DINGDANG HEALTH TECHNOLOGY GROUP LTD.
叮當健康科技集團有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 09886

2023
ANNUAL REPORT

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Yang Wenlong (楊文龍) *(Chairman & President)*
Mr. Xu Ning (徐寧)
Mr. Yu Lei (俞雷)
Mr. Yu Qinglong (于慶龍)
Mr. Yang Yibin (楊益斌)
(Appointed on August 25, 2023)

Non-executive Directors

Ms. Cai Li (蔡俐)
Ms. Lian Suping (連素萍) *(Resigned on July 18, 2023)*

Independent Non-executive Directors

Mr. Zhang Shouchuan (張守川)
Dr. Fan Zhenhong (樊臻宏)
Mr. Jiang Shan (姜山)

AUDIT COMMITTEE

Mr. Jiang Shan *(Chairman)*
Mr. Zhang Shouchuan
Dr. Fan Zhenhong

NOMINATION COMMITTEE

Mr. Yang Wenlong *(Chairman)*
Dr. Fan Zhenhong
Mr. Zhang Shouchuan

REMUNERATION COMMITTEE

Dr. Fan Zhenhong *(Chairman)*
Mr. Zhang Shouchuan
Ms. Cai Li

AUTHORIZED REPRESENTATIVES

Mr. Xu Ning
Mr. Lam Yiu Por

JOINT COMPANY SECRETARIES

Mr. Lam Yiu Por
Mr. Liu Zhenxuan
(Appointed on September 30, 2023)
Mr. Wang Yongzhi
(Resigned on September 30, 2023)

REGISTERED OFFICE

Maples Corporate Services Limited
PO Box 309
Ugland House
Grand Cayman KY1-1104
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

Building 1, Yard 50
Dengshikou Street
Dongcheng District
Beijing
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 3512, 35/F
The Center, 99 Queen's Road Central
Central
Hong Kong

COMPANY WEBSITE

www.ddjkjt.com

LEGAL ADVISORS TO THE COMPANY

As to Hong Kong laws:
Clifford Chance

As to Cayman Islands law:
Maples and Calder (Hong Kong) LLP

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants and Registered Public Interest Entity Auditor

COMPLIANCE ADVISOR

Maxa Capital Limited

HONG KONG SHARE REGISTRAR

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

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT

Maples Fund Services (Cayman) Limited
PO Box 1093
Boundary Hall
Cricket Square
Grand Cayman, KY1-1102
Cayman Islands

PRINCIPAL BANKER(S)

Agricultural Bank of China, Beijing Branch
China Merchants Bank, Beijing Branch
Bank of Beijing, Dengshikou Sub-branch
Pingan Bank, Beijing Branch
CMB Wing Lung Bank
China Merchants Bank, Hong Kong Branch

STOCK CODE

09886

Definitions

In this annual report, the following expressions have the meanings set out below unless the context otherwise requires:

"affiliate"	with respect to any specific person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
"AFRC"	Accounting and Financial Reporting Council
"Articles" or "Articles of Association"	the amended and restated articles of association of our Company, conditionally adopted on August 25, 2022 with effect from the Listing Date, as amended and supplemented from time to time
"Audit Committee"	the audit committee of the Company
"Auditor"	Deloitte Touche Tohmatsu, the auditor of the Company
"Award(s)"	an award of RSUs granted by the RSU Scheme 2023 Administrator to a Grantee in accordance with the RSU Scheme 2023
"Board" or "Board of Directors"	the board of Directors of the Company
"Cayman Companies Act" or "Companies Act"	the Companies Act, Cap. 22 (As Revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
"CG Code"	the Corporate Governance Code as set out in Appendix C1 of the Listing Rules
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company" or "our Company" or "the Company"	Dingdang Health Technology Group Ltd., an exempted company incorporated in the Cayman Islands with limited liability on August 20, 2014
"Consolidated Affiliated Entity(ies)"	entities whose financial results have been consolidated and accounted for as subsidiaries of our Company by virtue of the Contractual Arrangements, including Dingdang Medicine Express Technology, Jiangxi Dingdang Health Pharmacy Chain Co., Ltd. (江西叮噹健康藥房連鎖有限公司), Hainan Dingdang Kuaiyi, Hainan Internet Hospital and Hainan Telemedicine Center
"Contractual Arrangements"	the series of contractual arrangements entered into by, among others, the WFOE, Dingdang Medicine Express Technology and the Registered Shareholders

"Controlling Shareholders"	has the meaning ascribed to it under the Listing Rules and refers to each of Mr. Yang Wenlong, Mr. Yang Yibin, Mr. Yang Xiao, Excel Returns Group Limited, Go Prosper Enterprises Corporation, Much Premium Investment Limited, Delight Health Limited, Future Health Limited, Delight Faith Limited and Go Far Limited
"Controlling Shareholders Group"	Mr. Yang Wenlong, Mr. Yang Yibin, Mr. Yang Xiao, Excel Returns Group Limited, Go Prosper Enterprises Corporation, Much Premium Investment Limited, Delight Health Limited, Future Health Limited, Delight Faith Limited, and Go Far Limited are deemed to be a group of Controlling Shareholders
"Designated Person"	an employee of the Company designated by the RSU Scheme 2023 Administrator, who shall not be one of the Controlling Shareholders, or any person who act accustomed to instructions from the Controlling Shareholders
"Dingdang Medicine Express Technology"	Dingdang Medicine Express Technology Group Ltd. (叮噹快藥科技集團有限公司), a company incorporated under the laws of the PRC on September 2, 2014 with limited liability and a Consolidated Affiliated Entity, which is a holding company of all the other Consolidated Affiliated Entities of our Group
"Dingdang No. 1"	Zhuhai Dingdang No. 1 Enterprise Management Consulting Center (Limited Partnership) (珠海叮噹一號企業管理諮詢中心(有限合夥)), a limited partnership incorporated under the laws of the PRC on July 26, 2016 and one of the Registered Shareholders
"Dingdang No. 2"	Zhuhai Dingdang No. 2 Enterprise Management Consulting Center (Limited Partnership) (珠海叮噹二號企業管理諮詢中心(有限合夥)), a limited partnership incorporated under the laws of the PRC on July 26, 2016 and one of the Registered Shareholders
"Dingdang No. 3"	Zhuhai Dingdang No. 3 Enterprise Management Consulting Center (Limited Partnership) (珠海叮噹三號企業管理諮詢中心(有限合夥)), a limited partnership incorporated under the laws of the PRC on July 26, 2016 and one of the Registered Shareholders
"Dingdang No. 4"	Zhuhai Dingdang No. 4 Investment Center (Limited Partnership) (珠海叮噹四號投資中心(有限合夥)), a limited partnership incorporated under the laws of the PRC on July 26, 2016 and one of the Registered Shareholders
"Director(s)"	the director(s) of the Company

"ESOP Plans"	Pre-IPO Share Option Scheme, Restricted Share Scheme and RSU Scheme adopted on May 1, 2020, the Restricted Share Agreement dated May 31, 2021 and RSU Scheme 2023 adopted on June 27, 2023
"Excluded Participant"	any RSU Scheme 2023 Participant who is resident in a place where the Award and/or the vesting and transfer of the RSU Shares or cash amount which is equivalent to the market value of the RSU Shares pursuant to the rules of the RSU Scheme 2023 is not permitted under the applicable laws or where in the view of the RSU Scheme 2023 Administrator or the Trustee (as the case may be), compliance with the applicable laws makes it necessary or expedient to exclude such RSU Scheme 2023 Participant
"Global Offering"	the Hong Kong Public Offering and the International Offering
"Grantee(s)"	RSU Scheme 2023 Participant(s) selected by the RSU Scheme 2023 Administrator pursuant to the RSU Scheme 2023 for the grant of an Award
"Group" or "our Group" or "we" or "us" or "Dingdang Health"	our Company, its subsidiaries and the Consolidated Affiliated Entities (or our Company and any one or more of its subsidiaries or the Consolidated Affiliated Entities, as the context may require)
"Hainan Dingdang Kuaiyi"	Dingdang Kuaiyi (Hainan) Medical Technology Co., Ltd. (叮噹快醫(海南)醫療科技有限公司), a company incorporated under the laws of the PRC on April 18, 2019 with limited liability and our Consolidated Affiliated Entity
"Hainan Internet Hospital"	Dingdang Kuaiyi (Hainan) Internet Hospital Co., Ltd. (叮噹快醫(海南)互聯網醫院有限公司), a company incorporated under the laws of the PRC on September 4, 2019 with limited liability and our Consolidated Affiliated Entity
"Hainan Telemedicine Center"	Dingdang Kuaiyi (Hainan) Telemedicine Center Co., Ltd. (叮噹快醫(海南)遠程醫療中心有限公司), a company incorporated under the laws of the PRC on August 26, 2019 with limited liability and our Consolidated Affiliated Entity
"HK\$" or "HK dollars" or "HKD"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Listing Rules" or "Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
"Hong Kong Offer Shares"	the 3,354,000 Offer Shares initially offered by our Company for subscription at the Offer Price pursuant to the Hong Kong Public Offering

"Hong Kong Public Offering"	the offer of the 3,354,000 Offer Shares initially offered by our Company for subscription by the public in Hong Kong at the Offer Price (plus brokerage, SFC transaction levy, AFRC transaction levy and the Stock Exchange trading fees)
"IFRS(s)"	International Financial Reporting Standards, which include standards, amendments and interpretations promulgated by the International Accounting Standards Board and the International Accounting Standards and interpretation issued by the International Accounting Standards Committee
"International Offer Shares"	the 30,183,000 Shares initially offered by our Company for subscription pursuant to the International Offering together with up to an aggregate of 5,030,500 Shares which may be issued by our Company pursuant to the exercise of the Over-allotment Option
"International Offering"	the offer of the International Offer Shares by the International Underwriters outside the United States in offshore transactions in accordance with Regulation S under the U.S. Securities Act and in the United States to QIBs (a qualified institutional buyer within the meaning of Rule 144A under the U.S. Securities Act) only in reliance on Rule 144A under the U.S. Securities Act or any other available exemption from registration under the U.S. Securities Act
"International Underwriters"	the group of international underwriters, led by the Joint Global Coordinators, that is expected to enter into the international underwriting agreement to underwrite the International Offering
"Jiangxi Dingdang E-Commerce"	Jiangxi Dingdang E-Commerce Co., Ltd. (江西叮噹電子商務有限公司), a company incorporated under the laws of the PRC on February 22, 2016 with limited liability and our indirect wholly-owned subsidiary
"Jiangxi Health Pharmacy"	Jiangxi Dingdang Health Pharmacy Chain Co., Ltd. (江西叮噹健康藥房連鎖有限公司), a company incorporated under the laws of the PRC on September 21, 2020 with limited liability and our Consolidated Affiliated Entity
"Jiangxi Renhetang"	Jiangxi Renhetang Pharmaceutical Chain Co., Ltd. (江西仁和堂醫藥連鎖有限公司), a company incorporated under the laws of the PRC on March 12, 2015 with limited liability and our subsidiary
"Joint Global Coordinators"	China International Capital Corporation Hong Kong Securities Limited and CMB International Capital Limited (in no particular order)
"Listing"	listing of the Shares on the Main Board of the Hong Kong Stock Exchange
"Listing Date"	September 14, 2022, on which our Shares are listed and from which dealings therein are permitted to take place on the Hong Kong Stock Exchange

"Main Board"	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 of the Listing Rules
"Nanjing Zhaoyin Gongying"	Nanjing Zhaoyin Gongying Equity Investment Partnership (Limited Partnership) (南京市招銀共贏股權投資合夥企業(有限合夥)), a limited partnership incorporated under the laws of the PRC on July 10, 2019
"Nomination Committee"	the nomination committee of the Company
"Offer Price"	HK$12.00 per Offer Share (exclusive of brokerage fee of 1.0%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and Stock Exchange trading fee of 0.005%)
"Offer Share(s)"	the Hong Kong Offer Shares and the International Offer Shares, together with up to an aggregate of 5,030,500 Shares which may be issued by our Company pursuant to the exercise of the Over-allotment Option
"Over-allotment Option"	the option that has been granted by our Company to the International Underwriters, exercisable by the Joint Global Coordinators pursuant to the international underwriting agreement, pursuant to which our Company may be required to allot and issue up to an aggregate of 5,030,500 additional Shares at the Offer Price to, among other things, cover over-allocations in the International Offering
"Pre-IPO Share Option Scheme"	the Pre-IPO share option scheme adopted by the Company on May 1, 2020
"Prospectus"	the prospectus of the Company dated September 1, 2022
"Registered Shareholders"	the registered shareholders of Dingdang Medicine Express Technology, namely Mr. Yang Wenlong, Dingdang No. 1, Dingdang No. 2, Dingdang No. 3, and Dingdang No. 4
"Remuneration Committee"	the remuneration committee of the Company
"Renhe"	Renhe (Group) Development Co., Ltd. (仁和(集團)發展有限公司) (together with its subsidiaries, "**Renhe Group**"), a company incorporated under the laws of the PRC on July 6, 2001 with limited liability, in which Mr. Yang Wenlong (by himself and together with his close associates) directly controls 100% of the equity interests

"Renhe Pharmacy"	Renhe Pharmacy Co., Ltd. (仁和藥業股份有限公司) (together with its subsidiaries, "**Renhe Pharmacy Group**"), a joint stock company incorporated under the laws of the PRC on December 4, 1996 and listed on Shenzhen Stock Exchange (stock code: 000650), in which Mr. Yang Wenlong (by himself and together with his close associates) indirectly controls approximately 29.77% of the equity interests
"Reporting Period"	the year ended December 31, 2023
"Restricted Share Agreement"	the restricted share agreement entered into by the Company, Mr. Yang Wenlong and Future Health Limited, a company held as to 60% of its equity interests by Mr. Yang Wenlong on May 31, 2021 which has been approved by the Shareholders of the Company on May 25, 2021
"Restricted Share Scheme"	the restricted share scheme adopted by the Company on May 1, 2020
"Returned Shares"	such RSU Shares or related income which are not vested and/or are forfeited in accordance with the rules of the RSU Scheme 2023, or such Shares being deemed to be returned shares in accordance with the rules of the RSU Scheme 2023 and the Trust Deed
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"RSU(s)"	a restricted share unit conferring the Grantee a conditional right upon vesting of the restricted share unit to obtain either Shares or an equivalent value in cash with reference to the market value of the Shares on or about the Vesting Date, as determined by the RSU Scheme 2023 Administrator in its absolute discretion, less any tax, fees, levies, stamp duty and other charges applicable
"RSU Scheme"	the restricted share unit scheme adopted by the Company on May 1, 2020
"RSU Scheme 2023"	the restricted share unit scheme adopted by the Company on June 27, 2023
"RSU Shares"	such number of Shares that are conferred on the Grantee pursuant to the Award
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share Incentive Schemes"	Pre-IPO Share Option Scheme, Restricted Share Scheme and RSU Scheme adopted on May 1, 2020
"Share(s)"	ordinary shares in the share capital of our Company with a par value of US$0.0001

"Shareholder(s)"	holder(s) of our Shares
"Stock Exchange" or "Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed thereto in section 15 of the Companies Ordinance
"substantial shareholder(s)"	has the meaning ascribed to it in the Listing Rules
"Trust"	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) in respect of the appointment of the Trustee for the administration of the RSU Scheme 2023
"Trust Holdco"	Dingdang HT RSU Holding Limited, a company incorporated in the British Virgin Islands for purpose of holding the Trust, and is wholly owned by the Trustee
"Trust Shares"	such Shares that are held, directly or indirectly, by the Trustee upon Trust, from time to time for the purpose of the RSU Scheme 2023
"Trustee"	CMB Wing Lung (Trustee) Limited, the trustee corporation to be appointed by the Company for the administration of the RSU Scheme 2023
"Vesting Date"	in respect of a Grantee, the date on which his entitlement to the relevant Award is vested in such Grantee in accordance with the RSU Scheme 2023
"WFOE"	Dingdang Kuaiyao (Beijing) Technology Development Co., Ltd. (叮噹快藥(北京)技術開發有限公司), a company incorporated under the laws of the PRC on September 30, 2016 with limited liability and our indirect wholly-owned subsidiary
"%"	per cent

Financial Summary

	Year ended December, 31				
	2023	2022	2021	2020	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
RESULTS					
Revenue	**4,856,806**	4,329,075	3,678,690	2,228,563	1,275,589
Gross profit	**1,510,671**	1,449,670	1,162,311	766,193	469,954
Loss before income tax	**(221,227)**	(2,832,147)	(1,581,859)	(900,887)	(265,696)
Income tax expense	**(9,641)**	(10,128)	(17,115)	(18,793)	(8,236)
Loss for the year	**(230,868)**	(2,842,275)	(1,598,974)	(919,680)	(273,932)
Attributable to:					
Owners of the Company	**(225,809)**	(2,833,395)	(1,578,026)	(924,250)	(276,635)
Non-controlling interests	**(5,059)**	(8,880)	(20,948)	4,570	2,703
	(230,868)	(2,842,275)	(1,598,974)	(919,680)	(273,932)

	As of December, 31				
	2023	2022	2021	2020	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
ASSETS AND LIABILITIES					
ASSETS					
Non-current assets	**692,758**	769,888	678,466	692,729	308,924
Current assets	**2,372,010**	2,527,587	2,267,693	1,093,417	445,253
Total assets	**3,064,768**	3,297,475	2,946,159	1,786,146	754,177
EQUITY					
Equity attributable to owners of the Company	**2,037,422**	2,185,658	(2,612,247)	(1,358,415)	(447,062)
Non-controlling interests	**(527)**	13,538	22,418	53,373	9,652
Total equity	**2,036,895**	2,199,196	(2,589,829)	(1,305,042)	(437,410)
LIABILITIES					
Non-current liabilities	**115,329**	128,945	4,797,059	2,489,683	859,363
Current liabilities	**912,544**	969,334	738,929	601,505	332,224
Total liabilities	**1,027,873**	1,098,279	5,535,988	3,091,188	1,191,587
Total equity and liabilities	**3,064,768**	3,297,475	2,946,159	1,786,146	754,177

Chairman's Statement

Dear Shareholders,

2023 was the first year to fully realize the spirit of the 20th National Congress of the Communist Party of China. It was also an important year for China to vigorously develop digital economy with data as a key element. This year, China further promoted the construction of a healthy China and prioritized the strategic development of people's health protection. With the practical implementation of the *Rules for Regulation of Internet Medical Treatment (Trial)* and the *Measures for the Supervision and Administration of Online Pharmaceuticals Sales*, the high-quality development of the "Internet + medical health" was further promoted. This year, the public's demand for digitalized medical health services continued to increase, and the new model of digital health on-demand service in the response to diseases such as the COVID-19 epidemic, influenza A and influenza B, and Mycoplasma pneumoniae has highlighted the importance of ensuring supply in the fight against the epidemic, vigorously safeguarding the people's needs for medical treatment and medicine. This year, the continuous emergence of new inventions, new technologies and new creations with AI as the core constantly deepened the application of digital technology in the medical and health industry expanding from an auxiliary link to a core link which further activates the extensive potential of digital health and medical care.

As one of the leaders in the digital health on-demand service, Dingdang Health closely follows the guidance of national policies, seizes new opportunities for industry development, and continues to practice its corporate value and concept of "Serving People's Health and Bringing the Ultimate To-Home Health Service" (服務百姓健康，引領極致健康到家服務) to upgrade Dingdang Health's strategies and business layout through "digital strategies" with a focus on the organic growth of core businesses and high-quality improvements in operational efficiency, continuously promote business innovation and technological innovation, vigorously develop "a new type of multi-functional smart pharmacy that deeply integrates digital pharmacies and physical pharmacies", comprehensively promotes the high-quality and in-depth integrated development of the digital economy and the real economy, and provide digital health on-demand service to thousands of households through "internet + medical health", playing the most direct and efficient role in protecting people's health. In putting ourselves in another's position, we create sustainable values for users, Shareholders, the industry and the society.

Since launching the new "five-year plan" in 2023, Dingdang Health has insisted on putting users at the center, providing users with professional, safe, immediate, and efficient medical health on-demand service, promoting digital and intelligent transformation and upgrading, and striving to create "commodity power, channel power, innovation power, professional power and organizational power" to strengthen professional service standards and digital empowerment innovation capabilities. Specific measures include:

- **Deepening digital health services and upgrading the supply chain cooperation system:** Through continuously deepening digital operation capabilities and integrating and analyzing data elements, we provided users with online live broadcast and private domain operation services, created a product matrix and creative content matrix, and offered multiple protections. We also digitally empowered the industry, worked with a number of pharmaceutical enterprises to innovate service models and launched products online, and comprehensively upgraded the supply chain strategic cooperation system through professional technology and services.

- **Refining digital disease specialty and remote medical services:** We strengthened the "medical + drug" linkage and established multiple digital disease specialist centers and remote pharmacy service platforms. We also provided special services for upper respiratory tract infection during the seasons with high incidence of respiratory diseases such as influenza A, influenza B, and Mycoplasma pneumoniae, providing users with specialist free consultations, medication guidance, health management, professional knowledge popularization and other health services, and deeply exploring and satisfying users' needs for treatment of existing diseases, pre-disease care, long-term chronic diseases, professional health guidance, etc.

