |
| Financial assets at fair value through profit or loss | 538,452         | 501,892         |
| Cash and cash equivalents                             | 237,491         | 278,591         |
| <b>Total current assets</b>                           | <b>830,905</b>  | <b>792,638</b>  |
| <b>NET CURRENT ASSETS</b>                             | <b>830,905</b>  | <b>792,638</b>  |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>          | <b>850,693</b>  | <b>812,426</b>  |
| <b>Net assets</b>                                     | <b>850,693</b>  | <b>812,426</b>  |
| <b>EQUITY</b>   |                 |                 |
| Equity attributable to owners of the parent           |                 |                 |
| Share capital   | 420             | 420             |
| Treasury shares                                       | (582)           | (42,037)        |
| Reserves (Note)                                       | 850,855         | 854,043         |
| <b>Total equity</b>                                   | <b>850,693</b>  | <b>812,426</b>  |

# NOTES TO FINANCIAL STATEMENTS

31 December 2024

## 33. STATEMENT OF FINANCIAL POSITION OF THE COMPANY – *continued*

Note:

A summary of the Company's reserves is as follows:

|   | Share<br>premium<br>RMB'000 | Capital<br>reserve<br>RMB'000 | Exchange<br>fluctuation<br>reserve<br>RMB'000 | Share-based<br>payment<br>reserve<br>RMB'000 | Accumulated<br>profits/<br>(losses)<br>RMB'000 | Total<br>RMB'000 |
|---|-----------------------------|-------------------------------|---|--|--|------------------|
| 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 income for the year   |                             |                               |   |  |  |                  |
| Translation difference of the Company's<br>financial statements into presentation<br>currency | —                           | —                             | 30,394  | —  | —  | 30,394           |
| Total comprehensive income for the year   | —                           | —                             | 30,394  | —  | 6,670  | 37,064           |
| Net proceeds from issue of shares from initial<br>public offering ("IPO")                     | 535,834                     | —                             | —   | —  | —  | 535,834          |
| Share issue expenses  | (20,991)                    | —                             | —   | —  | —  | (20,991)         |
| Conversion of convertible preferred shares into<br>ordinary shares upon IPO                   | 53,416                      | —                             | —   | —  | —  | 53,416           |
| Conversion of convertible redeemable<br>preferred shares into ordinary shares<br>upon IPO     | 698,811                     | —                             | —   | —  | —  | 698,811          |
| Capitalization issue  | (337)                       | —                             | —   | —  | —  | (337)            |
| Share-based payments  | —                           | —                             | —   | 5,370  | —  | 5,370            |
| At 31 December 2023 and 1 January 2024  | 1,266,733                   | (170,096)                     | 48,236  | 19,788                                       | (310,618)                                      | 854,043          |
| Profit for the year   | —                           | —                             | —   | —  | 13,870   | 13,870           |
| Other comprehensive income for the year   |                             |                               |   |  |  |                  |
| Translation difference of the Company's<br>financial statements into presentation<br>currency | —                           | —                             | 4,322   | —  | —  | 4,322            |
| Total comprehensive income for the year   | —                           | —                             | 4,322   | —  | —  | 18,192           |
| Shares granted for a share award scheme   | —                           | —                             | —   | (40,442)                                     | —  | (40,442)         |
| Share-based payments  | —                           | —                             | —   | 19,062                                       | —  | 19,062           |
| At 31 December 2024   | 1,266,733                   | (170,096)                     | 52,588  | (1,592)                                      | (296,748)                                      | 850,855          |

\* Amount less than RMB1,000.

## 34. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 28 March 2025.

## DEFINITIONS

|   |  |
|---|--|
| “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 the 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”,<br>“Mainland China”,<br>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 2023  |
| “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” | the Company and 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”  | Hefei Kang’en is held as to 99% by Dr. Zhang, and therefore a connected person of our Company under Rule 14A.07(4) of the Listing Rules   |
| “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, further details of which are set out in “Contractual Arrangements” of this Directors’ Report |
| “Hefei Kang’en Registered Shareholders”                        | the registered shareholders of Hefei Kang’en, namely Dr. Zhang and Mr. Yang, as detailed in “Contractual Arrangements” of this Directors’ Report  |
| “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 the 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 the Company   |

## DEFINITIONS

|  |   |
|--|---|
| “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 2024   |
| “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”                          | Shanghai MedSci MedTech Co., Ltd. (上海梅斯醫藥科技有限公司), a limited liability company established under the laws of the PRC on 6 November 2012 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, further details of which are set out in “Contractual Arrangements” |

## DEFINITIONS

|   |   |
|---|---|
| “Shanghai MedSci Registered Shareholders” | the registered shareholders of Shanghai MedSci, namely Dr. Li, Dr. Zhang, Mr. Yang, 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, Meilong Investment, Shanghai Weita Enterprise Management Consulting Partnership (Limited Partnership) (上海魏鰲企業管理諮詢合夥企業(有限合夥)), 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)), 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)), formerly known as Huzhou Jingwo Investment Management Partnership (Limited Partnership) (湖州璟沃投資管理合夥企業(有限合夥)), as detailed in “Contractual Arrangements” in this Directors’ Report |
| “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  |
| “SKU”                                     | stock keeping unit  |
| “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   |

## DEFINITIONS

“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

\* For identification purpose only