- **Opening up digitally diversified and convenient payment methods:** Through cooperating with payment terminals, we actively promoted and realized online payment for medical insurance in Shanghai, creating a closed loop of medical and health services from drug sales to medical insurance settlement and home delivery. We established direct payment mechanisms with major commercial insurance companies to provide users with convenient payment solutions, establishing an ecological system which perfected "Treatment, Diagnosis, Pharmaceutical Products and Medical Insurance".

- **Innovating AI and digitally empowered medical consultation services:** We vigorously promoted the construction of technology capabilities for AI smart medical service and realized the AI upgrade of solutions in corresponding scenarios for doctors, pharmacists and customer service, which greatly improved the service efficiency of doctors, pharmacists and customer service.

- **Professional cold-chain and delivery team building:** We vigorously promoted the construction of professional delivery capabilities for cold-chain drugs, realized on-demand service for cold-chain drugs and created a logistics guarantee system for safety and quality.

- **Consolidating advantageous businesses to lay a solid foundation for medium to long-term scale growth**: We further consolidated and developed health on-demand service in megacities with a focus on the expansion in core cities. We also steadily expanded into new cities while actively promoting the three pillars of "self-operation + franchise + alliance" under our expansion strategy in a bid to support our medium to long-term scale growth.

We continue to emphasize that the industry we are in is closely related to the lives and health of users, and we assume great responsibilities thereon. In all aspects of management and operation, Dingdang Health has fully integrated social responsibility and service concepts into the effective paths for the corporate development strategy and business development, achieving a double harvest of economic and social benefits. In 2023, we further promoted and improved the construction of management system, enhanced product safety and information security levels, and continued to add value to employees, users, partners and the public. With the continuous development of business and the continuous improvement of corporate governance level, we further strengthened the integrated online and offline service performance system and a complete set of traceable quality control system, effectively combining digital medical and health services with innovation, while enabling the long-term and stable development of Dingdang Health's business.

2024 is a critical year for Dingdang Health's "five-year plan". We will continue to practice the corporate value and concept of "Serving People's Health and Bringing the Ultimate To-Home Health Service" (服務百姓健康，引領極致健康到家服務). With adherence to being user-centered, we will continue to promote "digitalization strategy" and embrace digital technology. In close collaboration with ecological partners, we will deepen upstream and downstream strategic cooperation, promote the integrated development of industries with synergy and efficiency to build an in-depth service ecosystem of "Treatment, Diagnosis, Pharmaceutical Products and Medical Insurance" and further promote the digital transformation and upgrading of the industry. With a continuous focus on our core businesses and core markets, we will improve stock, expand increments, explore variables, seize opportunities, continue to promote business innovation and technological innovation, cultivate "new quality productive forces" and continue to create a new type of "multi-functional smart pharmacy that deeply integrates digital pharmacies and physical pharmacies", comprehensively promoting the high-quality and in-depth integrated development of the digital economy and the real economy. We will continue to expand new categories and new services, build a full supply chain system for goods, expand an all-channel sales system, and promote on-demand retailing of health products and in-hospital medicines to fully meet the differentiated and diversified needs of users, creating a one-stop medical and health management and on-demand pharmaceutical retail system for all scenarios and full life cycles, promoting the Company's digital, professional and diversified development, and continuing create values for users, Shareholders, the industry and the society, better serving the users and repaying the public.

Finally, I would like to thank all Shareholders, partners, users, and community who have been supporting and helping us in moving forward together.

YANG Wenlong
Chairman and President

March 28, 2024

BUSINESS REVIEW

2023 was the first year to fully realize the spirit of the 20th National Congress of the Communist Party of China. In this year, China vigorously developed a digital economy with data as a key element and constantly deepened the application of digital technology in the medical and health industry, expanding from an auxiliary link to a core link. The continuous emergence of new services and applications activated the extensive potential of digital health and medical care. Digital health on-demand service played a direct role in medical consultation and drug purchase and health protection among residents. Since the beginning of 2023, China has issued a series of relevant policies to further clarify the supervision and rules of the industry, meanwhile expressing encouragement and support for digital health services. In February 2023, the *Opinions on Further Deepening Reform to Promote the Healthy Development of the Rural Medical and Health System* proposed vigorous promotion of "Internet + medical health" and construction of a remote rural medical service system. In March 2023, the *Opinions on Further Improving the Medical and Health Service System* proposed the development of "Internet + medical health", building an industrial Internet platform for the medical field, accelerating the promotion of the Internet, blockchain, Internet of Things, artificial intelligence, cloud computing, big data and other technologies in the application in the medical and health fields, and strengthening the construction of a sharing, exchange and guarantee system for health and medical big data. In June 2023, the *Notice on Regulating the Online Sales Information Display of Prescription Drug* put forward detailed requirements for the display of prescription drug information on online drug sales platforms/websites (including applications). In July 2023, the *Measures to Restore and Expand Consumption* pinpointed the development of "Internet + medical health" to further improve the Internet consultation and treatment charging policy and gradually include qualified "Internet +" medical services into the scope of medical insurance payment. In October 2023, a pilot online payment project for medical insurance and drug purchase was conducted in Shanghai.

For the year ended December 31, 2023 (the "**Reporting Period**"), our total revenue increased to RMB4,856.8 million (2022: RMB4,329.1 million), with a year-on-year increase of 12.2%. Registered users and medical consultation services increased simultaneously, with cumulative registered users reaching approximately 41.5 million, and we recorded 8.21 million health and medical consultations in the online medical consultations business. For the year ended December 31, 2023, the net loss of the Company was narrowed down by 91.9%, representing a year-on-year decrease of RMB2,611.4 million. The Company recorded a loss of RMB230.9 million and an adjusted net loss ratio of 2.2%, representing a year-on-year decrease of 0.8 percentage point, mainly due to our business strategy of cost reduction and efficiency improvement, which has effectively improved operational efficiency.

Dingdang Health will consistently adhere to the user-centric mode and build a comprehensive ecosystem of "Treatment, Diagnosis, Pharmaceutical Products and Medical Insurance" through in-depth cooperation and empowerment of the industry chain, and the Company, centering around residents' health needs while closely following the national policy guidance and focusing on forward-looking innovation, has made a sound planning and active promotion of business segments including online medical insurance payment, professional pharmaceutical cold-chain on-demand delivery services, AI smart medical services to provide residents with professional, safe, immediate and efficient pharmaceutical and medical services. At the same time, we will further consolidate and develop the on-demand health service in megacities, focusing on the expansion layout in core cities and steadily expanding into new cities in a bid to support our medium-to-long-term growth.

- **Drug Express Business**

As a service provider in the digital health on-demand business, we always put users at the center, while continuously expand our range of health products and deeply penetrate the covered areas. Through business innovation and technological innovation, we ensure our full-time, full-area, all-scenario and all-weather digital health on-demand service delivered within 28 minutes on a 24/7 basis, allowing users to experience our speed, professionalism and comprehensiveness. For the year ended December 31, 2023, our drug express business has maintained growth. The breakdown of revenue by channel includes: revenue recorded from online direct sales of RMB3,527.9 million (2022: RMB3,091.0 million), representing a year-on-year increase of 14.1%; revenue recorded from business distribution of RMB545.8 million (2022: RMB436.6 million), representing a year-on-year increase of 25.0%; revenue recorded from offline retail of RMB643.9 million (2022: RMB674.0 million), representing a year-on-year decrease of 4.5% and revenue recorded from other business of RMB139.2 million (2022: RMB127.5 million), representing a year-on-year increase of 9.2%.

During the Reporting Period, we bolstered up the development of our supply chain system, including warehousing logistics and cold-chain logistics service capabilities. In specialized fields including diabetes and dermatology, we further enhanced user service capabilities through digitalization and professional logistics to ensure the safe use of drugs for users. Through our partnerships with more than 6,000 pharmaceutical manufacturing and distribution companies, we strove to expand our partnerships to enhance and expand the diversity of our product portfolio. We also established an innovative business platform Yaojiaohui (藥交匯) to provide multi-channel, high-quality health products.

➢ **Online Direct Sales**

In terms of the online direct sales channel, Dingdang Health reached out to its users through its online platform for service and product sales. During the Reporting Period, we recorded a revenue of RMB3,527.9 million (2022: RMB3,091.0 million) from online direct sales channel, representing a year-on-year increase of 14.1%. Through our online-to-offline order fulfillment service model and direct-sales e-commerce service model, we maintained contact with our users through omni-platform channels. Dingdang Health focuses on providing express medicine, medical and healthcare services which are empowered by our smart pharmacy and E-zoning technology as well as experienced riders who could deliver efficiently and safely through an intelligent scheduling system. In the direct-sales e-commerce model, we could make both regular and scheduled deliveries with the help of third-party carriers, covering major regions and populations across China.

➢ **Business Distribution**

Dingdang Health will further reinforce industrial advantages in the supply chain by radically forging commodity and innovation power to achieve supply chain empowerment and product sales. During the Reporting Period, the business distribution recorded a revenue of RMB545.8 million (2022: RMB436.6 million), representing a year-on-year increase of 25.0%, mainly due to the increase in our product development and sales partners.

➢ **Offline Retail**

In addition to online direct sales and business distribution, users could also purchase our products and services directly from our extensive network of pharmacies in major cities across China. During the Reporting Period, our offline retail recorded a revenue of RMB643.9 million (2022: RMB674.0 million), representing a year-on-year decrease of 4.5%.

➢ **Other Business**

Dingdang Health has cooperated with over 6,000 pharmaceutical manufacturers and pharmaceutical distribution companies in aggregate. While establishing alliance and continuously deepening cooperation with pharmaceutical manufacturers and enterprises, the Company also realized in-depth cooperation in terms of advertisement, promotion, marketing service and research and development for pharmaceutical products. During the Reporting Period, the other business recorded a revenue of RMB139.2 million (2022: RMB127.5 million), representing a year-on-year increase of 9.2%.

- **Online Medical Consultation**

During the Reporting Period, we initiated the Dingdang HealthGPT, and based on which the Company launched two applied pharmaceutical AI products: "Dingdang Pharmacist" and "Nutritionist AI Assistant". In the future, we will provide the public with more professional, convenient and secure medication, nutrition and healthcare services and other services so as to further realize the "technology inclusiveness" of AI in the pharmaceutical field. "Dingdang Pharmacist" and "Nutritionist AI Assistant" have passed the mock national professional qualification examinations for licensed pharmacists and nutritionists and have been under upgrades and optimizations all the time. "Dingdang Pharmacist" and "Nutritionist AI Assistant" could efficiently deploy and analyze data resources and build interactive thinking capabilities to help pharmacists and nutritionists improve their work efficiency and service quality. Our medical team included more than 800 internal and external doctors and more than 400 medical professional pharmacists covering our network of smart pharmacies, enabling us to provide safe and secure health services to our users in accordance with national regulatory requirements. During the Reporting Period, we provided over 8.21 million times of online consultation services.

- **Chronic Diseases and Health Management**

Through our self-developed AI system, health mapping, medical dictionary wisdom and other technologies, we helped users with health portfolio management and DOT medication adherence services. In addition, medical consultation and treatment and chronic diseases management were integrated further to deepen the services. We enhanced cooperation with renowned pharmaceutical companies (such as Sanofi) to promote the management of chronic diseases, most notably diabetes, serving the chronic patients with online and offline omni-channel operation. For such medicines, we provide the patients with a professional cold-chain door-to-door delivery service which is available around the clock and takes an average of 28 minutes, allowing citizens to buy insulin products of Sanofi without leaving their homes. In addition, we established a strategic partnership with Chugai Pharma China Co., Ltd., under which we will focus on the area of chronic diseases and carry out in-depth cooperation in online and offline integrated contact and operation, specialist disease management, chronic disease management, digital disease education, etc., in a bid to enhance the public's awareness of chronic diseases and relevant standardized treatments and promote the high-quality development of the chronic disease segment in China.

As our services continue to grow, we are proactively exploring the establishment of patient services and medical services with various medical institutions and leading hospitals to provide patient course management, remote consultation and health management for different users. We have further developed the management of subspecialties, including respiratory medicine, dermatology, gastroenterology, gynecology, cardiovascular and oncology, etc., and built partnerships with domestically renowned hospitals and specialists, providing users with online medical consultation through online and supplementary services.

Public Welfare and Social Responsibility

We have been adhering to our corporate value and concept of "serving the public health" and always insisted on putting the health of users above the core value of corporate development, proactively performing our corporate social responsibility. We have linked public health to our development, continuously serving the public and the society.

In April 2023, in order to promote medication safety, we conducted the "home expired drugs recycling" campaign jointly with Guangzhou Baiyunshan Pharmaceutical for the third consecutive year, so as to guide the public to use drugs in a reasonable and safe manner.

In May 2023, in order to raise concerns over the health of adolescents, we cooperated with Fenbid to launch the "Dream Chasing Action" for the fourth consecutive year. The project for 2023, "Restart for the Dream, Co-build Dream Centers", provided healthcare support to the children in mountain areas through multiple charity initiatives such as co-building dream classrooms and providing healthcare materials.

In June 2023, we joined hands with Beijing Red Cross Foundation and China National Medicines Corporation Ltd. to kick off the national Eye Care Day health education public welfare campaign with the theme of "Care more about your eyes for brightness", providing the public with eye care knowledge and free eye check-up services.

In the summer vacation of 2023 when hot weather continued to sweep across China, we joined hands with pharmaceutical enterprises to launch the public welfare campaign "Coolness Express" to care those who have to work outdoors on hot days. With a special focus on the health of deliverymen, we kick-started the public welfare campaign "Heatstroke Prevention for Deliverymen" at Dingdang chained smart pharmacies and provided a wide range of heatstroke prevention services and benefits.

In December 2023, various types of respiratory diseases have entered a period of high incidence. We joined hands with Yiling Pharmaceutical to carry out special science popularization on the prevention and treatment of respiratory diseases to help citizens prevent and treat respiratory diseases.

Social Honours

During the Reporting Period, we received the following social honours:

- "2023 China Digital Health List"
- "2023 Environmental, Social and Governance (ESG) Case of the Year" by People's Daily
- "High-Quality Development of the Big Data Health Industry Outstanding Case Release"
- 2023 "Top 100 Pharmaceutical Retail Enterprises in terms of Comprehensive Competitiveness" by CHEO
- Dingdang Health GPT was selected into the list of "Top 70 Chinese Large Models in 2023"
- "Award for Innovation on Operation" by Chinese Drug Store Summit Forum
- "2023 Corporate ESG Outstanding Case of Social Responsibility" by Xinhuanet
- "2023 EDGE AWARDS Medical and Comprehensive Health Consumer Enterprise of the Year"
- CLS ESG Excellence Award – Pioneer Award

Future Prospects

We are of the view that with the iteration and development of new technologies such as AI, vertical and professional application scenarios will also witness reform and bring along new opportunities. Meanwhile, with reform at policy level, such as further implementation of online medical insurance payment pilot points and prescription circulation platform nationwide, the digital medical and health sector is set to embrace another cycle of development opportunities via the integration of online and offline means. Under the guidance of policy reform and technological innovation, Dingdang Health will maintain the competitive advantages of the integrated online and offline service operation model while at the same time enhancing its own technical service level, consistently striving to create a service ecosystem of "Treatment, Diagnosis, Pharmaceutical Products and Medical Insurance". We will continue to consolidate its current service advantages in major cities such as Beijing, Shanghai and Shenzhen and continue to expand its scale and enhance its service density.

FINANCIAL REVIEW

Revenue

Revenue increased by 12.2% from RMB4,329.1 million for the year ended December 31, 2022 to RMB4,856.8 million for the year ended December 31, 2023. The increase in our total revenue was primarily due to the increase in the revenue from our pharmaceutical and healthcare business by 12.3% from RMB4,201.6 million for the year ended December 31, 2022 to RMB4,717.6 million for the year ended December 31, 2023. The increase in revenue from the pharmaceutical and healthcare business was primarily attributable to the growing user base, growth of the sales orders and the enrichment of product categories.

Cost of Revenue

Cost of revenue increased by 16.2% from RMB2,879.4 million for the year ended December 31, 2022 to RMB3,346.1 million for the year ended December 31, 2023, primarily due to the increase in the sales of our pharmaceutical and healthcare business.

Gross Profit and Gross Profit Margin

As a result of the foregoing, we recorded a gross profit of RMB1,510.7 million for the year ended December 31, 2023, representing a gross profit margin of 31.1%; and a gross profit of RMB1,449.7 million for the year ended December 31, 2022, representing a gross profit margin of 33.5%. The decrease in the gross profit margin was mainly due to the change in product sales portfolio.

Fulfillment Expenses

The fulfillment expenses increased by 10.8% from RMB444.2 million for the year ended December 31, 2022 to RMB492.1 million for the year ended December 31, 2023. The increase was primarily due to increased demands from our users for our product and service offerings and the expansion of our business. The fulfillment expenses as a percentage of revenue decreased from 10.3% for the year ended December 31, 2022 to 10.1% for the year ended December 31, 2023.

Selling and Marketing Expenses

The selling and marketing expenses increased by 7.1% from RMB908.2 million for the year ended December 31, 2022 to RMB972.7 million for the year ended December 31, 2023. The increase was primarily attributable to the expansion of the network of our smart pharmacies and the increased selling and marketing activities. The selling and marketing expenses as a percentage of revenue decreased from 21.0% for the year ended December 31, 2022 to 20.0% for the year ended December 31, 2023.

Research and Development Expenses

The research and development expenses decreased by 26.9% from RMB89.0 million for the year ended December 31, 2022 to RMB65.0 million for the year ended December 31, 2023. Research and development expenses as a percentage of revenue decreased from 2.1% for the year ended December 31, 2022 to 1.3% for the year ended December 31, 2023.

General and Administrative Expenses

General and administrative expenses decreased by 22.7% from RMB334.5 million for the year ended December 31, 2022 to RMB258.7 million for the year ended December 31, 2023. The decrease was primarily due to the decrease in staff costs caused by the decrease in the share-based payment, which decreased by 23.4% from RMB157.6 million for the year ended December 31, 2022 to RMB120.8 million for the year ended December 31, 2023.

The general and administrative expenses as a percentage of revenue decreased from 7.7% for the year ended December 31, 2022 to 5.3% for the year ended December 31, 2023, which was primarily attributable to the aforementioned decrease in share-based payment fees. Excluding the impact of share-based payments, the general and administrative expenses as a percentage of revenue decreased from 4.1% for the year ended December 31, 2022 to 2.8% for the year ended December 31, 2023.

Fair Value Losses on Financial Liabilities at Fair Value Through Profit or Loss ("FVTPL")

The shares with preferred rights (which were preferred shares issued to the pre-IPO investors) have been automatically converted into ordinary shares upon the completion of the Listing, and there were no further fair value losses on the Company's shares with preferred rights as financial liabilities recognized at FVTPL during the Reporting Period (2022: RMB2,504.5 million).

Other Gains and Losses, Net

Other net gains and losses decreased by 34.3% from RMB27.5 million for the year ended December 31, 2022 to RMB18.1 million for the the year ended December 31, 2023. The decrease was primarily attributable to the decrease in net foreign exchange gains and the decrease in gain on fair value changes of financial assets at FVTPL.

Other Income

Other income increased by 70.3% from RMB28.9 million for the year ended December 31, 2022 to RMB49.1 million for the year ended December 31, 2023. Such increase was primarily attributable to the increase in interest income.

Finance Costs

Our finance costs of RMB7.9 million for the year ended December 31, 2022 was flat when compared with RMB7.9 million for the year ended December 31, 2023.

Listing Expenses

The Company did not incur any further Listing expenses during the Reporting Period (2022: RMB48.3 million).

Income Tax Expenses

Income tax expenses decreased by 4.8% from RMB10.1 million for the year ended December 31, 2022 to RMB9.6 million for the year ended December 31, 2023, which was primarily due to the decrease in our taxable income.

Loss for the Year

As a result of the above, our net loss decreased by 91.9% from RMB2,842.3 million for the year ended December 31, 2022 to RMB230.9 million for the year ended December 31, 2023.

Non-IFRS Measures: Adjusted Net Loss and Adjusted Net Loss Margin

To supplement the consolidated financial statements which are presented in accordance with IFRS, the Company also use adjusted net loss (non-IFRS measure) and adjusted net loss margin (non-IFRS measure) as additional financial indicators, which are not required by, or presented in accordance with IFRS. The Company believes that the adjusted net loss (non-IFRS measure) and the adjusted net loss margin (non-IFRS measure) facilitate comparisons of operating performance from year to year and company to company.

The Company believes that the adjusted net loss (non-IFRS measure) and the adjusted net loss margin (non-IFRS measure) provide useful information to investors and others in understanding and evaluating the consolidated results of operations in the same manner as it helped the management of the Company. However, the presentation of the adjusted net loss (non-IFRS measure) and adjusted net loss margin (non-IFRS measure) may not be comparable to similarly titled indicators presented by other companies. The use of the adjusted net loss (non-IFRS measure) and the adjusted net loss margin (non-IFRS measure) has limitations as analytical tools, and the Shareholders and potential investors should not consider them in isolation from, or as substitutes for analysis of, the results of operations or financial conditions of the Company as reported under IFRS.

The Company defines adjusted net loss (non-IFRS measure) as net loss for the year adjusted by adding back fair value losses on financial liabilities at FVTPL related to the shares with preferred rights issued to pre-IPO investors, share-based payments and Listing expenses. The Company defines adjusted net loss margin (non-IFRS measure) as adjusted net loss (non-IFRS measure) divided by revenue for the year and multiplied by 100%.

The following table reconciles our adjusted net loss (non-IFRS measure) for the years indicated:

	For the year ended December 31,	
	2023	2022
Reconciliation of net loss to adjusted net loss:	*(RMB'000, except for percentages)*	
Net loss for the year	**(230,868)**	(2,842,275)
Add		
Fair value losses on financial liabilities at FVTPL	**–**	2,504,548
Share-based payments	**124,250**	160,725
Listing expenses	**–**	48,304
Adjusted net loss for the year (non-IFRS measure)	**(106,618)**	(128,698)
Adjusted net loss margin (non-IFRS measure)	**(2.2%)**	(3.0%)

LIQUIDITY AND CAPITAL RESOURCES

The Group financed its operations through internally generated cash flows and proceeds from the Global Offering and issuance of shares with preferred rights. As at December 31, 2023, we had cash and cash equivalents of RMB1,185.9 million (2022: RMB1,210.9 million). The following table sets forth our cash flows for the years indicated:

	For the year ended December 31,	
	2023	2022
	RMB'000	*RMB'000*
Operating cash flows before movements in working capital	**5,801**	(64,780)
Changes in working capital	**5,318**	(151,825)
Income taxes paid	**(16,356)**	(21,266)
Net cash used in operating activities	**(5,237)**	(237,871)
Net cash from/(used in) investing activities	**104,324**	(353,416)
Net cash (used in)/from financing activities	**(130,537)**	232,896
Net decrease in cash and cash equivalents	**(31,450)**	(358,391)
Cash and cash equivalents at the beginning of the year	**1,210,949**	1,552,994
Effect of foreign exchange rate changes on cash and cash equivalents	**6,399**	16,346
Cash and cash equivalents at the end of the year, represented by	**1,185,898**	1,210,949

Net Cash Used In Operating Activities

For the year ended December 31, 2023, net cash used in operating activities was RMB5.2 million compared to net cash used in operating activities of RMB237.9 million in the same period last year, which was primarily attributable to the loss before income tax of RMB221.2 million, as adjusted by (i) non-cash and non-operating items, which primarily consisted of share-based payments expenses of RMB124.3 million and depreciation of right-of-use assets of RMB82.9 million and amortisation of other intangible assets of RMB38.6 million; and (ii) changes in working capital, which primarily resulted from a decrease in trade and other receivables and prepayments of RMB95.6 million and an increase in amounts due to related parties of RMB16.6 million, partially offset by an increase in inventories of RMB7.5 million, an increase in restricted bank deposits of RMB32.9 million, decrease in contract liabilities of RMB58.7 million and decrease in trade and other payables of RMB8.9 million.

Net Cash From Investing Activities

For the year ended December 31, 2023, net cash from investing activities was RMB104.3 million, which was primarily attributable to redemption of financial assets at FVTPL of RMB1,150.2 million and partially offset by purchase of financial assets at FVTPL of RMB1,146.8 million.

Net Cash Used in Financing Activities

For the year ended December 31, 2023, net cash used in financing activities was RMB130.5 million, which was primarily attributable to repayments of lease liabilities of RMB82.1 million, payments to the trustee for share purchase of RMB33.2 million and dividends paid to non-controlling Shareholders of RMB7.1 million.

Borrowings and Gearing

As of December 31, 2023, we did not have any bank borrowings and therefore we did not present gearing ratio.

Capital Expenditures

Our capital expenditures primarily consisted of purchases of property and equipment, payments for right-of-use assets and purchases of intangible assets. Our capital expenditures were RMB20.6 million for the year ended December 31, 2023 and RMB30.0 million for the year ended December 31, 2022.

We plan to fund our future capital expenditures by our internal resources including our cash and cash equivalents and the net proceeds received from the Global Offering.

Capital Commitments

As of December 31, 2023, we had no material capital commitment.

Pledges of Assets

As of December 31, 2023, we did not have any material pledge of asset.

Significant Investments Held

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

Future Plans for Material Investments and Capital Assets

As of December 31, 2023, save for the "Future Plans and Use of Proceeds" disclosed in the Prospectus, the Group did not have other plans for material investments and capital assets.

Material Acquisitions and/or Disposals of Subsidiaries and Affiliated Companies

The Group did not have any material acquisitions and/or disposals of subsidiaries and affiliated companies during the year ended December 31, 2023.

Foreign Exchange Risk

The functional currency of the Group's entities is RMB. Foreign exchange risk arises when future commercial transactions or recognized financial assets and liabilities are denominated in currencies that are not the respective functional currency of the Group's entities. The Group has not entered into any forward exchange contracts to hedge its exposure to foreign exchange risk.

For further details, please refer to notes 31.2(a) to the consolidate financial statements.

CONTINGENT LIABILITIES

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

EMPLOYEES

As of December 31, 2023, we had 2,615 full-time employees, most of whom were based in China, mostly in Beijing, with the rest based in major cities across China such as Shenzhen, Zhangshu, Shanghai and Guangzhou.

The following table sets forth the number of our employees by function as of December 31, 2023:

Employee function	Number of employees
Sales, Marketing and Business Development	1,607
Technology, Research and Development	493
Management	315
Administration	200
Total	**2,615**

We believe that we maintain a good working relationship with our employees and we have not experienced any significant labour disputes or any difficulty in recruiting staff for our operations.

We entered into employment contracts and agreements regarding confidentiality, intellectual property rights and non-competition with our senior management, managers and core employees. The remuneration package for our employees generally includes salary and bonuses. We determine employees' remuneration based on factors such as qualifications and years of experience. Employees also receive welfare benefits, including medical care, retirement benefits, occupational injury insurance and other miscellaneous items. We make contributions to mandatory social security funds for our employees to provide for pension, medical, work-related injury, maternity and unemployment benefits.

We endeavour to hire the best talented employees in the market by offering competitive wages and benefits, systematic training opportunities and internal promotion path. We also conduct introductory training for new staff and have periodic training for our full-time employees.

In order to provide incentives and rewards to members of the Board, employees and consultants of the Group, the Company adopted the Share Incentive Schemes on May 1, 2020, which shall continue in effect for a term of ten (10) years since the adoption. The total number of shares subject to the Share Incentive Schemes shall not be more than 87,993,330 ordinary shares of the Company, representing approximately 6.56% of the total issued share capital of the Company as of December 31, 2023. For details, please refer to "Statutory and General Information – D. ESOP Plans – Share Incentive Schemes" in Appendix IV to the Prospectus. On June 27, 2023, the Company has adopted the RSU Scheme 2023 which shall continue in effect for a term of ten (10) years since the adoption. The total number of shares subject to the RSU Scheme 2023 shall not be more than 26,829,457 ordinary shares of the Company, representing approximately 2.0% of the total issued share capital of the Company as of December 31, 2023. For details, please refer to the announcement of the Company dated June 27, 2023.

USE OF NET PROCEEDS FROM THE GLOBAL OFFERING

On September 14, 2022, the shares were successfully listed on the Main Board of the Stock Exchange. The Company issued a total of 33,537,000 ordinary Shares with a nominal value of USD0.0001 in the Global Offering at the Offer Price of HKD12.00. The net proceeds raised from the Company's Global Offering after deduction of the underwriting commissions and other estimated expenses paid and payable by the Company in connection with the Global Offering were approximately HK$341.6 million.

As of the date of this annual report, there was no change in the intended use of net proceeds and the expected timeline as previously disclosed in the section headed "Future Plans and Use of Proceeds" in the Prospectus. The following table sets forth a summary of the utilization of the net proceeds from the Global Offering as of December 31, 2023:

Purpose	Percentage of total net proceeds	Net proceeds incurred from the Global Offering	Unutilized amount as of January 1, 2023	Amount utilized for the year ended December 31, 2023	Unutilized amount as of December 31, 2023	Expected timeline for full utilization of the remaining net proceeds
		HK$ million	*HK$ million*	*HK$ million*	*HK$ million*	
Business expansion, such as the further development of smart pharmacy network, and enhancement of user growth and engagement	45.0%	153.7	105.0	84.9	20.1	December 31, 2024
Optimizing of our technology systems and operating platforms	15.0%	51.2	41.9	24.7	17.2	December 31, 2024
Upgrading our services and business, such as building professional structure of full-time doctors and pharmacists	10.0%	34.2	17.2	17.2	–	N/A
Potential investments and acquisitions or strategic alliances along with the value chain of the healthcare industry in which we operate	20.0%	68.3	68.3	20.9	47.4	December 31, 2024
Working capital and other general corporate purpose	10.0%	34.2	–	–	–	N/A
Total	**100.0%**	**341.6**	**232.4**	**147.7**	**84.7**	

Executive Directors

Mr. Yang Wenlong (楊文龍), aged 62, is the founder and Controlling Shareholder of the Company. Mr. Yang was appointed as the executive Director of the Company on August 20, 2014. Mr. Yang is also the Chairman of the Board and President of the Company, and is responsible for supervising daily operations and business development, supervising overall business planning and implementation. Mr. Yang is the chairman of the Nomination Committee of the Company.

Mr. Yang is also currently a director of several subsidiaries of the Group, including Dingdang Health Limited and Dingdang Health Technology Group (HK) Limited. Mr. Yang has over 21 years of experience in the pharmaceutical and healthcare industry in the PRC. Mr. Yang has been the chairman of the board of directors and the president of Renhe since July 2001. From January 2023, Mr. Yang has been elected as a standing member of the thirteenth session of the Chinese People's Political Consultative Conference (**CPPCC**) of Jiangxi Province. Mr. Yang is also currently the vice chairman of Jiangxi Federation of Industry and Commerce (General Chamber of Commerce). From March 2013 to December 2022, Mr. Yang served as a deputy officer of the Central Population, Medicine and Health Committee of China National Democratic Construction Association (**CNDCA**). Mr. Yang served as the chairman of Yichun Federation of Industry and Commerce, and also consecutively served as a member of the eleventh, twelfth and thirteenth session of the National Committee of the CPPCC, a member of the ninth, tenth and eleventh session of CNDCA, as well as the vice chairman of the seventh, eighth and ninth session of Jiangxi Municipal Committee of CNDCA and the vice chairman of Zhangshu Committee of the CPPCC. Mr. Yang served as the chairman of the board and the general manager of Jiangxi Kangmei Medical Health Care Products Co., Ltd. (江西康美醫藥保健品有限公司), a company engages in medical and health business, from November 1998 to July 2001.

Mr. Yang obtained an MBA from Renmin University in November 2004 in Beijing, the PRC, obtained a certificate upon completion of the fifth China CEO program of Cheung Kong Graduate School of Business in November 2010 in Beijing, the PRC and obtained a DrAPS in applied finance from the University of Geneva in Geneva, the Switzerland in November 2022. Mr. Yang holds a certificate of senior economist issued by Ministry of Personnel of Jiangxi Province, now known as Jiangxi Province Human Resources and Social Security Department, in January 2004 and a Chinese herbalist certificate issued by Zhangshu Title Reform Leading Group (樟樹市職稱改革領導小組) in October 1997.

Mr. Yang Wenlong is the father of Mr. Yang Yibin, an executive Director of the Company, and Mr. Yang Xiao, who are also the members of the Controlling Shareholders Group of the Company.

Mr. Xu Ning (徐寧), aged 45, was appointed as the executive Director of the Company on May 26, 2021. Mr. Xu is also the Vice President of the Company, and is responsible for assisting the President with the day-to-day operation and management of the Group.

Mr. Xu serves as the vice president and chief financial officer of Dingdang Medicine Express Technology since January 2016 and a director of Dingdang Medicine Express Technology since September 2020. Mr. Xu is also currently a director of several subsidiaries and consolidated affiliated entities of the Group, including Dingdang (Beijing) Health Management Co., Ltd. (叮噹(北京)健康管理有限公司), Dingdang Kuaiyao (Beijing) Technology Development Co., Ltd. (叮噹快藥(北京)技術開發有限公司), Tianjin Delight Health Investment Limited (天津健興投資有限公司) and Tianjin Ding Health Technology Limited (天津叮健科技有限公司). Before joining the Group, Mr. Xu held positions in two media companies, including serving as the chief financial officer of Dongfang Fengxing (Beijing) Media Culture Co., Ltd. (東方風行(北京)傳媒文化有限公司) from July 2009 to December 2015 and the chief financial officer of Shanghai Framedia Advertising Development Co., Ltd. (上海框架廣告發展有限公司) from April 2007 to July 2009. Mr. Xu also served as the financial manager of China Economic Herald from July 2000 to June 2006.

Mr. Xu obtained a bachelor's degree of Tax from Shanghai University of Finance and Economics in Shanghai, the PRC in July 2000. He is an intermediate accountant since May 2007, an associate of The Chinese Institute of Certified Public Accountants (CICPA) since September 2010 (currently non-practising), and an associate of The Chartered Institute of Management Accountants (CIMA) since November 2020.

Mr. Yu Lei (俞雷), aged 46, was appointed as the executive Director of the Company on May 26, 2021. Mr. Yu is also the Vice President of the Company, and is responsible for assisting the President with the day-to-day operation and management of the Group.

Mr. Yu has served as the general manager of Jiangxi Dingdang E-Commerce since December 2016, and also currently serves as the executive director and general manager of Dingdang (Beijing) Health Technology Co, Ltd (叮嗰(北京)健康科技有限公司). Mr. Yu joined the Group in March 2015 and currently holds various positions at Dingdang Medicine Express Technology, including as a chief executive officer since November 2017, a chief operating officer since July 2015, and a senior vice president of operation since March 2015. Mr. Yu also served as the director of Dingdang Medicine Express Technology from November 2017 to May 2021. Before joining the Group, Mr. Yu served as the special business assistant to CEO and general manager of network operations centre at Lefeng (Shanghai) Information Technology Co., Ltd. (樂蜂網(上海)信息技術有限公司), a participant in the e-commerce industry, from April 2012 to March 2015. Prior to that, Mr. Yu held various positions with Orient Home Decoration & Building Materials Co. Ltd. (東方家園家居建材商業有限公司), which engages in the provision of home decoration and construction materials, including as the member of the executive committee, executive vice president of supermarket business department, operations director and marketing director from March 2008 to May 2012, and served as a senior marketing manager at the marketing center of Beijing Wumart Commercial Group Co., Ltd. (北京物美商業集團股份有限公司), a retail chain operator, from April 2003 to March 2008.

Mr. Yu obtained a bachelor's degree of economics (majoring in business management and minoring in economics) from Tianjin College of Commerce (天津商學院), now known as Tianjin University of Commerce (天津工商大學), in Tianjin, the PRC in July 2000. Mr. Yu currently holds a certificate of intermediate economist majoring in business administration and economics issued by the Ministry of Personnel of the PRC, now known as the Ministry of Human Resources and Social Security of the PRC, in November 2005. Mr. Yu also holds an HVAC engineer certificate granted by China Construction First Bureau (Group) Co., Ltd. (中國建築一局(集團)有限公司) in November 2004.

Mr. Yu Qinglong (于慶龍), aged 39, was appointed as the executive Director of the Company on June 10, 2021. Mr. Yu is also the chief technology officer of the Company, and is responsible for overseeing the overall technology development of the Group.

Mr. Yu has been the chief technology officer of Dingdang Medicine Express Technology since January 2015. Prior to joining the Group, Mr. Yu served as a senior manager at Vipshop (China) Co., Ltd. (a company listed on the New York Stock Exchange (stock symbol: VIPS)) from July 2014 to January 2015 and a senior director at Lefeng (Shanghai) Information Technology Co., Ltd. (樂蜂網(上海)信息技術有限公司) from April 2008 to July 2014. Both of Vipshop (China) Co., Ltd. and Lefeng (Shanghai) Information Technology Co., Ltd. are participants in the e-commerce industry. Mr. Yu also serves as a consultant specially invited by Chinese General Chamber of Commerce since January 2020, a master plan design expert specially invited by the New Smart City Committee of Enterprise Information Construction Committee of the China Communication Industry Association since December 2019, and served as the expert consultant of the Global Internet Technology Conference in 2018.

Mr. Yu received a bachelor's degree in computer software application from Jilin University in Jilin, the PRC in December 2016 and a college degree (專科) in computer network technology from Harbin Vocational and Technical College (哈爾濱職業技術學院) in Heilongjiang, the PRC in January 2007. Mr. Yu was awarded as "The Most Influential Technology Leader" in the Chief Tech Director Conference held by Chief Technology Officer Alliance in 2018.

Mr. Yang Yibin (楊益斌), aged 36, is one of the co-founders and a member of the Controlling Shareholders Group of the Company. Mr. Yang was appointed as the executive Director of the Company on August 25, 2023.

Mr. Yang serves as the general manager of Dingdang Medicine Express Technology and deputy director of Kuaiyi Department (快醫事業部) since September 2014. Mr. Yang is mainly responsible for daily management and in charge of the development of Internet hospital and online medical consultation businesses, including the application of innovative technology and business exploration of key clients. Previously, Mr. Yang also served as the manager and senior manager of the asset operation department, the senior manager of the product operation center and the head of the e-commerce and innovation business of Renhe from March 2010 to September 2014.

Mr. Yang Yibin is the son of Mr. Yang Wenlong, the Chairman of the Board, the President, an executive Director and the Controlling Shareholder of the Company.

Non-executive Director

Ms. Cai Li (蔡俐), aged 40, was appointed as the non-executive Director of the Company on May 26, 2021. Ms. Cai is also a member of the Remuneration Committee of the Company.

Ms. Cai joined TPG Capital in August 2011 and is latest serving as a managing director of TPG Capital, a leading global alternative asset firm, responsible for TPG Capital's healthcare investments in Greater China.

Ms. Cai currently serves as director of several member companies of Novotech Health Holdings Pte. Ltd. (a contract research organization invested by TPG Capital), including as a director of Novotech Health Holdings Pte. Ltd. since December 2020, Novotech (Australia) Pty Ltd since July 2020, Novotech Holdings Pty Ltd since July 2020, Novotech Aus Holdco Pty Ltd since July 2020, Acrostar Site Management Co., Ltd. (南京立順康達醫藥科技有限公司) since January 2019, Novotech Laboratory Services (Shanghai) Co., Ltd. (上海立興佳生醫藥科技有限公司) since February 2018, Novotech Clinical Services (Shanghai) Co., Ltd. (諾為泰醫藥科技(上海)有限公司) since October 2017, Acrostar Pharmaservices Corporation (徐州立順康達醫藥科技有限公司) since August 2017, Bailixing (Xiamen) Equity Investment Co., Ltd. (百立興(廈門)股權投資有限公司) since August 2017, PPC Intermediate Holding Company since August 2017, and PPC Holding Company since August 2017, respectively.

Ms. Cai also serves as a non-executive director of Kangji Medical Holdings Limited (a company listed on the Stock Exchange (stock code: 09997)) since March 2020. Ms. Cai served as a non-executive director of Shanghai Bio-heart Biological Technology Co., Ltd. (a company listed on the Stock Exchange (stock code: 2185)) from September 2020 to November 2022 and a non-executive director of Zhaoke Ophthalmology Limited (a company listed on the Stock Exchange (stock code: 06622)) from October 2020 to November 2023.

Ms. Cai also serves as a non-executive director of Chongho Bridge Limited (中和農信有限公司) since December 2023.

Ms. Cai also serves as a supervisor of Shanghai Deyu Deqi Enterprise Management Consulting Co., Ltd. (上海德虞得起企業管理諮詢有限公司), a company which focuses on investment consulting, since November 2016.

From March 2009 to July 2011, Ms. Cai worked as an investment manager at HAO Capital (Haotian Jinsheng Investment Management (Beijing) Limited), focusing on growth stage healthcare investments. From 2007 through 2008, Ms. Cai worked as a research analyst at Credit Suisse AG (New York).

Ms. Cai obtained a bachelor's degree in biomedical engineering and economics from Yale University in Connecticut, the United States in May 2007.

Independent Non-executive Directors

Mr. Zhang Shouchuan (張守川), aged 58, was appointed as an independent non-executive Director of the Company on June 19, 2021 and such appointment is effective from September 1, 2022. Mr. Zhang is a member of the Audit Committee, Remuneration Committee and Nomination Committee of the Company, respectively.

Mr. Zhang currently serves as the executive director and general manager of Hebei Litian Longde Technology Co., Ltd. (河北力天隆德科技有限公司) since December 2019, the chairman of the board of directors of Beijing Hengtao Technology Co., Ltd. (北京恒桃科技有限公司) since February 2019, the supervisor of Beijing Zhiyan Technology Co., Ltd. (北京智研科技有限公司) since June 2017, the general manager of Beijing Tiantao Technology Co., Ltd. (北京天桃科技有限公司) since May 2017, the executive director of Henan Taogu Information Technology Co., Ltd. (河南桃穀資訊科技有限公司) since November 2016, the independent non-executive director of Hebei Tangren Pharmaceutical Co., Ltd. (河北唐人醫藥股份有限公司) since April 2016, the executive director of Hebei Taogu Technology Co., Ltd. (河北桃穀科技有限公司) since March 2016, and the chairman of the board of directors and chief executive officer of Beijing Taogu Technology Co., Ltd. (北京桃穀科技有限公司) since March 2015, respectively. The companies where Mr. Zhang are engaged mainly focus on medical services and promotion and application of technology. From August 2013 to February 2015, Mr. Zhang served as the chief operating officer of Alibaba Health Information Technology Limited (a company listed on the Stock Exchange (stock code: 00241) with a focus on medical and healthcare services). Prior to that, Mr. Zhang worked for two retail companies, including serving as the vice president of Beijing Jingdong Century Trading Co., Ltd. (北京京東世紀貿易有限公司) from December 2009 to August 2013, and the general manager of Metro AG Northern China from 1996 to September 2008, respectively.

Mr. Zhang obtained a bachelor's degree of Sanskrit Pali Language from Peking University in Beijing, the PRC in July 1989, and obtained his EMBA from Guanghua School of Management, Peking University in Beijing, the PRC in January 2015. In March 2017, Mr. Zhang was appointed by the Global Doctor Organization (China) as a senior strategic expert in the "Top-level Design and Senior Management Seminar for Chinese Internet Hospitals".

Dr. Fan Zhenhong (樊臻宏), aged 56, was appointed as an independent non-executive Director of the Company on June 19, 2021 and such appointment is effective from September 1, 2022. Dr. Fan is a member of the Audit Committee and the Nomination Committee as well as the chairman of the Remuneration Committee of the Company, respectively.

Dr. Fan has rich experience working in investment management companies. He currently serves as the responsible officer of First Seafront Financial Limited (第一前海金融有限公司) since September 2019, and a non-executive director of Beijing Jianguang Asset Management Co., Ltd. (北京建廣資產管理有限公司) since October 2014, respectively. From May 2010 to September 2019, Dr. Fan served as the general manager of Tianjin Huitong Taihe Investment Management Co., Ltd. (天津匯通太和投資管理有限公司).

Dr. Fan obtained a bachelor's degree of communication from Nanjing University of Posts and Telecommunications in Nanjing, the PRC in July 1987, a master's degree of electrical machinery from Rutgers University in New Jersey, the United States in October 1992, and a PhD in Finance and Statistics from Stern School of Business, New York University in New York, the United States in January 2000, respectively.

Mr. Jiang Shan (姜山), aged 52, was appointed as an independent non-executive Director of the Company on June 19, 2021 and such appointment is effective from September 1, 2022. Mr. Jiang is the chairman of the Audit Committee of the Company.

Mr. Jiang served as the independent non-executive director of Beijing Meizhong Yihe Medical Management (Group) Co., Ltd. (北京美中宜和醫療管理(集團)股份有限公司), a company providing healthcare services. Mr. Jiang also worked in several financial institutions. From April 2018 to February 2019, Mr. Jiang served as the co-chief financial officer of China Renaissance Holdings Limited (a company listed on the Stock Exchange (stock code: 01911)). Prior to that, Mr. Jiang held various positions from July 2011 to July 2012 at Morgan Stanley Huaxin Securities, including serving as managing director of the investment banking department. Mr. Jiang worked in TPG Capital from February 2007 to January 2009, serving as director of the investment team and the chief representative of the Beijing representative office of TPG Capital China Limited from August 2007 to January 2009. Mr. Jiang was the executive director in the corporate finance department of Goldman Sachs (Asia) L.L.C. from September 2004 to January 2007, and he also held various positions at UBS from April 2000 to September 2004, including as director of the investment banking department. Mr. Jiang served as an auditor at Arthur Andersen Huaqiang CPAs from July 1994 to May 1997.

Mr. Jiang received a bachelor's degree in English from Beijing Foreign Studies University in Beijing, the PRC in July 1994 and his master's degree in business administration from Kelley School of Business, Indiana University in Indiana, the United States in May 1999. Mr. Jiang has been a member of The Chinese Institute of Certified Public Accountants since March 2002 (currently non-practising).

Joint Company Secretaries

Mr. Lam Yiu Por (林曉波), aged 47, was appointed as the chief financial officer and company secretary of the Company on January 15, 2021. Mr. Lam has more than 20 years of experience in the field of finance and accounting. Prior to joining our Group, Mr. Lam served as the vice president and chief financial officer of Greentech Technology International Limited (formerly known as L'sea Resources International Holdings Ltd., a company listed on the Stock Exchange (stock code: 00195)) from November 2013 to July 2020, the chief financial officer and company secretary of SSY Group Limited (formerly known as Lijun International Pharmaceutical (Holding) Co., Ltd., a company listed on the Stock Exchange (stock code: 02005)) from December 2005 to May 2008. Mr. Lam also worked at several private companies and firms serving positions in accounting and finance since 1997.

Mr. Lam is currently an independent non-executive director of each of JNBY Design Limited (a company listed on the Stock Exchange (stock code: 03306)) and Xiamen Yan Palace Bird's Nest Industry Co., Ltd. (a company listed on the Stock Exchange (stock code: 01497)). Mr. Lam served as an independent non-executive director and a member of the audit committee of Tian Ge Interactive Holdings Limited (a company listed on the Stock Exchange (stock code: 01980)) from January 2021 to June 2022, an independent non-executive director and a member of the audit committee of China Tontine Wines Group Limited (a company listed on the Stock Exchange (stock code: 00389)) from November 2016 to November 2018, an independent non-executive director and a member of the audit committee of Denox Environmental & Technology Holdings Limited (a company listed on the Stock Exchange (stock code: 01452)) from October 2015 to June 2020, a non-executive director of Zhong Ao Home Group Limited (a company listed on the Stock Exchange (stock code: 01538)) from April 2015 to May 2017, an independent non-executive director and a member of the audit committee of China Supply Chain Holdings Ltd (formerly known as Yat Sing Holdings Limited, a company listed on the Stock Exchange (stock code: 03708)) from December 2014 to March 2016, and an independent non-executive director of GR Life Style Company Limited (formerly known as GR Properties Limited, a company listed on the Stock Exchange (stock code: 00108)) from June 2012 to February 2014.

Mr. Lam received a bachelor's degree of arts in accountancy from the Hong Kong Polytechnic University in Hong Kong in November 1997. Mr. Lam has been a member of The Hong Kong Institute of Certified Public Accountants, an associate of The Hong Kong Chartered Governance Institute, formerly known as The Hong Kong Institute of Chartered Secretaries, a chartered financial analyst of the CFA Institute and a fellow of The Association of Chartered Certified Accountants since October 2004, March 2006, September 2006 and November 2007, respectively.

Mr. Liu Zhenxuan (劉振軒), aged 37, was appointed as the joint company secretary of the Company on September 30, 2023. Mr. Liu has been the investment and financing director of the Company's capital operation division since September 2019. Mr. Liu has over 12 years of experience in the capital market. Prior to joining the Group, Mr. Liu served as vice investment president in asset management of Hongtai Capital Holdings Co., Ltd. (洪泰資本控股有限公司) from May 2018 to June 2019. He also previously served at Shaanxi Investment Fund Management Co., Ltd (陝西投資基金管理有限公司) and served as the head of investment banking division of Shaanxi Financial Holdings Group Co., Ltd. (陝西金融控股集團有限公司) from November 2015 to May 2018. Mr. Liu worked in the board office of HengTai Securities Co., Ltd. (恒泰證券股份有限公司 "**HengTai Securities**", a company listed on the Stock Exchange (stock code: 01476) and carrying on business in Hong Kong as "**恒投證券**" in Chinese and "**HENGTOU SECURITIES**" in English) from March 2011 to July 2013, and also served as the deputy managing director and senior manager of Hengtai Changcai Securities Co., Ltd. (恒泰長財證券有限責任公司), a subsidiary of HengTai Securities from July 2013 to December 2015.

Mr. Liu received a bachelor's degree in securities investment and banking from University of Reading in 2008, and a master's degree in financial accounting from University of Bath in 2010, respectively. Mr. Liu holds qualifications of securities practitioner (證券從業人員) and asset management practitioner (基金從業人員) in the PRC. Mr. Liu is an intermediate economist and has been registered as a student of The Hong Kong Chartered Governance Institute.

The Board is pleased to present its report together with the audited consolidated financial statements of the Group for the year ended December 31, 2023.

GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability and its Shares have been listed on the Main Board of Stock Exchange since September 14, 2022.

PRINCIPAL ACTIVITIES

The Company is an investment holding company and its subsidiaries are principally engaged in the provision of pharmaceutical and healthcare business in the PRC.

The Group has only one reportable segment as set out in Note 5A to the consolidated financial statements. The Group does not distinguish between markets or segments for the purpose of reporting. No geographical information is presented.

BUSINESS REVIEW

The business review of the Group for the year ended December 31, 2023 is set out in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" from pages 12 to 14 and pages 15 to 27 of this annual report. Description of principal risks and uncertainties that the Group may be facing can be found in the sections headed "Report of the Directors – Principal risks and uncertainties" and "Report of the Directors – Risks relating to the Contractual Arrangements" on page 37 and page 64 of this annual report. In addition, discussions on the key relationships with the stakeholders, compliance with relevant laws and regulations, environmental policies and performance are set out in page 36 of this annual report and will also be set out in the Environmental, Social and Governance ("ESG") Report that will be published separately on the website of the Stock Exchange and the Company.

RESULTS

The results of the Group for the year ended December 31, 2023 are set out in the consolidated statement of profit or loss and other comprehensive income on page 96 of this annual report.

FINANCIAL SUMMARY

A summary of the Group's results, assets and liabilities for the last five years are set out on page 11 of this annual report. This summary does not form part of the audited financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year ended December 31, 2023 are set out in Note 27 to the consolidated financial statements.

SUBSIDIARIES

Particulars of the Company's principal subsidiaries and Consolidated Affiliated Entities are set out in Note 35.1 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

Customers

We have a broad base of customers. The Group's customers primarily include users who purchase our offerings through our online and offline channels, and our distributors. For the year ended December 31, 2023, the Group's five largest customers accounted for less than 30% of the Group's total revenue.

Save for disclosed in this annual report, none of the Directors, their close associates or any Shareholders (which, to the knowledge of the Directors, owns more than 5% of the number of issued share of the Company) had any interests in the five largest customers of the Group.

Suppliers

The Group's suppliers primarily include pharmaceutical enterprises and pharmaceutical distribution enterprises that provide us with products we sell. For the year ended December 31, 2023, the Group's largest supplier and five largest suppliers accounted for approximately 17.5% and 49.5% of the Group's total purchases respectively.

Renhe Pharmacy Group, a related company significantly influenced by one of our Controlling Shareholders, was among our five largest suppliers for the year ended December 31, 2023. Purchases from Renhe Pharmacy Group for the year ended December 31, 2023 amounted to RMB243.7 million, accounting for approximately 6.0% of the total purchases of the Group for the year.

Save for disclosed in this annual report, none of the Directors, their close associates or any Shareholders (which, to the knowledge of the Directors, owns more than 5% of the number of issued share of the Company) had any interests in the five largest suppliers of the Group.

KEY RELATIONSHIP WITH STAKEHOLDERS

The Company is committed to maintaining a good relationship with stakeholders that have a significant impact on the Company and on which the Company's success depends. Further details will be set out in the Environmental, Social and Governance Report that will be published separately on the website of the Stock Exchange and the Company.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

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

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to fulfilling social responsibility, promoting employee benefits and development, protecting the environment and giving back to community and achieving sustainable growth. Further details will be set out in the Environmental, Social and Governance Report that will be published separately on the website of the Stock Exchange and the Company.

PRINCIPAL RISKS AND UNCERTAINTIES

Our operations involve certain risks and uncertainties, which are set out in the section headed "Risk Factors" of the Prospectus. Some of the major risks we face relate to:

- our ability to provide superior user experience and maintain users' trust in our brand, our product and service offerings;
- the development of digital health and wellness market and our ability to drive user engagement;
- the fact that we are subject to extensive and evolving regulatory requirements, and sales of prescription drugs are subject to stringent scrutiny;
- the fact that we are in the early stage of development with a limited operating history in an emerging and dynamic industry;
- our ability to compete effectively;
- the fact that our sales of pharmaceutical and healthcare products are subject to a variety of risks;
- our ability to manage the growth of our business and operations or implement our business strategies successfully;
- our ability to continue to attract and retain users;
- our ability to handle and secure data;
- the possible impairment losses of goodwill; and
- potential tax exposure to the Group arising from the difference of PRC enterprise income tax and VAT rate between Dingdang Medicine Express Technology and the WFOE under the Contractual Arrangements.

DIVIDENDS

The Board did not recommend the distribution of a final dividend for the year ended December 31, 2023.

As at the date of this annual report, the Company was not aware of any arrangement under which a Shareholder has waived or agreed to waive any dividends.

RESERVES

As of December 31, 2023, the Company had distributable reserves of RMB4,813,421,000.

Details of movements in the reserves of the Company during the year ended December 31, 2023 are set out in Note 36.2 of the consolidated financial statements.

BORROWINGS

The Group did not have any outstanding bank loans and other borrowings as of December 31, 2023.

DEBENTURE ISSUED

The Group has not issued any debentures during the year ended December 31, 2023.

EQUITY-LINKED AGREEMENTS

Save as set out in this annual report, no equity-linked agreements were entered into by the Group, or existed during the year ended December 31, 2023.

DIRECTORS

The Directors who held office during the year ended December 31, 2023 and up to the date of this annual report are as follows:

Executive Directors

Mr. Yang Wenlong (楊文龍) *(Chairman & President)*
Mr. Xu Ning (徐寧)
Mr. Yu Lei (俞雷)
Mr. Yu Qinglong (于慶龍)
Mr. Yang Yibin (楊益斌) *(Appointed on August 25, 2023)*

Non-executive Directors

Ms. Cai Li (蔡俐)
Ms. Lian Suping (連素萍) *(Resigned on July 18, 2023)*

Independent Non-executive Directors

Mr. Zhang Shouchuan (張守川)
Dr. Fan Zhenhong (樊臻宏)
Mr. Jiang Shan (姜山)

Mr. Yang Yibin was appointed as an executive Director on August 25, 2023 when Rule 3.09D of the Listing Rules was not effective. After appointment, Mr. Yang Yibin had obtained legal advice from the Company's legal adviser to advise on all requirements under the Listing Rules that are applicable to him as a Director of the Company and the possible consequences of making a false declaration or giving false information to the Stock Exchange.

In accordance with the Articles, one-third of the Directors for the time being (or, if their number is not three or multiple of three, then the number nearest to, but not less than, one-third) shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall retain office until the close of the meeting at which such Director retires and shall be eligible for re-election at such meeting. The Company at any annual general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors. A new Director is subject to re-election by the Shareholders at the first annual general meeting after his or her appointment in accordance with the Articles.

In accordance with Article 26.3 of the Articles, Mr. Yang Yibin will hold office until the first annual general meeting after his appointment and, being eligible, offer himself for re-election at the forthcoming annual general meeting.

In accordance with Article 26.4 of the Articles, Mr. Yu Lei, Mr. Yu Qinglong and Ms. Cai Li will retire from office by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

Details of the Directors standing for re-election at the forthcoming annual general meeting are set out in the circular to be despatched to the Shareholders in due course.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 28 to 34 of this annual report.

CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of Directors is set out below:

Ms. Cai Li resigned as a non-executive director of Zhaoke Ophthalmology Limited (a company listed on the Stock Exchange (stock code: 06622)) in November 2023.

Save as disclosed above, there was no change in the information of Directors since the latest published interim report and up to the date of this annual report which was required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

PERMITTED INDEMNITY

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

Such permitted indemnity provision has been in force for the year ended December 31, 2023. The Company has taken out liability insurance to provide appropriate coverage for the Directors.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors have entered into a service contract with the Company for an initial term of three years with effect from June 17, 2021 or until the third annual general meeting of the Company since the Listing Date (whichever ends earlier) or for an initial period of three years from the date of appointment. The appointments of the Directors are subject to the provisions of retirement and rotation of Directors under the Articles. Such service contracts are subject to renewal upon the Director's re-election.

Each of the non-executive Directors have entered into an appointment letter with the Company on August 26, 2022. The initial term was three years with effect from June 17, 2021 or until the third annual general meeting of the Company since the Listing Date (whichever ends earlier and subject to re-election as and when required under the Articles). Such appointment letter is subject to renewal upon the Director's re-election.

Each of the independent non-executive Directors have entered into an appointment letter with the Company on August 26, 2022. The initial term was three years from the date of the Prospectus or until the third annual general meeting of the Company since the Listing Date (whichever ends earlier and subject to re-election as and when required under the Articles).

None of the Directors proposed for re-election at the forthcoming annual general meeting has a service contract with members of the Group that is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in this annual report, none of the Directors nor any entity connected with the Directors had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to which the Company or any of its subsidiaries and the Consolidated Affiliated Entities was a party subsisting during or at the end of the year ended December 31, 2023.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year ended December 31, 2023.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in this annual report, at no time during the year ended December 31, 2023 was the Company or any of its subsidiaries and the Consolidated Affiliated Entities a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of Shares in, or debentures of the Company or any other body corporate; and none of the Directors, or any of their spouse or children under the age of 18, had any right to subscribe for equity or debt securities of the Company or any other body corporate, or had exercised any such right.

CONTRACTS AND RELATIONSHIP WITH CONTROLLING SHAREHOLDERS GROUP

Save as disclosed in the Prospectus and in this annual report, no contract of significance or contract of significance for the provision of services has been entered into among the Company or any of its subsidiaries and the Consolidated Affiliated Entities and the Controlling Shareholders during the year ended December 31, 2023.

In addition, the Directors recognize the importance of good corporate governance in protecting the Shareholders' interests. The independent non-executive Directors have reviewed and confirmed that there is no conflict of interests between the Group and the Controlling Shareholders Group that need to be disclosed to the Shareholders.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Save as disclosed in the Prospectus and in this annual report, none of the Directors had interests in business, which competes or is likely to compete, either directly or indirectly with our business which would otherwise require disclosure under Rule 8.10 of the Listing Rules.

NON-COMPETITION UNDERTAKING

On August 26, 2022, Mr. Yang Wenlong signed a non-competition undertaking (the "**Non-competition Undertaking**") in favor of the Group, pursuant to which, Mr. Yang Wenlong has unconditionally and irrevocably undertaken that as long as the Shares of the Company are listed on the Stock Exchange and he remains as the Controlling Shareholder, he will not, and will reasonably procure the entities where he is substantial shareholders not to compete with the Group's business. Details of the Non-competition Undertaking are set out in the section headed "Relationship with our Controlling Shareholders Group – Non-competition Undertaking" in the Prospectus.

Mr. Yang confirmed that he has complied with the Non-competition Undertaking for the year ended 31 December 2023. The independent non-executive Directors have reviewed the status of compliance and confirmed that all the undertakings under the Non-competition Undertaking have been complied with by the Controlling Shareholders and duly complied with during the Reporting Period.

INTERESTS AND SHORT POSITIONS OF THE SUBSTANTIAL SHAREHOLDERS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2023, so far as the Directors were aware, the following persons (other than Directors and chief executive of the Company) who had interests and/or short position in the Shares or underlying Shares of the Company which would fall to be disclosed pursuant to 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 (save as otherwise defined, capitalized terms used herein shall have the same meaning as defined in the Prospectus):

		Total number of Shares held in the Company	Approximate percentage of relevant Shares in the issued share capital of the Company (%)
Delight Health Limited(1)(8)	Beneficial owner, interest held jointly with other persons	660,205,360 (L)	49.21%
Delight Faith Limited(1)(2)(8)	Interest in controlled corporation, interest held jointly with other persons	660,205,360 (L)	49.21%
Future Health Limited(3)(8)	Beneficial owner, interest held jointly with other persons	660,205,360 (L)	49.21%
Go Far Limited(3)(4)(8)	Interest in controlled corporation, interest held jointly with other persons	660,205,360 (L)	49.21%
Excel Returns Group Limited(5)(8)	Beneficial owner, interest held jointly with other persons	660,205,360 (L)	49.21%
Go Prosper Enterprises Corporation(6)(8)	Beneficial owner, interest held jointly with other persons	660,205,360 (L)	49.21%
Much Premium Investment Limited(6)(8)	Beneficial owner, interest held jointly with other persons	660,205,360 (L)	49.21%
Mr. Yang Wenlong(1)(2)(3)(4)(5)(6)(7)(8)	Beneficial owner, interest in controlled corporation, interest through voting rights entrustment arrangements, interest held jointly with other persons	660,205,360 (L)	49.21%
Mr. Yang Yibin(1)(2)(8)	Interest held jointly with other persons	660,205,360 (L)	49.21%
Mr. Yang Xiao(3)(4)(8)	Interest held jointly with other persons	660,205,360 (L)	49.21%

		Total number of Shares held in the Company	Approximate percentage of relevant Shares in the issued share capital of the Company (%)
Tianjin Shanhaiyihao Business Management Consulting Partnership (Limited Partnership) ("**Shanhaiyihao**")[9]	Beneficial owner	92,567,623 (L)	6.90%
CMB Financial Holdings (Shenzhen) Co., Ltd.[9]	Interest in controlled corporation	95,267,130 (L)	7.10%
CMB International Capital Corporation Limited[9][10]	Interest in controlled corporation	95,267,130 (L)	7.10%
CMB International Capital Holdings Corporation Limited[9][10][11]	Interest in controlled corporation	95,267,130 (L)	7.10%
China Merchants Bank Co., Ltd.[9][10][11][12]	Interest in controlled corporation	95,267,130 (L)	7.10%
TPG Asia VII SF Pte. Ltd.[13]	Beneficial owner	82,897,346 (L)	6.18%
TPG Capital[13]	Interest in controlled corporation	82,897,346 (L)	6.18%

Notes:

(1) Delight Health Limited directly holds 276,712,555 Shares in the Company and is wholly owned by Delight Faith Limited.

(2) Delight Faith Limited is owned by Mr. Yang Wenlong as to 60% of its equity interests and Mr. Yang Yibin as to 40% of its equity interests.

(3) Future Health Limited directly holds 295,499,475 Shares in the Company and is wholly owned by Go Far Limited.

(4) Go Far Limited is owned by Mr. Yang Wenlong as to 60% of its equity interests and Mr. Yang Xiao as to 40% of its equity interests.

(5) Excel Returns Group Limited directly holds 11,760,000 Shares in the Company and is wholly-owned by Delight Faith Limited. Excel Returns Group Limited functions as the platform to hold Shares subject to the Pre-IPO Share Option Scheme and the RSU Scheme. It will transfer the Shares to the relevant grantees upon exercise of the options under the Pre-IPO Share Option Scheme and/or the vesting of restricted share unit(s) (the "**RSU(s)**") under the RSU Scheme, and the grantee will in turn irrevocably delegate the voting rights attached to such Shares owned by him/her upon vesting to Mr. Yang Wenlong or such other person as designated by Mr. Yang Wenlong. Each of Mr. Yang Wenlong and Excel Returns Group Limited undertakes that, upon the Listing, he/it will not exercise voting rights attached to any Shares held by Excel Returns Group Limited in relation to options or RSUs which have not been exercised or vested.

(6) Go Prosper Enterprises Corporation and Much Premium Investment Limited directly hold 54,400,000 and 21,833,330 Shares in the Company, respectively, and function as the platforms of the RSU Scheme. Go Prosper Enterprises Corporation and Much Premium Investment Limited are wholly-owned by Restricted Share Scheme participants.

(7) Mr. Yang Wenlong is indirectly interested in a total of 660,205,360 Shares in the Company, representing approximately 49.21% of the Company's total issued Shares, including (i) 288,472,555 Shares being held through Delight Faith Limited and its subsidiaries, (ii) 295,499,475 Shares being held through Go Far Limited and its subsidiaries, and (iii) 76,233,330 Shares being held or controlled through voting right entrustment arrangements with Go Prosper Enterprises Corporation and Much Premium Investment Limited.

(8) Mr. Yang Wenlong, Mr. Yang Yibin and Mr. Yang Xiao, Excel Returns Group Limited, Go Prosper Enterprises Corporation and Much Premium Investment Limited, Delight Health Limited, Future Health Limited, Delight Faith Limited, and Go Far Limited formed the Controlling Shareholders Group of the Company. As such, each of Mr. Yang Wenlong, Mr. Yang Yibin, Mr. Yang Xiao, Excel Returns Group Limited, Go Prosper Enterprises Corporation, Much Premium Investment Limited, Delight Health Limited, Future Health Limited, and Delight Faith Limited are deemed to be interested in the Shares held by other members of the Controlling Shareholders Group for purpose of Part XV of the SFO.

(9) CMB Financial Holdings (Shenzhen) Co., Ltd. indirectly controls 95,267,130 Shares of the Company, representing 7.1% of the Company's voting rights, including 92,567,623 Shares through Shanhaiyihao and 2,699,507 Shares through Nanjing Zhaoyin Gongying. The general partner of Shanhaiyihao is CMB International Financial Holdings (Shenzhen) Co., Ltd., a wholly-owned subsidiary of CMB Financial Holdings (Shenzhen) Co., Ltd. The general partner of Nanjing Zhaoyin Gongying is Jiangsu Zhaoyin Industrial Fund Management Co., Ltd., a wholly-owned subsidiary of CMB International Capital Management (Shenzhen) Ltd., which in turn is a wholly-owned subsidiary of CMB Financial Holdings (Shenzhen) Co., Ltd. As such, CMB Financial Holdings (Shenzhen) Co., Ltd. is deemed to be interested in the Shares held by Shanhaiyihao and Nanjing Zhaoyin Gongying for purpose of Part XV of the SFO.

(10) CMB Financial Holdings (Shenzhen) Co., Ltd. is wholly-owned by CMB International Capital Corporation Limited. As such, CMB International Capital Corporation Limited is deemed to be interested in the Shares controlled by CMB Financial Holdings (Shenzhen) Co., Ltd. for purpose of Part XV of the SFO.

(11) CMB International Capital Corporation Limited is held as to 83.2% by CMB International Capital Holdings Corporation Limited. As such, CMB International Capital Holdings Corporation Limited is deemed to be interested in the Shares controlled by CMB International Capital Corporation Limited for purpose of Part XV of the SFO.

(12) CMB International Capital Holdings Corporation Limited is wholly-owned by China Merchants Bank Co., Ltd. As such, China Merchants Bank Co., Ltd is deemed to be interested in the Shares controlled by CMB International Capital Holdings Corporation Limited for purpose of Part XV of the SFO.

(13) TPG Asia VII SF Pte. Ltd. is an affiliate of TPG Capital. TPG Asia VII SF Pte. Ltd. is controlled by TPG Asia VII Finance, Limited Partnership and a series of intermediate holding entities, namely TPG Asia GenPar VII, L.P., TPG Asia GenPar VII Advisors, Inc., TPG Operating Group III, L.P., TPG Holdings III-A, L.P., TPG Holdings III-A, LLC, TPG GPCo, LLC, TPG Inc., TPG Group Holdings (SBS), L.P., TPG Group Holdings (SBS) Advisors, LLC and TPG GP A, LLC. TPG GP A, LLC is controlled as to 40% by each of DB CC, LLC and JC GP, LLC, which in turn is ultimately controlled by Mr. David Bonderman and Mr. James George Coulter, respectively. By virtue of the SFO, each of the abovementioned entities, Mr. David Bonderman and Mr. James George Coulter are all deemed to be interested in the 82,897,346 Shares held by TPG Asia VII SF Pte. Ltd.

(14) "L" stands for long position.

(15) In the above table, the information on the companies in which the interests are held, the capacity/nature of such interests and the number of Shares or underlying Shares is based on information available on the website of the Stock Exchange (http://www.hkexnews.hk/). The percentage of such Shares or underlying Shares in the issued Shares is calculated with reference to the number of issued Shares of the Company as at December 31, 2023 and is for reference only.

Save as disclosed above, as at December 31, 2023, the Directors were not aware of any other person (other than Directors and chief executive of the Company) who had any interest and/or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed pursuant to 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.

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

As at December 31, 2023, the interests or short positions of the Directors and chief executives of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations, within the meaning of Part XV of the SFO, which would have to be 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 taken or deemed to have under such provisions of the SFO), or which would be required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein, or which would be required to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

(i) Interests in the Shares and underlying Shares of the Company

Name of Director or chief executive	Capacity/Nature of interest	Number of Shares held in the Company	Approximate percentage of the issued share capital of the Company (%)
Yang Wenlong[1]	Beneficial owner, interest in controlled corporation, interest through voting rights entrustment arrangements, interest held jointly with other persons	660,205,360 (L)	49.21%
Yang Yibin[2]	Interest held jointly with other persons	660,205,360 (L)	49.21%
Xu Ning[3]	Beneficial owner	5,560,000 (L)	0.41%
Yu Lei[4]	Beneficial owner	10,900,000 (L)	0.81%
Yu Qinglong[5]	Beneficial owner	8,640,000 (L)	0.64%

Notes:

(1) Mr. Yang Wenlong is indirectly interested in a total of 660,205,360 Shares of the Company, representing approximately 49.21% of the Company's total issued Shares, including (i) 288,472,555 Shares being held through Delight Faith Limited and its subsidiaries, (ii) 295,499,475 Shares being held through Go Far Limited and its subsidiaries, and (iii) 76,233,330 Shares being held or controlled through voting rights entrustment arrangements with Go Prosper Enterprises Corporation and Much Premium Investment Limited.

(2) Mr. Yang Yibin was a member of the Controlling Shareholders Group and was deemed to be interested in the Shares held by other members of the Controlling Shareholders Group for purpose of Part XV of the SFO. Therefore, Mr. Yang Yibin was deemed to be interested in an aggregate of 660,205,360 Shares of the Company, representing approximately 49.21% of the Company's total issued Shares within the meaning of Part XV of the SFO.

(3) Mr. Xu Ning is interested in the 5,000,000 restricted Shares granted to him under the Restricted Share Scheme and 560,000 restricted Shares granted to him under the RSU Scheme 2023.

(4) Mr. Yu Lei is interested in the 10,000,000 restricted Shares granted to him under the Restricted Share Scheme and 900,000 restricted Shares granted to him under the RSU Scheme 2023.

(5) Mr. Yu Qinglong is interested in the 8,000,000 restricted Shares granted to him under the Restricted Share Scheme and 640,000 restricted Shares granted to him under the RSU Scheme 2023.

(6) "L" stands for long position.

(ii) Interests in the Shares and underlying Shares of the associated corporations of the Company

Name	Name of associated corporation	Capacity/Nature of interest[(2)(3)]	Amount of registered capital *(RMB)*	Percentage Shareholding in the associated corporation[(4)]
Yang Wenlong[(2)]	Dingdang Medicine Express Technology[(1)]	Beneficial owner	52,941,177	24.44%
		Interest in controlled entities		37.78%
		Interest through voting rights entrustment arrangements		37.78%

Notes:

(1) Dingdang Medicine Express Technology is a Consolidated Affiliated Entity.

(2) As at December 31, 2023, Mr. Yang Wenlong controls 100% of the equity interest in Dingdang Medicine Express Technology, including (i) directly holds 24.44% of the equity interest, (ii) indirectly controls 37.78% of the equity interest through Dingdang No. 4, and (iii) indirectly controls 37.78% of the equity interests through Dingdang No. 1, Dingdang No. 2 and Dingdang No. 3, as all the limited partners of Dingdang No. 1, Dingdang No. 2 and Dingdang No. 3 have authorized Mr. Yang Wenlong to exercise the voting rights directly held by them in Dingdang Medicine Express Technology.

(3) All interests stated are long positions.

(4) The calculation is based on the registered capital of Dingdang Medicine Express Technology.

Save as disclosed above, as at December 31, 2023, none of the Directors or chief executives of the Company had any interests and/or short positions in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), which would have to be 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 was taken or deemed to have under such provisions of the SFO), or which would be required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein, or which would be required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

EMOLUMENT POLICY AND DIRECTORS' REMUNERATION

In compliance with the CG Code as set out in Appendix C1 to the Listing Rules, the Company has established the Remuneration Committee to formulate remuneration policies. The remuneration is determined and recommended based on each Director's and senior management personnel's qualification, position and seniority. As for the independent non-executive Directors, their remuneration is determined by the Board upon recommendation from the Remuneration Committee. The Directors and the senior management personnel are eligible participants of the ESOP Plans. Details of the remuneration of the Directors, senior management and the five highest paid individuals are set out in Note 11, Note 12 and Note 33, respectively, to the consolidated financial statements.

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

ESOP PLANS

In order to provide incentives and rewards to members of the Board, employees and consultants of the Group, the Company adopted a series of employee incentive schemes, including Pre-IPO Share Option Scheme, Restricted Share Scheme and RSU Scheme on May 1, 2020 and the Restricted Share Agreement on May 31, 2021 and RSU Scheme 2023 on June 27, 2023. Save as otherwise defined, capitalized terms used herein shall have the same meaning as defined in the Prospectus and announcement dated June 27, 2023. For further details, please refer to Note 28 to the consolidated financial statements.

SHARE INCENTIVE SCHEMES

In order to provide incentives and rewards to members of the Board, employees and consultants of the Group, the Company adopted the Share Incentive Schemes on May 1, 2020, which shall continue in effect for a term of ten (10) years since the adoption. The total number of Shares issued or issuable pursuant to the Share Incentive Schemes shall not be more than 87,993,330 Shares, representing approximately 6.56% of the total issued share capital of the Company as at the date of this report.

Up to the Listing Date, the total 87,993,330 Shares under the Share Incentive Schemes have been issued in full, consisting of:

(i) 11,760,000 Shares issued to Excel Returns Group Limited subject to the Pre-IPO Share Option Scheme and the RSU Scheme, representing approximately 0.88% of the total issued share capital of the Company as at the date of this annual report, among which the corresponding options (the "**Option(s)**") to subscribe for 10,510,000 Shares have been granted to 88 grantees (the "**Grantee(s)**") under the Pre-IPO Share Option Scheme and 810,000 Shares available for grant in the form of RSUs have been granted to an employee on September 30, 2022. No further Option will be granted by the Company under the Pre-IPO Share Option Scheme after the Listing. In the event where any Option was subsequently terminated or forfeited, the underlying Shares of which will be available for future grant in the form of RSUs in accordance with the terms of the RSU Scheme, subject to the then applicable Listing Rules in effect (including Chapter 14A and Chapter 17 of the Listing Rules) from time to time; and

(ii) 76,233,330 Shares ("**Restricted Shares**"), representing approximately 5.68% of the total issued share capital of the Company as at the date of this annual report, issued to the 17 participants of the 2016 employee stock ownership plan through Go Prosper Enterprises Corporation and Much Premium Investment Limited. The beneficiary interests of all Restricted Shares granted have been entitled by each of the participants, respectively, as at December 31, 2023.

No further Shares will be issued pursuant to the Share Incentive Schemes, and no further Shares will be granted under the Share Incentive Schemes after the Listing. As such, the exercise of Options or the vesting of any RSUs under the Share Incentive Schemes will not incur any dilutive effect on the shareholding structure of the Company.

For the 11,760,000 Shares subject to the Pre-IPO Share Option Scheme and the RSU Scheme issued to Excel Returns Group Limited, each of Mr. Yang Wenlong and Excel Returns Group Limited hereby undertakes that he/it will not exercise voting rights attached to any Shares held by he/it in relation to Options or RSUs which have not been exercised or vested. For the avoidance of doubt, in the event where such underlying Shares are vested upon the exercise of the Options granted under the Pre-IPO Share Option Scheme and/or the vetting of RSUs pursuant to the RSU Scheme, the Grantees shall irrevocably delegate the voting rights attached to the Shares owned by them pursuant to the exercise of Options or vesting of RSUs to Mr. Yang Wenlong or such other persons as designated by Mr. Yang Wenlong.

The Share Incentive Schemes shall be administrated by a committee comprising of Mr. Yang Wenlong and the Director(s) or member(s) of senior management designated by Mr. Yang Wenlong (the "**Administrator**").

Purpose of the Share Incentive Schemes

Share Incentive Schemes are intended to promote the success and enhance the value of the Company by linking the personal interests of the eligible participants to those of the Shareholders and by providing such individuals with an incentive for outstanding performance to generate superior returns to the Shareholders. It is further intended to provide flexibility to the Company in the ability to motivate, attract and retain the services of eligible participants.

Eligible participants

Persons eligible to participate in the Share Incentive Schemes include members of the Board, employees and consultants of the Group and its affiliates, as determined by the Administrator (the "**Eligible Participants**").

1. Pre-IPO Share Option Scheme

Grant of Options

An offer shall be deemed to have been accepted when the document in writing for each grant of Options under the Pre-IPO Share Option Scheme to a Grantee (the "**Pre-IPO Grant Letter**") is duly signed by the relevant Grantee. No consideration is required to be paid by the Grantee for the grant of any Options under the Pre-IPO Share Option Scheme. No purchase price is required to be paid by the Grantees on acceptance of the Options.

Exercise Price

The exercise price of the Options ("**Exercise Price**") shall be determined by the Administrator and set forth in the Pre-IPO Grant Letter, with reference to participants' contribution, subject to the requirements of applicable laws. The Exercise Price may be amended or adjusted in the absolute discretion of the Administrator (subject to applicable laws and regulations), the determination of which shall be final, binding and conclusive. For the avoidance of doubt, to the extent not prohibited by applicable laws or regulations, a downward adjustment of the Exercise Price shall be effective without the approval of the Shareholders or the approval of the affected Pre-IPO Eligible Participants.

Maximum Entitlement for Each Participant

Under the Pre-IPO Share Option Scheme, there is no specific limit on the maximum number of Shares which may be granted to a single eligible participant.

Vesting Period

Subject to the Pre-IPO Grant Letter and fulfillment of performance targets (if any), the Options will be vested by tranches in a period of two or three years from the Listing Date.

Remaining Life of the Pre-IPO Share Option Scheme

The Pre-IPO Share Option Scheme is valid and effective for a period of 10 years commencing from May 1, 2020 to April 30, 2030. The remaining life of the Pre-IPO Share Option Scheme is over 6 years.

For details on the Pre-IPO Share Option Scheme, please refer to "Appendix IV – Statutory and General Information – D. ESOP Plans – Share Incentive Schemes – 3. Pre-IPO Share Option Scheme" of the Prospectus.

As at December 31, 2023, the Company had granted Options under the Pre-IPO Share Option Scheme to an aggregate of 88 Grantees to subscribe for a total of 10,510,000 Shares, including 3,100,000 Shares which had been granted to common Grantees, and the remaining Shares had been granted to special Grantees, representing 0.78% of the Company's total issued Shares, being the aggregated number of Shares that may be issued upon exercise of all Options granted as at December 31, 2023 under the Pre-IPO Share Option. No Options were available for grant under the Pre-IPO Share Option Scheme as at January 1, 2023 and December 31, 2023. All of the Grantees are employees within the Group. As of December 31, 2023, no Options were granted to any Directors, members of the senior management of the Company, the connected persons of our Group or five highest paid individuals of the Group under the Pre-IPO Share Option Scheme.

Details of the outstanding Options granted to the Grantees under the Pre-IPO Share Option Scheme during the year ended December 31, 2023 are set out below:

Grantee	**Exercise Price** *(RMB)*	**Grant Date**	**Exercise Period**	**Outstanding as of January 1, 2023**	**Granted, exercised, vested or cancelled during the Reporting Period**	**Lapsed/ forfeited during the Reporting Period**	**Outstanding as of December 31, 2023**
Employees other than Directors and five highest paid individuals of the Group	0.1	May 30, 2020	10 years from grant date	10,950,000	(3,894,000)	(440,000)	6,616,000

As at December 31, 2023, none of the Options has been exercised. No further Option will be granted by the Company under the Pre-IPO Share Option Scheme after the Listing.

The fair value of the Options at the grant date are as follows:

	Options to common Grantees	Options to special Grantees
Grant date	May 30, 2020	May 30, 2020
Fair value as of grant date (per Share)	RMB2.0663	RMB2.0653

The consolidated financial statements has been prepared in accordance with accounting policies which conform with IFRSs issued by International Accounting Standards Board. The accounting policies of share-based payment are as follows:

Equity-settled Share-based Payment Transactions

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

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

When Options are exercised, or RSUs granted are vested, the amount previously recognized in share-based payments reserves will continue to be held in share-based payments reserves. When the Options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognized in share-based payments reserves will continue to be held in share-based payments reserves.

The effects of modifications that increase the total fair value of the share-based payment arrangement or are otherwise beneficial to the employees are required to recognize. If the modification increases the fair value of the equity instruments granted, the Group is required to measure immediately before and after the modification, and include the incremental fair value granted (i.e. the difference between the fair value of the modified equity instrument and that of the date of the modification) in the measurement of the amount recognized for services received as consideration for the equity instruments granted. If the modification occurs during the vesting period, the incremental fair value granted is included in the measurement of the amount recognized for services received over the period from the modification date until the date when the modified equity instruments vest, in addition to the amount based on the grant date fair value of the original equity instruments, which is recognized over the remainder of the original vesting period.

2. *RSU Scheme*

The following is a summary of the principal terms of the RSU Scheme.

Grant of RSUs

Subject to the provisions of the RSU Scheme, the Administrator may, from time to time, select from among all Eligible Participants, those to whom RSUs shall be granted (the "**RSU Participants**") and shall determine the amount of RSUs to be granted.

Each award of RSUs shall be evidenced by a RSUs award agreement, which shall specify any vesting conditions, the number of RSUs granted, and such other terms and conditions as the Administrator, in its sole discretion, shall determine.

Vesting Schedule

The Administrator, in its discretion, may set performance targets or other vesting criteria which, depending on the extent to which they are met, will determine the number or value of RSUs that will be vested.

Form and Timing of Payment of RSUs

At the time of grant, the Administrator shall specify the date or dates the RSUs shall become fully vested. Upon vesting, the Administrator, in its sole discretion, may pay RSUs in the form of cash, Shares, other form of settlement as determined by the Company or in a combination thereof.

Maximum Entitlement for Each Participant

Under the RSU Scheme, there is no specific limit on the maximum number of Shares which may be granted to a single eligible participant.

Remaining Life of the RSU Scheme

The RSU Scheme is valid and effective for a period of 10 years commencing from May 1, 2020 to April 30, 2030. The remaining life of the RSU Scheme is over 6 years.

810,000 Shares available for grant, representing approximately 0.06% of the total issued share capital of the Company as at the date of this report, in the form of RSUs have been granted to an employee who is among the five highest paid individuals of the Group on September 30, 2022 at a price of RMB0.1 per Share with reference to the employee's contribution to the Group and work performance, which will be settled upon the exercising of the relevant RSUs. The RSUs will be vested in two equivalent tranches in a period of 2 years from the date of the RSU grant letter and subject to the fulfillment of the performance appraisal stipulated in the RSU grant letter. Since the relevant performance target for the first tranche of the RSUs was not fulfilled, none of the granted RSUs were vested, cancelled, lapsed or forfeited during the Reporting Period.

For details on the RSU Scheme, please refer to "Appendix IV – Statutory and General Information – D. ESOP Plans – Share Incentive Schemes – 4. RSU Scheme" of the Prospectus. For the accounting standard and policy adopted and fair value of the RSUs on the grant date, please refer to Note 3.5 and Note 28, respectively, to the consolidated financial statements.

3. *Restricted Share Scheme*

Pursuant to the Restricted Share Scheme, a total of 76,233,330 Restricted Shares, representing approximately 5.68% of the total issued share capital of the Company as at the date of this annual report, have been issued to the 17 participants ("**Restricted Share Scheme Participants**") of the 2016 ESOP Plan through Go Prosper Enterprises Corporation and Much Premium Investment Limited (the "**Restricted Share Scheme Platforms**"), the beneficiary interests of all Restricted Shares granted have been entitled by each of the Restricted Share Scheme Participants, respectively, as at December 31, 2023, but remain subject to certain unlock conditions.

The purpose of Restricted Share Scheme was to recognize and reward the contributions of the Restricted Share Scheme Participants to the growth and development of our Group.

Under the Restricted Share Scheme, there is no specific limit on the maximum number of Shares which may be granted to a single eligible participant.

The Restricted Share Scheme is valid and effective for a period of 10 years commencing from May 1, 2020 to April 30, 2030. The remaining life of the Restricted Share Scheme is over 6 years.

Among all the Restricted Shares granted, 54,400,000 Restricted Shares have been granted to 15 Restricted Share Scheme Participants at a price of RMB0.1 subject to time-based unlock conditions being no more than 30%, 30% and 40% of his or her respective Restricted Shares may be disposed of in each of the three years following the Listing Date, while 21,833,330 Shares have been granted to the remaining two Restricted Share Scheme Participants at a price of RMB0.1 subject to unlock conditions being no Restricted Shares may be disposed within the applicable lock-up period after Listing Date and the Company's prior authorization is required for disposal of Restricted Shares following the expiry of such lock-up period. The purchase price of the Restricted Shares was determined with reference to the financial conditions and valuation of the Company, and has been settled by the Restricted Share Scheme Participants within the period as stipulated in their respective grant notice. Since the relevant performance target for the first tranche of the Restricted Shares was not fulfilled, the lock-up period was extended and no Restricted Shares were released from lock-up during the Reporting Period.

Details of the Restricted Shares as at December 31, 2023 are set out below:

Name of Grantee	Relationship with the Company	Date of grant	Number of Restricted Shares Granted	Outstanding and subject to Unlock Conditions as of January 1, 2023 and December 31, 2023
Directors of the Company or its subsidiaries				
Xu Ning (徐寧)	Executive Director and Vice President	September 13, 2016	5,000,000	5,000,000
Yu Lei (俞雷)	Executive Director and Vice President	September 13, 2016	10,000,000	10,000,000
Yu Qinglong (于慶龍)	Executive Director and Chief Technology Officer	September 13, 2016	8,000,000	8,000,000
Xiong Zhonghua (熊忠華)	Director and chief executive of the subsidiaries	September 13, 2016	10,916,665	10,916,665
Hua Chunguo (化春國)	Director and chief executive of the subsidiaries	September 13, 2016	5,000,000	5,000,000
Feng Gang (馮鋼)	Director and chief executive of the subsidiaries	September 13, 2016	7,000,000	7,000,000
Wang Xianzhong (汪獻忠)	Director and chief executive of the subsidiaries	September 13, 2016	5,000,000	5,000,000
Employees other than the Directors of the Company or the connected persons and five highest paid individuals of the Group		September 13, 2016	25,316,665	25,316,665

The Restricted Share Scheme is not subject to the provisions of Chapter 17 of the Listing Rules as the Restricted Share Scheme does not involve the grant of Options by the Company to subscribe for new Shares.

Save as disclosed above, no Restricted Shares were granted to the Directors of the Company or any other connected persons of the Company as of December 31, 2023. For details on the Restricted Share Scheme, please refer to “Appendix IV – Statutory and General Information – D. ESOP Plans – Share Incentive Schemes – 5. Restricted Share Scheme” of the Prospectus.

RESTRICTED SHARE AGREEMENT

The following is a summary of the principal terms of the Restricted Share Agreement entered into by the Company, Mr. Yang Wenlong and Future Health Limited, a company held as to 60% of its equity interests by Mr. Yang Wenlong on May 31, 2021 (the "**Date of Grant**") which has been approved by the Shareholders on May 25, 2021. Pursuant to the Restricted Share Agreement, 130,793,590 ordinary Shares, representing 9.75% of the total issued share capital of the Company as at the date of this report (the "**Founder Incentive Shares**"), were issued to Future Health Limited. No consideration is required to be paid by Mr. Yang Wenlong and Future Health Limited for the grant of any Founder Incentive Shares under the Restricted Share Agreement. The remaining life of the Restricted Share Agreement is over 7 years.

The Restricted Share Agreement is not subject to the provisions of Chapter 17 of the Listing Rules as the Restricted Share Agreement does not involve the grant of options by the Company to subscribe for new Shares.

The purpose of the Restricted Share Agreement was to recognize and reward the contributions of Mr. Yang Wenlong to the growth and development of the Group.

Provided that Mr. Yang Wenlong remains as an employee of the Company at such time:

- 20% of the Founder Incentive Shares will be released of all the Special Restrictions (as defined below) upon the expiration of the lock-up period applicable to the Mr. Yang Wenlong after Listing under the Listing Rules.

- 40% of the Founder Incentive Shares will be released of the Special Restrictions in equal tranches on each of the first four anniversaries of the Date of Grant.

- 40% of the Founder Incentive Shares will be released of the Special Restrictions in equal tranches over four years (each such a year, the "**Restricted Calculation Year**") if Mr. Yang Wenlong meets the performance targets as specified in the Restricted Share Agreement on the performance testing date, which is the date the Board approves the final audited financial statements, for such Restricted Calculation Year.

The Founder Incentive Shares so released are hereinafter referred to as "**Released Founder Incentive Shares**" and the Founder Incentive Shares that are still subject to Special Restriction are hereinafter referred to as "**Unreleased Founder Incentive Shares**".

Mr. Yang Wenlong may not sell, transfer, pledge or otherwise dispose of, make any short sale of, grant any Option for the purchase of, or enter into any hedging or similar transaction with the same economic effect as a sale of, any Founder Incentive Shares during the period from the Date of Grant until the later of four (4) years after the Date of Grant or the expiration of the lock-up period applicable to Mr. Yang Wenlong from time to time after the qualified IPO. The Founder Incentive Shares are also restricted in the sense that they may be repurchased by the Company (the "**Transfer Restrictions**"). In the case of termination of employment of Mr. Yang Wenlong with the Company, the Unreleased Founder Incentive Shares will be repurchased by the Company at nil price (together with the Transfer Restrictions, the "**Special Restrictions**"). As at the end of the Reporting Period, all the Founder Incentive Shares were subject to Special Restrictions. The number of Unreleased Founder Incentive Shares at the beginning and at the end of the Reporting Period is 130,793,590.

For details on the Restricted Share Agreement, please refer to "Appendix IV – Statutory and General Information – D. ESOP Plans – Restricted Share Agreement" of the Prospectus.

RSU SCHEME 2023

The following is a summary of the principal terms of the RSU Scheme 2023 which adopted on June 27, 2023 (the "**Adoption Date**"). The RSU Scheme 2023 will purchase the existing Shares through the Trustee on the secondary market with the self-owned funds of the Company. The RSU Scheme 2023 was contemplated and adopted to be funded solely by the existing Shares.

Purposes

The purpose of the RSU Scheme 2023 is to recognise and acknowledge the contributions which the RSU Scheme 2023 Participants have made or may make to the Group and to reward the RSU Scheme 2023 Participants who have achieved outstanding performance.

The RSU Scheme 2023 will provide the RSU Scheme 2023 Participants with an opportunity to acquire proprietary interests in the Company, with the view to achieving the following principal objectives: (i) motivating the RSU Scheme 2023 Participants to optimise their performance and efficiency for the benefit of the Group, and in particular, for fulfilling the strategic targets of the Group; and (ii) attracting and retaining the RSU Scheme 2023 Participants whose contributions are, or, will or are expected to be, beneficial to the Group and the long-term growth and development of the Group.

Eligible Participants of RSU Scheme 2023

The participants under the RSU Scheme 2023 include employees of the Group, any senior management or Director of the Group and any person as determined by the Remuneration Committee with the power and authority granted by the Board (the "**RSU Scheme 2023 Administrator**") to be eligible to participate in the RSU Scheme 2023 (the "**RSU Scheme 2023 Participants**").

Maximum Entitlement for Each Participant

Under the RSU Scheme 2023, there is no specific limit on the maximum number of Shares which may be granted to a single eligible participant.

Duration and Termination

Unless terminated earlier by the RSU Scheme 2023 Administrator pursuant to the rules of the RSU Scheme 2023, the RSU Scheme 2023 shall be valid and effective for a period of ten (10) years commencing on the date on which the RSU Scheme 2023 is adopted by the Company (the "**Scheme Period**").

Operation

Contribution to the Trust

The Designated Person shall, after having regard to the requirements under the provisions of the RSU Scheme 2023, the Listing Rules and all applicable laws, either before or after identification of the Grantee(s), cause to be paid to the Trustee or Trust Holdco such amount as may be required for the purchase of existing Shares from the market or for the acquisition of existing Shares through other means by the Trustee or Trust Holdco and the related purchase or acquisition expenses (including for the time being, the brokerage fee, stamp duty, transaction levy, trading fee and investor compensation levy and such other necessary expenses required for the completion of the purchase or acquisition of all the RSU Shares, as applicable).

Grant of Awards

Subject to and in accordance with the rules of the RSU Scheme 2023, the Listing Rules and all applicable laws, the RSU Scheme 2023 Administrator shall be entitled at any time on any business day during the Scheme Period, to grant an Award to any RSU Scheme 2023 Participant, as the RSU Scheme 2023 Administrator may in its absolute discretion select. Until so selected, no RSU Scheme 2023 Participant shall have any entitlement under the RSU Scheme 2023. In addition, the RSU Scheme 2023 Administrator may, on a case-by-case basis and at its discretion, impose any conditions, restrictions or limitations before the Award can vest as it sees fit, provided that such conditions, restrictions or limitations are set out in the Grant Letter issued to the Grantee. A grant of an Award shall be made to an RSU Scheme 2023 Participant by way of a letter (the "**Grant Letter**") in such written form as the RSU Scheme 2023 Administrator may from time to time determine. Subject to the provisions of the RSU Scheme 2023, the Designated Person may from time to time instruct the Trustee to purchase Shares on the Stock Exchange.

In determining the number and the purchase price (if any) of RSU Shares to be granted to any RSU Scheme 2023 Participant (excluding any Excluded Participant), the RSU Scheme 2023 Administrator shall take into consideration matters including, but without limitation to (i) the present contribution and expected contribution of the relevant RSU Scheme 2023 Participant to the profits of the Group; (ii) the general financial condition of the Group; (iii) the Group's overall business objectives and future development plan; and (iv) any other matters which the RSU Scheme 2023 Administrator considers relevant.

Where any Award is proposed to be granted to a Director, it shall not be granted unless prior approval of the independent non-executive Directors (excluding any independent non-executive Director who is a proposed Grantee) has been obtained. The Company shall comply with the applicable provisions of Chapter 14A of the Listing Rules and such connected persons and their associates shall abstain from voting on the relevant general meeting in approving such grant of RSU Scheme 2023.

No purchase price is required to be paid by the Grantees on acceptance of the grant of RSU Scheme 2023.

Vesting of RSU Scheme 2023

Subject to the terms and conditions of the RSU Scheme 2023 and the fulfillment of all vesting conditions to the vesting of the RSU Shares on such RSU Scheme 2023 Participant as specified in the RSU Scheme 2023 and the relevant Grant Letter, the respective RSU Shares held by the Trustee on behalf of the RSU Scheme 2023 Participant shall vest in such RSU Scheme 2023 Participant in accordance with the applicable vesting schedule, and the Trustee shall cause the RSU Shares or the cash amount referable to the relevant RSU Shares to be transferred to such RSU Scheme 2023 Participant in accordance with the terms of the RSU Scheme 2023.

Scheme Limit

The RSU Scheme 2023 Administrator shall not make any further Award which will result in the number of Shares awarded by the RSU Scheme 2023 Administrator under the RSU Scheme 2023 exceeding 2.0% of the total issued Shares of the Company as at the Adoption Date (i.e. 26,829,457 Shares), and the number of Shares awarded to each Grantee under the RSU Scheme 2023 shall not exceed the percentage cap as determined by the RSU Scheme 2023 Administrator of the issued share capital of the Company as at the Adoption Date in accordance with the Listing Rules and all applicable laws.

Lapse of Awards

In the event that prior to or on the Vesting Date, a Grantee ceases to be an RSU Scheme 2023 Participant for reasons set out in the provisions of the RSU Scheme 2023 or for any other reason as determined by the RSU Scheme 2023 Administrator, the Award shall, unless the RSU Scheme 2023 Administrator otherwise agrees, lapse forthwith and the relevant RSUs shall not vest on the relevant Vesting Date, but the relevant RSU Shares shall become Returned Shares for the purpose of the RSU Scheme 2023.

In the event that prior to or on the Vesting Date: (i) a Grantee is found to be an Excluded Participant; or (ii) a Grantee fails to return duly executed transfer documents prescribed by the Trustee for the relevant RSU Shares within the stipulated period, the relevant part of the Award made to such Grantee shall, unless the RSU Scheme 2023 Administrator otherwise agrees, lapse forthwith and the relevant RSUs shall not vest on the relevant Vesting Date, but the relevant RSU Shares shall become Returned Shares for the purpose of the Scheme.

Remaining Life of the RSU Scheme 2023

The RSU Scheme 2023 is valid and effective for a period of 10 years commencing from June 27, 2023 to June 26, 2033. The remaining life of the RSU Scheme 2023 is over 9 years.

During the Reporting Period, in accordance with the terms of the RSU Scheme 2023, the Company instructed the Trustee to purchase a total of 7,650,000 Shares on the Stock Exchange at a total consideration of HK $20,616,000 (equivalent to RMB18,844,000). Such Shares are held by the Trustee and will be granted to the eligible participants at the sole discretion of the RSU Scheme 2023 Administrator. During the Reporting Period, 6,700,000 Shares were granted to the RSU Scheme 2023 Participants pursuant to the RSU Scheme 2023. As at January 1, 2023, the RSU Scheme 2023 was not adopted, and as at December 31, 2023, 20,129,457 Shares were available for grant under the RSU Scheme 2023. Details of the RSU Scheme 2023 as at December 31, 2023 are set out below:

Name of Grantee	Relationship with the Company	Date of grant	Closing prices of Shares immediately before the granted during the Reporting Period	Purchase price	Outstanding as of January 1, 2023	Granted during the year	Vested during the year [1]	Cancelled/ lapsed during the year	Outstanding as of December 31, 2023	Vesting Period
Directors of the Company or its subsidiaries										
Xu Ning (徐寧)	Executive Director and Vice President	December 13, 2023	HK$2.24	Nil	–	560,000	–	–	560,000	up to 30% by May 31, 2026; up to 30% by May 31, 2027 and up to 40% by May 31, 2028, subject to the corresponding performance appraisal results.
Yu Lei (俞雷)	Executive Director and Vice President	December 13, 2023	HK$2.24	Nil	–	900,000	–	–	900,000	up to 30% by May 31, 2026; up to 30% by May 31, 2027 and up to 40% by May 31, 2028, subject to the corresponding performance appraisal results.

Name of Grantee	Relationship with the Company	Date of grant	Closing prices of Shares immediately before the granted during the Reporting Period	Purchase price	Outstanding as of January 1, 2023	Granted during the year	Vested during the year [1]	Cancelled/ lapsed during the year	Outstanding as of December 31, 2023	Vesting Period
Yu Qinglong (于慶龍)	Executive Director and Chief Technology Officer	December 13, 2023	HK$2.24	Nil	–	640,000	–	–	640,000	up to 30% by May 31, 2026; up to 30% by May 31, 2027 and up to 40% by May 31, 2028, subject to the corresponding performance appraisal results.
Hua Chunguo (化春國)	Director and chief executive of the subsidiaries	December 13, 2023	HK$2.24	Nil	–	350,000	–	–	350,000	up to 30% by May 31, 2026; up to 30% by May 31, 2027 and up to 40% by May 31, 2028, subject to the corresponding performance appraisal results.
Feng Gang (馮鋼)	Director and chief executive of the subsidiaries	December 13, 2023	HK$2.24	Nil	–	560,000	–	–	560,000	up to 30% by May 31, 2026; up to 30% by May 31, 2027 and up to 40% by May 31, 2028, subject to the corresponding performance appraisal results.
Wang Xianzhong (汪獻忠)	Director and chief executive of the subsidiaries	December 13, 2023	HK$2.24	Nil	–	200,000	–	–	200,000	up to 30% by May 31, 2026; up to 30% by May 31, 2027 and up to 40% by May 31, 2028, subject to the corresponding performance appraisal results.
Employees other than the Directors of the Company or the connected persons and five highest paid individuals of the Group		December 13, 2023	HK$2.24	Nil	–	3,490,000	–	–	3,490,000	up to 30% by May 31, 2026; up to 30% by May 31, 2027 and up to 40% by May 31, 2028, subject to the corresponding performance appraisal results.
					–	**6,700,000**	**–**	**–**	**6,700,000**	

Note:

1) The fair value of RSU Shares at the date of grant was HK$2.11. For the accounting standard and policy adopted, please refer to Note 28 of the consolidated financial statements.

Save as disclosed above, there was no Shares under the RSU Scheme 2023 were granted to the Directors of the Company or any other connected persons of the Company as of December 31, 2023. For details on the RSU Scheme 2023, please refer to the announcement of the Company dated June 27, 2023.

CONTINUING CONNECTED TRANSACTIONS

Connected Persons

The following persons are the connected persons of the Group that had transactions with the Group during the Reporting Period:

Name of connected persons	Relationship
Mr. Yang Wenlong	The Controlling Shareholder
Renhe	Related companies controlled by the Controlling Shareholder

During the year ended December 31, 2023, the Group had the following continuing connected transactions, details of which were disclosed in compliance with the requirements of Chapter 14A of the Listing Rules.

1. Products Procurement Framework Agreement – Trademark License for Renhe-branded Products Procured by the Group

The Company entered into a products procurement framework agreement with Renhe on August 26, 2022 (the "**Products Procurement Framework Agreement**"), under which, among other things, Renhe has agreed to, and shall procure its associates to, provide self-branded OTC drugs, prescription drugs, and other healthcare products produced by Renhe and its associates ("**Relevant Products**") to the Group from time to time ("**Procurement of Products**").

With a view to better catering for diversified need of customers and users based on their purchase patterns through the Group's retail channels, we may be in demand, from time to time, for certain self-branded products of Renhe with customized specifications; while Renhe and its associates may not have production capacity to develop and manufacture such customized products.

As such, we agreed with Renhe, among other things, under the Products Procurement Framework Agreement, that where Renhe and its associates are in lack of production capacity to produce such customized products, Renhe will grant our Group a licence, on a non-exclusive basis, to use certain trademarks registered by Renhe in the PRC ("**Trademark License**") under separate trademark license agreements, which authorizes and enables us to procure its self-branded products from independent third-party manufacturers. The number of products to be produced by independent third-party manufacturers under the Trademark License, together with product specifications, and product package is subject to Renhe's prior approval.

The initial term of the Products Procurement Framework Agreement commenced on the Listing Date and will end on December 31, 2024 and can be renewed upon its expiry as agreed by relevant parties to the Products Procurement Framework Agreement for another term of three years.

The royalty fee payable by the Group to Renhe in relation to the Trademark License is charged based on the retail prices (before tax) of the Renhe-branded products procured by us from independent third-party manufacturers using the Trademark License, multiply by predetermined royalty rates as prescribed under the Products Procurement Framework Agreement. The royalty rate for Trademark License is determined based on arm's length discussion between the Group and Renhe, with reference to the market average royalty rates, no less favourable than the rates offered by Renhe to Independent Third Parties or those offered by Independent Third Parties to the Group.

The following table sets forth the annual caps and actual transaction amounts for the Trademark License contemplated under the Products Procurement Framework Agreement for the Reporting Period:

	Proposed Annual Cap in 2023	**Actual Transaction Amount in 2023**
	RMB'000	*RMB'000*
Trademark license royalty fees	4,000	1,749

Mr. Yang Wenlong (by himself and together with his close associate) directly controls 100% of the equity interests of Renhe. In respect of the Trademark License transactions contemplated under the Products Procurement Framework Agreement, as the highest applicable percentage ratio for each of the three years ending December 31, 2022, 2023 and 2024 calculated for the purpose of Chapter 14A of the Listing Rules is expected to exceed 0.1% but less than 5%, such transaction will constitute continuing connected transaction of the Company subject to the annual reporting requirement under Rules 14A.49 and 14A.71 of the Listing Rules and the announcement requirement under Rule 14A.35 of the Listing Rules.

Confirmation from the Independent Non-executive Directors

The independent non-executive Directors have reviewed the continuing connected transactions contemplated under the Products Procurement Framework Agreement, and confirmed that such transactions have been entered into:

a) in the ordinary and usual course of business of the Group;

b) on normal commercial terms or better; and

c) according to the agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

During the year ended December 31, 2023, save as disclosed in the section headed "Continuing Connected Transactions" of this annual report, no transactions with related parties (the "**Related Party Transactions**") disclosed in Note 33 to the financial statements constituted a connected transaction or continuing connected transaction which should be disclosed pursuant to the Listing Rules.

Confirmation from the Auditor

Deloitte Touche Tohmatsu, the Auditor of the Company, has confirmed in a letter to the Board that, with respect to the aforesaid continuing connected transactions entered into in the year ended December 31, 2023:

(a) nothing has come to their attention that causes Deloitte Touche Tohmatsu to believe that the disclosed continuing connected transactions have not been approved by the Board;

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

(c) with respect to the aggregate amount of each of the continuing connected transactions, nothing has come to their attention that causes Deloitte Touche Tohmatsu to believe that the disclosed continuing connected transactions have exceeded the annual cap as set by the Company.

2. Contractual Arrangements

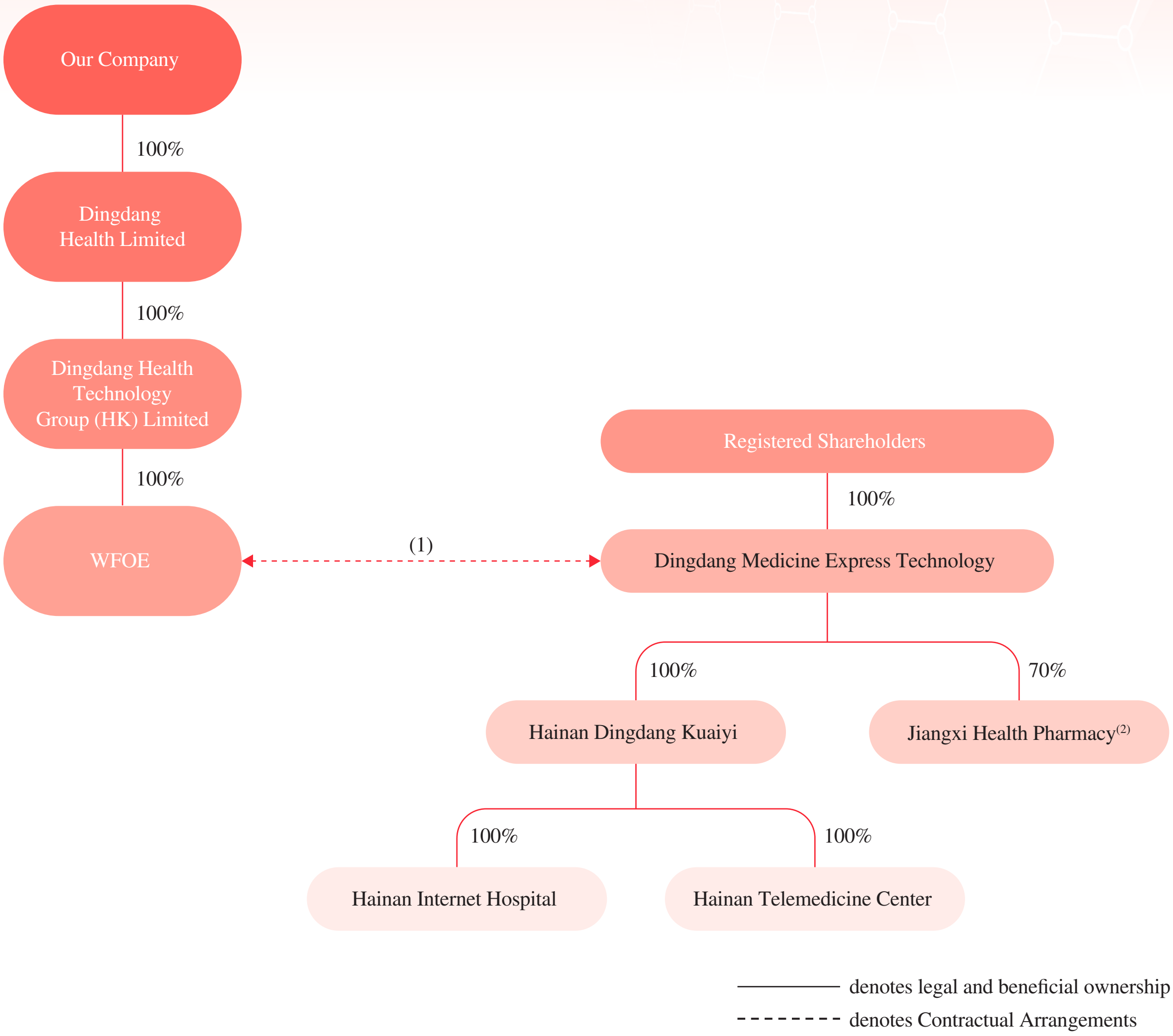
As foreign investment in certain areas of the industry in which we currently operate is subject to restrictions under current PRC laws and regulations as outlined in further detail in the section headed "Contractual Arrangements" in the Prospectus, we do not directly own any equity interests in the Consolidated Affiliated Entities. Dingdang Medicine Express Technology is held by Mr. Yang Wenlong as to 24.44%, Dingdang No. 1 as to 9.44%, Dingdang No. 2 as to 9.44%, Dingdang No. 3 as to 18.89% and Dingdang No. 4 as to 37.79%.

In view of the aforementioned PRC regulatory background and verbal consultations with competent authorities, after consultation with the PRC Legal Advisors, we determined that it was not viable for the Company to hold the Consolidated Affiliated Entities through equity ownership. Instead, we decided that, in line with common practice in industries in the PRC subject to foreign investment restrictions, we would gain effective control over, and receive all the economic benefits generated by the businesses currently operated by the Consolidated Affiliated Entities through the Contractual Arrangements.

In order to comply with PRC laws and regulations while availing ourselves of international capital markets and maintaining effective control over all of our operations, we acquired equity interests in entities whose businesses are not subject to foreign investment restrictions and entered into Contractual Arrangements between the WFOE, and Dingdang Medicine Express Technology (which holds the remaining Consolidated Affiliated Entities) and the Registered Shareholders on May 25, 2021. The Contractual Arrangements allowed the results of operations and assets and liabilities of the Consolidated Affiliated Entities to be consolidated into the results of operations and assets and liabilities under IFRS as if they were subsidiaries of the Group. Total revenue of the Group's Consolidated Affiliated Entities was RMB429 million for the year ended December 31, 2023 (for the year ended December 31, 2022: RMB348 million), and these amounts have been reflected in the Group's consolidated financial statements with intercompany balances and transactions between the Consolidated Affiliated Entities, the subsidiaries of the Consolidated Affiliated Entities and other entities within the Group eliminated. The total assets of the Group's Consolidated Affiliated Entities were RMB446 million as of December 31, 2023 (As of December 31, 2022: RMB475 million), and such balances have been reflected in the Group's consolidated financial statements with intercompany balances and transactions between the Consolidated Affiliated Entities, the subsidiaries of the Consolidated Affiliated Entities and other entities within the Group eliminated. Based on the above and as set out in the section headed "Contractual Arrangements" in the Prospectus, we believe that the Contractual Arrangements are narrowly tailored to minimize the potential conflict with relevant PRC laws and regulations.

Our Directors believe that the Contractual Arrangements are fair and reasonable because (i) the Contractual Arrangements were freely negotiated and entered into among the WFOE, the Consolidated Affiliated Entities and the Registered Shareholders; (ii) by entering into the Exclusive Business Cooperation Agreement with the WFOE, which is the indirect subsidiary incorporated in the PRC, the Consolidated Affiliated Entities shall enjoy better economic and technical support from us, as well as a better market reputation after the Listing, and (iii) a number of other companies use similar arrangements to accomplish the same purpose.

The diagram below illustrates the relationships among the entities under the Contractual Arrangements:



(1) The WFOE provides business support, technical and consulting services in exchange for service fees from Dingdang Medicine Express Technology. For details, please refer to "Contractual Arrangements – Our Contractual Arrangements – Summary of Material Terms under the Contractual Arrangement" in the Prospectus.

(2) The remaining 30% equity interest of Jiangxi Health Pharmacy is held by Zhang Zhe (張喆), who serves as the executive director and general manager of Dingdang Good Health Technology (Beijing) Co., Ltd. (叮噹好健康科技(北京)有限公司).

(3) Dingdang Medicine Express Technology and Jiangxi Health Pharmacy primarily engage in providing express digital healthcare service. Hainan Dingdang Kuaiyi, Hainan Internet Hospital and Hainan Telemedicine Center primarily engages in the provision of online hospital services. The businesses operated by such entities constitute the principal business of the Company.

Risks relating to the Contractual Arrangements

We believe the following risks are associated with the Contractual Arrangements. Further details of these risks are set out on pages 100 to 105 of the Prospectus.

- If the PRC government finds that the agreements that establish the structure for operating our businesses in China do not comply with applicable PRC laws and regulations, or if these regulations or their interpretations change in the future, we could be subject to severe consequences, including the nullification of the Contractual Arrangements and the relinquishment of our interest in our Consolidated Affiliated Entities.

- The Contractual Arrangements may not be as effective in providing operational control as direct ownership, and Dingdang Medicine Express Technology or the Registered Shareholders may fail to perform their obligations under the Contractual Arrangements.

- We may lose the ability to use and enjoy assets held by the Consolidated Affiliated Entities that are material to the business operations if the Consolidated Affiliated Entities declares bankruptcy or becomes subject to a dissolution or liquidation proceeding.

- The Registered Shareholders may have conflicts of interest with us, which may materially and adversely affect our business.

- We conduct the business operations in the PRC through the Consolidated Affiliated Entities by way of the Contractual Arrangements, but certain terms of the Contractual Arrangements may not be enforceable under PRC laws.

- If we exercise the option to acquire equity ownership and assets of the Consolidated Affiliated Entities, the ownership or asset transfer may subject us to certain limitations and substantial costs.

- Our current corporate structure and business operations may be affected by the Foreign Investment Law.

- The Contractual Arrangements may be subject to scrutiny by the PRC tax authorities, and a finding that we owe additional taxes could substantially reduce our consolidated net income and the value of your investment.

- The difference of PRC enterprise income tax and VAT rate between Dingdang Medicine Express Technology and the WFOE may incur additional tax expenses to the Group under the Contractual Arrangements.

To mitigate the risks associated with the Contractual Arrangements, the Board will conduct annual review on the implementation and compliance of the Contractual Arrangements, and the Group will work closely with the Registered Shareholders and our external legal counsels and advisors to monitor the regulatory environment and developments in PRC laws and regulations to mitigate the risks associated with the Contractual Arrangements.

Summary of the material terms under the Contractual Arrangements

The Contractual Arrangements which were in place during the year ended December 31, 2023 and a description of the specific agreements that comprise the Contractual Arrangements is set out below:

Exclusive Business Cooperation Agreement

Pursuant to the exclusive business cooperation agreement dated May 25, 2021 between Dingdang Medicine Express Technology and the WFOE (the "**Exclusive Business Cooperation Agreement**"), Dingdang Medicine Express Technology agreed to engage the WFOE as its exclusive provider of comprehensive business support, technical services and consultation services, including but not limited to, the following services: technology development, technology promotion, technology transfer, technology services; basic software services; application software services; software development; software consulting; product design; model design; market research; and business management consulting.

Under the Exclusive Business Cooperation Agreement, the service fee shall consist of 100% of the total consolidated profit. Notwithstanding the foregoing, the WFOE may adjust the service fees at its own discretion without the consent of Dingdang Medicine Express Technology.

In addition, absent the prior written consent of the WFOE, during the term of the Exclusive Business Cooperation Agreement, with respect to the matters set forth in the Exclusive Business Cooperation Agreement, Dingdang Medicine Express Technology shall not accept any consulting and/or services provided by any third party, establish cooperation relationships with any third party, or on its own initiative perform any acts which might affect the confidentiality of the technology and secrets involved in the service provided by the WFOE or the effectiveness and efficiency of the technical supports or allow any third party to do the same. The WFOE may appoint other parties, who may enter into certain agreements with Dingdang Medicine Express Technology, to provide Dingdang Medicine Express Technology with the services under the Exclusive Business Cooperation Agreement.

The Exclusive Business Cooperation Agreement also provides that the WFOE has the exclusive proprietary rights to and interests in any and all intellectual property rights whether developed or created by Dingdang Medicine Express Technology or the WFOE during the performance of the Exclusive Business Cooperation Agreement.

The validity period of the Exclusive Business Cooperation Agreement shall start from the execution date and it shall remain effective for 20 years unless terminated (a) by agreement between the WFOE and Dingdang Medicine Express Technology; or (b) by a written notice from the WFOE at least 30 days before termination. Dingdang Medicine Express Technology is not entitled to unilaterally terminate the agreement, unless Dingdang Medicine Express Technology has sufficient evidence to prove that the WFOE has material negligence or fraudulent conducts to Dingdang Medicine Express Technology. The term of the agreement may be extended prior to its expiration upon written confirmation by the WFOE. The period of extension shall be determined by the WFOE, and Dingdang Medicine Express Technology shall accept the period of extension without conditions.

Exclusive Purchase Option Agreement

Pursuant to the exclusive purchase option agreement dated May 25, 2021 among Dingdang Medicine Express Technology, the WFOE and each of the Registered Shareholders (the "**Exclusive Purchase Option Agreement**"), the WFOE has been granted an irrevocable, unconditional and exclusive right to require the Registered Shareholders to transfer any or all their equity interests in Dingdang Medicine Express Technology to the WFOE and/or a third party designated by it, in whole or in part at any time and from time to time. Dingdang Medicine Express Technology and the Registered Shareholders, among other things, have covenanted that:

- without the prior written consent of the WFOE, they shall not in any manner supplement, change or amend the constitutional documents of Dingdang Medicine Express Technology, increase or decrease their registered capital, or change the structure of their registered capital in other manner;
- they shall maintain Dingdang Medicine Express Technology's corporate existence and operation in accordance with good financial and business standards and practices, obtain and maintain all necessary government licenses and permits by prudently and effectively operating their business and handling their affairs, and procure Dingdang Medicine Express Technology to perform its obligations under the Exclusive Business Cooperation Agreement;
- without the prior written consent of the WFOE, they shall not and shall procure its subsidiaries not, at any time following the date when the Exclusive Purchase Option Agreement came into effect sell, transfer, pledge or dispose of in any manner any assets or the legal or beneficial interest in the business or revenues of Dingdang Medicine Express Technology or allow the encumbrance thereon of any security interest;
- without the prior written consent of the WFOE, Dingdang Medicine Express Technology shall not incur, inherit, guarantee or assume any debt, except for payables incurred in the ordinary course of business not generated from loans and debts which have been disclosed to and approved by WFOE;
- Dingdang Medicine Express Technology shall always operate all of their businesses during the ordinary course of business to maintain their asset value and refrain from any action/omission that may adversely affect their operating status and asset value;
- without the prior written consent of the WFOE, they shall not cause Dingdang Medicine Express Technology to execute any material contract with a value of more than RMB100,000, except the contracts executed in the ordinary course of business;
- without the prior written consent of the WFOE, they shall not cause Dingdang Medicine Express Technology to provide any person with any loan or credit, or guarantee for any third-party debt;
- they shall provide the WFOE with information on Dingdang Medicine Express Technology's business operations and financial condition at the request of the WFOE;

- if requested by the WFOE, they shall procure and maintain insurance in respect of Dingdang Medicine Express Technology's assets and business from an insurance carrier acceptable to the WFOE, at an amount and type of coverage typical for companies that operate similar businesses;

- without the prior written consent of the WFOE, they shall not cause or permit Dingdang Medicine Express Technology to merge, consolidate with, acquire or invest in any person, or procure or permit Dingdang Medicine Express Technology to sell the assets with a value of more than RMB100,000;

- they shall immediately inform the WFOE of the occurrence or possible occurrence of any litigation, arbitration or administrative proceedings relating to Dingdang Medicine Express Technology's assets, business or revenue;

- to maintain the ownership by Dingdang Medicine Express Technology of all of their assets, they shall execute all necessary or appropriate documents, take all necessary or appropriate actions and file all necessary or appropriate complaints or raise necessary and appropriate defences against all claims;

- without the prior written consent of the WFOE, Dingdang Medicine Express Technology shall not in any manner distribute profits or dividends to their shareholders, provided that upon the request of the WFOE, Dingdang Medicine Express Technology shall immediately distribute all distributable profits to their shareholders;

- at the request of the WFOE, they shall appoint any persons designated by the WFOE as the directors of Dingdang Medicine Express Technology, replace or remove the directors of Dingdang Medicine Express Technology;

- unless otherwise mandatorily required by PRC laws, Dingdang Medicine Express Technology shall not be dissolved or liquidated without the prior written consent by the WFOE;

- in the event of bankruptcy, dissolution, liquidation, death or loss of legal capacity (if applicable) of any of Consolidated Affiliated Entities' shareholders, or other circumstances that may affect Dingdang Medicine Express Technology's equity interests, any successor of an existing shareholder shall be deemed to be a party to the Exclusive Purchase Option Agreement. The Exclusive Purchase Option Agreement and other contractual arrangements shall prevail over any form of agreements relating to the disposition of interests in Dingdang Medicine Express Technology unless prior written consent from the WFOE is obtained;

- if the execution and performance of the Exclusive Purchase Option Agreement and the stock transfer options granted under the Exclusive Purchase Option Agreement shall require any third party's consent, permission, waiver, authorization or any governmental agency's approval, license, immunity, registration or filing in accordance with the law, Dingdang Medicine Express Technology shall make every endeavour to help satisfy the above conditions.

In addition, the Registered Shareholders, among other things, have covenanted that:

- without the written consent of the WFOE, they shall not sell, transfer, pledge or dispose of in any other manner the legal or beneficial interest in Dingdang Medicine Express Technology, or allow the encumbrance thereon of any security interest, except for the Equity Pledge Agreement;

- for each exercise of the equity purchase option, they shall cause the shareholders' meeting and/or the board of directors of Dingdang Medicine Express Technology to vote on the approval of the transfer of equity interests and any other action requested by the WFOE;

- Registered Shareholders whose equity interest has not been transferred shall relinquish the pre-emptive right (if any) they are entitled to in relation to the transfer of equity interest by any other shareholders to the WFOE and/or any entity or individual appointed by the WFOE pursuant to Exclusive Purchase Option Agreement;

- without the written consent of the WFOE, each of the Registered Shareholders shall not request Dingdang Medicine Express Technology to distribute dividends or profits in any form, propose resolutions in relation to this at a general meeting, or vote to pass such resolutions. In any event, unless decided otherwise by the WFOE, if any Registered Shareholder receives corporate income, profits or dividends from Dingdang Medicine Express Technology, they shall pay or transfer the received income, profits, dividends to the WFOE or any party designated by the WFOE to the extent allowed by the PRC laws; and

- Registered Shareholders shall also strictly comply with the provisions of the Exclusive Purchase Option Agreement between Registered Shareholders, Dingdang Medicine Express Technology and the WFOE, and shall faithfully perform the obligations under such agreements and shall not conduct any act and/or omission which shall affect the validity and enforceability of such agreements. If any Registered Shareholder retains any rights on the equities as in the Equity Pledge Agreement, it shall not exercise such rights unless instructed in writing by the WFOE.

The validity period of the Exclusive Purchase Option Agreement shall be 20 years starting from the execution date. The WFOE may choose to renew the Exclusive Purchase Option Agreement. If the WFOE fails to confirm the renewal of the agreement upon the expiration of its term, the agreement shall be automatically renewed until the WFOE delivers a confirmation letter to determine the renewal term of the agreement.

If the Registered Shareholders or Dingdang Medicine Express Technology materially breach any obligation under the Exclusive Purchase Option Agreement, the WFOE shall be entitled to terminate the agreement and/or claim damages from Registered Shareholders or Dingdang Medicine Express Technology. Unless otherwise provided by PRC laws, neither Registered Shareholders nor Dingdang Medicine Express Technology shall have the right to terminate the Exclusive Purchase Option Agreement under any circumstances.

Equity Pledge Agreement

Pursuant to the equity pledge agreement dated May 25, 2021 entered into among Dingdang Medicine Express Technology, the WFOE, and each of the Registered Shareholders (the "**Equity Pledge Agreements**"), the Registered Shareholders agreed to pledge all their respective equity interests in Dingdang Medicine Express Technology that they own, including any interest or dividend paid for the shares, to the WFOE as a security interest to guarantee the performance of contractual obligations and the payment of outstanding debts.

The pledge in favour of the WFOE takes effect upon the completion of change of registration with the relevant administration for industry and commerce and shall remain valid until after all the contractual obligations of the Registered Shareholders and Dingdang Medicine Express Technology under the relevant Contractual Arrangements have been fully performed and all the outstanding debts of the Registered Shareholders and Dingdang Medicine Express Technology under the relevant Contractual Arrangements have been fully paid.

Upon the occurrence and during the continuance of an event of default (as defined in the Equity Pledge Agreements), unless such default is cured following the Registered Shareholders or Dingdang Medicine Express Technology's receipt of the written notice which requests the cure of such default, the WFOE shall have the right to exercise all such rights as a secured party under any applicable PRC law and the Equity Pledge Agreement, including without limitations, being paid in priority with the equity interests based on the monetary valuation that such equity interests are converted into or from the proceeds from auction or sale of the equity interest upon written notice to the Registered shareholders.

The equity pledge registrations under the Equity Pledge Agreements as required by the relevant laws and regulations have been completed in accordance with the Equity Pledge Agreements and PRC laws and regulations.

Proxy Agreement

Pursuant to the proxy agreement dated May 25, 2021 issued by the each of the Registered Shareholders (collectively, the "**Proxy Agreement**"), pursuant to which, each of the Registered Shareholders irrevocably and exclusively appointed the WFOE or any entity or persons designated by the WFOE as its attorneys-in-fact to exercise on its behalf, any and all right that it has in respect of its equity interests in Dingdang Medicine Express Technology, including without limitation:

- to propose to convene and to attend shareholders' meetings of Dingdang Medicine Express Technology and to receive any notice of shareholders' meetings and the convening of proceedings;

- to exercise all shareholder's rights and shareholder's voting rights in accordance with law and the constitutional documents of Dingdang Medicine Express Technology, including but not limited to the sale, transfer, pledge or disposal of any or all of the equity interests in Dingdang Medicine Express Technology, the signature of the minutes of meetings of Dingdang Medicine Express Technology in the name and on behalf of the shareholders, the approval of Dingdang Medicine Express Technology to file the documents with the relevant corresponding registration and filing department;

- to designate or appoint the legal representative (chairman), directors, supervisors, chief executive officer (or manager) and other senior management of Dingdang Medicine Express Technology.

Loan Agreement

The WFOE entered into a loan agreement with each of the Registered Shareholders dated May 25, 2021 (the "**Loan Agreement**"), pursuant to which the WFOE agreed to provide loan to the Registered Shareholders for the management, operation and business development in Dingdang Medicine Express Technology. All the equity interests in Dingdang Medicine Express Technology held by the Registered Shareholders will be pledged to the WFOE. The term of the Loan Agreement shall be 20 years from the date of the agreement, which may be extended upon mutual consent of the Parties. When the Registered Shareholders transfer the equity interests to the WFOE or the WFOE's designated person(s), in the event that the transfer price of such equity interests equals or is lower than the principal of the loan under the Loan Agreement, the loan under this agreement shall be deemed an interest-free loan. In the event that the transfer price of such Acquired Interests exceeds the principal of the Loan under this Agreement, the excess over the principal shall be deemed the interest of the loan under this agreement payable by the Registered Shareholders to the WFOE.

The WFOE and the Registered Shareholders agree and acknowledge that the method of repayment shall be at the sole discretion of the WFOE and may take the form of: (i) transferring the equity Interest of the Registered Shareholders in whole to the WFOE or the WFOE's designated persons (legal or natural persons) pursuant to the WFOE's exercise of its right to acquire the equity interest under the Exclusive Purchase Option Agreement, and (ii) any property legally distributed after liquidation of the Dingdang Medicine Express Technology shall be used by the Registered Shareholders to repay the loan to the WFOE or the WFOE's designated party in the event of liquidation of the Dingdang Medicine Express Technology.

LP Undertaking

Each of the limited partners of the LPs (namely, Dingdang No.1, Dingdang No.2, Dingdang No.3 and Dingdang No. 4), general partners (namely, Dingdang Wisdom) of the LPs and Mr. Yang Wenlong, as the controlling shareholder of Dingdang Wisdom has signed an unconditional and irrevocable undertaking dated May 25, 2021 (the "**LP Undertaking**") to the effect, among others, that each of them undertakes:

- to procure the LPs to continuously comply with the Contractual Arrangements and will not initiate or adopt any claims which will contradict the Contractual Arrangements;
- their interests in Dingdang Medicine Express Technology through the LPs are beneficially owned by the WFOE and he/she/it will not claim on such interests;
- without prior written consent of the WFOE or its designated person, he/she/it will not, and will procure the LPs not to, amend the partnership agreement, partnership composition or dispose any interests in the LPs;
- to transfer his/her/its interests in the LPs to the designated person in accordance with the instruction of the WFOE or its designated person to the extent permissible by applicable laws, and to remit the consideration (if any) to the WFOE or its designated person;
- to procure the LPs not to raise any proposition or take any action against the Contractual Arrangements based on theirs shares in Dingdang Medicine Express Technology;

- if the WFOE or any individual designated by it requires amendments on relevant items of the LPs in accordance with the Contractual Arrangements, to facilitate and accomplish such requirements as requested; and

- if he/she/it breaches any of the undertakings, to bear liability of such breach in the same way as a breaching party does under the Contractual Arrangements and compensate for losses.

Spouse Undertaking

The spouse of each of Mr. Yang Wenlong and the limited partners of LPs has signed an undertaking (the "**Spouse Undertaking**"), to the effect, among others, that each of them unconditionally and irrevocably:

- confirmed and agreed that any equity interests (together with any other interests therein) held by their respective spouse as a Registered Shareholder or as a limited partners of the LPs, as the case may be, are separate properties of their spouse and do not fall within the scope of communal properties; their respective spouse and LPs are entitled to deal with the respective spouse's equity interests and any interests therein in Dingdang Medicine Express Technology in accordance with the Contractual Arrangements without the prior consent of them;

- confirmed that the respective spouse may further amend or terminate the Contractual Arrangements without the need for authorization or consent by him/her;

- will not raise any proposition or take any action against the Contractual Arrangements based on the shares in Dingdang Medicine Express Technology held by their respective spouse;

- if all or part of the shares held by their respective spouse are transferred to him/her, to pledge, sell or dispose such shares in accordance with the provisions and requirements prescribed in the Contractual Arrangements, to observe obligations of their respective spouse or the LPs as a shareholder of Dingdang Medicine Express Technology under the Contractual Arrangements, and to sign all necessary documents and take all necessary actions to ensure the Contractual Arrangements to be properly performed;

- promised that he/she has never and does not intend to participate in the operation, management or voting matters of the Dingdang Medicine Express Technology; and

- waives, unconditionally and irrevocably, any shareholding rights or any other rights related to the equities that may be vested in him/her in accordance with applicable laws.

There was no material change in the Contractual Arrangements and/or the circumstances under which they were adopted for the year ended December 31, 2023.

The extent to which the Contractual Arrangements relate to requirements other than the foreign ownership restriction

All of the Contractual Arrangements are subject to the restrictions as set out on pages 287 to 305 of the Prospectus. During the year ended December 31, 2023, there was no material change in the Contractual Arrangements and/or the circumstances under which they were adopted, and none of the Contractual Arrangements had been unwound as the regulatory restrictions that led to their adoptions were not removed.

Listing Rule Implications

The transactions contemplated under the Contractual Arrangements constitute continuing connected transactions of the Company under the Listing Rules as Mr. Yang Wenlong, a party to the Contractual Arrangements, is the connected person.

The Directors (including the independent non-executive Directors) are of the view that the Contractual Arrangements and the transactions contemplated therein are fundamental to the Group's legal structure and business, that such transactions have been and will be entered into in the ordinary and usual course of business of our Group, are on normal commercial terms, fair and reasonable and in the interests of our Company and our Shareholders as a whole.

Waiver from the Stock Exchange and Annual Review

The Stock Exchange has granted the Company a waiver from strict compliance with (i) the announcement and independent Shareholders' approval requirements under Rules 14A.04 and 14A.105 of the Listing Rules, and (ii) the requirement of setting an annual cap for the transaction under the Contractual Arrangements under Rule 14A.53 of the Listing Rules, and (iii) the requirement of limiting the term of the Contractual Arrangements to three years or less under Rule 14A.52 of the Listing Rules, for so long as the Shares are listed on the Stock Exchange, subject, however, to the following conditions:

(a) no change without independent non-executive Directors' approval;

(b) no change without independent Shareholders' approval;

(c) the Contractual Arrangements shall continue to enable the Group to receive the economic benefits derived by the Consolidated Affiliated Entities;

(d) the Contractual Arrangements may be renewed and/or reproduced upon expiry or when justified by business expediency, without obtaining Shareholders' approval, on substantially the same terms and conditions as the Contractual Arrangements; and

(e) the Group will disclose details relating to the Contractual Arrangements on an ongoing basis.

CONFIRMATION FROM INDEPENDENT NON-EXECUTIVE OF DIRECTORS

The independent non-executive Directors have reviewed the Contractual Arrangements and confirmed that (i) the transactions carried during the year ended December 31, 2023 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 the holders of their equity interests which are not otherwise subsequently assigned or transferred to the Group during the year ended December 31, 2023, (iii) no new contracts were entered into, renewed or reproduced between the Group and the Consolidated Affiliated Entities during the year ended December 31, 2023, and (iv) the Contractual Arrangements were entered into in the ordinary and usual course of business of the Group, on normal commercial terms or better, and according to the relevant agreement governing the Contractual Arrangements on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

CONFIRMATION FROM THE COMPANY'S INDEPENDENT AUDITOR

The Auditor of the Company has confirmed in a letter to the Board that, with respect to the Contractual Arrangements entered into in the year ended December 31, 2023:

(a) nothing has come to their attention that causes Deloitte Touche Tohmatsu to believe that the disclosed continuing connected transactions have not been approved by the Board;

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

(c) with respect to the disclosed continuing connected transactions with Consolidated Affiliated Entities under the Contractual Arrangements, nothing has come to their attention that causes Deloitte Touche Tohmatsu to believe that dividends or other distributions have been made by Consolidated Affiliated Entities to the holders of the equity interests of Consolidated Affiliated Entities which are not otherwise subsequently assigned or transferred to the Group.

PRE-EMPTIVE RIGHTS

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

TAX RELIEF AND EXEMPTION

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

AUDITOR

The consolidated financial statements of the Group have been audited by Deloitte Touche Tohmatsu, who will retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting.

The Company did not change its Auditor in the previous three financial years.

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

During the year ended December 31, 2023, neither the Company nor any of its subsidiaries has purchased (and, therefore, cancelled), sold or redeemed any of the Company's or its subsidiaries' listed securities.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

EVENTS AFTER THE REPORTING PERIOD

There are no significant subsequent events subsequent to December 31, 2023.

CORPORATE GOVERNANCE

A detailed corporate governance report is set out in pages 75 to 90 in this annual report.

By the order of the Board
Yang Wenlong
Chairman & President

Hong Kong, March 28, 2024

The Board is pleased to present the corporate governance report for the year ended December 31, 2023.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to achieving high standards of corporate governance to safeguard the interests of Shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability. The Company has adopted the code provisions (the "**Code Provisions**") of the CG Code. The corporate governance principles of the Company emphasise a quality board, sound internal controls, and transparency and accountability to all Shareholders. During the Reporting Period, the Company has complied with the Code Provisions as set out in the CG Code except for the deviation from code provision C.2.1 as discussed below.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as its own code of conduct regarding the Directors' dealings in the securities of the Company. Having made specific enquiry to all Directors, each of the Directors has confirmed that he/she has complied with the required standards set out in the Model Code during the Reporting Period.

CORPORATE CULTURE

As a pioneer in providing express digital healthcare service in China, the Company is transforming and reshaping China's healthcare industry by pioneering on-demand pharmaceutical retail and medical consultation, primarily with online-to-offline solutions. Innovation empowers the business model of the Company. The Company will continue to expand its investment in research and development, which will continue to create value for the medical industry and the society. The purpose, values, corporate culture and strategy of the Company are as follows:

Mission: To provide users with fast, professional and comprehensive medical and health on-demand services

Goal/Vision: To build a scientific, professional and open health platform

Core value: To put users on priority, to lead with innovation, to uphold our beliefs, to share our results

Corporate culture: Ultimate, leading and professional service with open ecology

Corporate strategies: As the pioneer and leader of on-demand to-home health service in China, we prioritize users and dive business and technological innovation with digital strategies, build a new mode of "multi-functional smart pharmacy with deep integration of digital and physical pharmacies", and establish a comprehensive and professional to-home health ecology and service platform with one-stop "Treatment, Diagnosis, Pharmaceutical Products and Medical Insurance" services.

BOARD OF DIRECTORS

Board Composition

During the Reporting Period and up to the date of this annual report, the Board comprises the following Directors:

Executive Directors
Mr. Yang Wenlong (楊文龍) *(Chairman & President)*
Mr. Xu Ning (徐寧)
Mr. Yu Lei (俞雷)
Mr. Yu Qinglong (于慶龍)
Mr. Yang Yibin (楊益斌) (*Appointed on August 25, 2023*)

Non-executive Directors
Ms. Cai Li (蔡俐)
Ms. Lian Suping (連素萍) (*Resigned on July 18, 2023*)

Independent Non-executive Directors
Mr. Zhang Shouchuan (張守川)
Dr. Fan Zhenhong (樊臻宏)
Mr. Jiang Shan (姜山)

The biographies of the Directors are set out in the section headed "Biographies of Directors and Senior Management" on pages 28 to 34 of this annual report.

Mr. Yang Wenlong is the father of Mr. Yang Yibin. Save as aforesaid, there is no relationship (including financial, business, family or other material or relevant relationship) between each Director (including independent non-executive Director) and the other members of the Board or the senior management and between the Chairman and the chief executive.

CHAIRMAN AND CHIEF EXECUTIVE

Pursuant to C.2.1 of the Code Provisions which requires that the roles of chairman and chief executive should be separate and should not be performed by the same individual. However, the Company does not have a separate chairman and president, and the responsibilities of both chairman and president vest in Mr. Yang Wenlong. The Board believes that vesting the responsibilities of both chairman and president in the same person has the benefit of ensuring the consistent leadership within the Group and enables more effective and efficient overall strategic planning. Besides, with three independent non-executive Directors out of a total of nine Directors in the Board, there will be sufficient independent voice within the Board to protect the interests of the Company and the Shareholders as a whole. Therefore, the Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively. The Board will continue to review and consider splitting the roles of chairman and president at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole.

INDEPENDENT NON-EXECUTIVE DIRECTORS

During the Reporting Period, the Board has 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 from each of the independent non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers each of the independent non-executive Directors to be independent.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of the executive Directors has entered into a service contract with the Company for an initial term of three years with effect from June 17, 2021 or until the third annual general meeting of the Company since the Listing Date (whichever ends earlier) or for an initial period of three years from the date of appointment. Such service contracts are subject to renewal upon the Director's re-election.

Each of the non-executive Directors has entered into an appointment letter with the Company on August 26, 2022. The initial term was of three years with effect from June 17, 2021 or until the third annual general meeting of the Company since the Listing Date (whichever ends earlier and subject to re-election as and when required under the Articles). Such appointment letter is subject to renewal upon the Director's re-election.

Each of the independent non-executive Directors has entered into an appointment letter with the Company on August 26, 2022. The initial term was of three years from the date of the Prospectus or until the third annual general meeting of the Company since the Listing Date (whichever ends earlier and subject to re-election as and when required under the Articles).

In accordance with the Articles, all the directors are subject to retirement by rotation at least once every three years. Any new director appointed by the Board to fill a casual vacancy or as an addition to the Board shall hold office only until the next general meeting of the Company and shall then be eligible for re-election at that meeting.

RESPONSIBILITIES, ACCOUNTABILITIES AND CONTRIBUTIONS OF THE BOARD AND MANAGEMENT

The Board is responsible for leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. Directors of the Board take decisions objectively in the interests of the Company.

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

All Directors, including non-executive Directors and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. The independent non-executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgement on corporate actions and operations.

All Directors have full and timely access to all the information of the Company and may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

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

The Board reserves for its decision on all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and coordinating the daily operation and management of the business of the Company are delegated to the management.

The Company has arranged appropriate insurance coverage on Directors' and senior management's liabilities in respect of any legal actions taken against Directors and senior management arising out of corporate activities. The insurance coverage would be reviewed on an annual basis.

CONTINUOUS PROFESSIONAL DEVELOPMENT

Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant.

Every newly appointed Director will receive formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills. Internally-facilitated briefings for the Directors would be arranged and reading materials on relevant topics would be provided to the Directors where appropriate.

All Directors are encouraged to attend relevant training courses at the Company's expenses.

During the year ended December 31, 2023, all of the following Directors participated in continuous professional development by attending trainings related to the Group's businesses, Listing Rules, legal and regulatory requirements and corporate governance practices, and by reading relevant materials to keep themselves abreast of regulatory developments and changes, to develop and refresh their knowledge and skills:

Name of Director	Participated in continuous professional training
Executive Directors	
Mr. Yang Wenlong (楊文龍) *(Chairman & President)*	✓
Mr. Xu Ning (徐寧)	✓
Mr. Yu Lei (俞雷)	✓
Mr. Yu Qinglong (于慶龍)	✓
Mr. Yang Yibin (楊益斌) *(Appointed on August 25, 2023)*	✓
Non-executive Directors	
Ms. Cai Li (蔡俐)	✓
Ms. Lian Suping (連素萍) *(Resigned on July 18, 2023)*	–
Independent Non-executive Directors	
Mr. Zhang Shouchuan (張守川)	✓
Dr. Fan Zhenhong (樊臻宏)	✓
Mr. Jiang Shan (姜山)	✓

BOARD MEETINGS, GENERAL MEETINGS AND COMMITTEE MEETINGS

Code Provision C.5.1 of the CG Code stipulates that the Board should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals. Notice of at least 14 days should be given of a regular board meeting to give all directors an opportunity to attend. For all other board meetings, reasonable notice should be given. An agenda and accompanying board papers should be sent, in full, to all directors at least 3 days before the date of board/board committee meeting so as to ensure directors are given opportunity to include matters in the agenda for the board/board committee meeting.

The Board will make arrangements for holding at least four regular Board meetings and a meeting between the Chairman and the non-executive Directors (including independent non-executive Directors) without the presence of executive Directors once a year.

ATTENDANCE RECORD OF DIRECTORS

During the year ended December 31, 2023, eight Board meetings and one annual general meeting were held. The attendance record of each Directors at the Board and committee meetings are set out as follows:

	Attendance/Number of meetings				
	Board	Audit Committee	Remuneration Committee	Nomination Committee	General Meeting[1]
Executive Directors					
Mr. Yang Wenlong (楊文龍) *(Chairman & President)*	8/8	N/A	N/A	3/3	1/1
Mr. Xu Ning (徐寧)	8/8	N/A	N/A	N/A	1/1
Mr. Yu Lei (俞雷)	8/8	N/A	N/A	N/A	1/1
Mr. Yu Qinglong (于慶龍)	8/8	N/A	N/A	N/A	1/1
Mr. Yang Yibin (楊益斌) [2]	2/2	N/A	N/A	N/A	N/A
Non-executive Directors					
Ms. Cai Li (蔡俐)	8/8	N/A	4/4	N/A	1/1
Ms. Lian Suping (連素萍) [3]	5/5	N/A	N/A	N/A	1/1
Independent Non-executive Directors					
Mr. Zhang Shouchuan (張守川)	8/8	4/4	4/4	3/3	1/1
Dr. Fan Zhenhong (樊臻宏)	8/8	4/4	4/4	3/3	1/1
Mr. Jiang Shan (姜山)	8/8	4/4	N/A	N/A	1/1

Notes:

(1) The annual general meeting of the Company was held on June 8, 2023.

(2) Mr. Yang Yibin (楊益斌) was appointed as an executive Director of the Company on August 25, 2023.

(3) Ms. Lian Suping (連素萍) was resigned as a non-executive Director of the Company on July 18, 2023.

Apart from the regular Board meetings above, the Chairman of the Board also held meetings with the independent non-executive Directors without the presence of executive Directors during the Reporting Period.

BOARD COMMITTEES

The Board has established three Board Committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee for overseeing specific aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference. The terms of reference of the Board committees are posted on the Company's website and the Stock Exchange's website and are available to Shareholders upon request.

Audit Committee

The Company has established the Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the CG Code set out in Appendix C1 to the Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal controls system of the Group, review and approve connected transactions and provide advice and comments to the Board.

The Audit Committee comprises three independent non-executive Directors, namely Mr. Jiang Shan, Mr. Zhang Shouchuan and Dr. Fan Zhenhong. Mr. Jiang Shan is the chairman of the Audit Committee.

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

The main duties of the Audit Committee include, but are not limited to:

- monitoring the integrity of the Company's financial statements, annual and interim financial reports, and to review significant financial reporting judgments and accounting policies contained therein;
- satisfying themselves as to the effectiveness of the risk management and internal control systems of the Group and as to the adequacy of the external and internal audits;
- making recommendation to the Board on the appointment, re-appointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor;
- to review and monitor the external auditor's independence and objectivity and effectiveness of the audit process under applicable standard; and
- reporting the findings and making recommendations to the Board on a regular basis.

The Audit Committee held four meetings during the Reporting Period. The following is a summary of work performed by the Audit Committee during the Reporting Period:

- reviewed the annual and interim financial statements, reports and results announcements for presentation to the Board for approval;
- reviewed the significant issues on the financial reporting, operational and compliance matters;
- reviewed the risk management and internal control systems and internal audit function;
- reviewed the proposed grants of Awards to connected persons under the RSU Scheme 2023 and made recommendations to the Board for approval;
- reviewed the auditor's audit plan for the year ended December 31, 2023; and
- discussed the re-appointment of the external auditor.

Remuneration Committee

The Company has established the Remuneration Committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the CG Code set out in Appendix C1 to the Listing Rules. The primary duties of the Remuneration Committee are to review and make recommendations to the Board on the terms of remuneration packages, bonuses and other compensation payable to the Directors and other senior management.

The Remuneration Committee comprises two independent non-executive Directors, namely Dr. Fan Zhenhong and Mr. Zhang Shouchuan, and one non-executive Director, namely Ms. Cai Li. Dr. Fan Zhenhong is the chairman of the Remuneration Committee.

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

The main duties of the Remuneration Committee include, but are not limited to:

- reviewing and making recommendations to the Board on the remuneration packages of individual executive Directors and senior management;
- reviewing and making recommendations to the Board on the remuneration of the non-executive Directors;
- reviewing and making recommendations to the Board on the Company's policy and structure for the remuneration of all Directors and senior management;
- establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration; and
- to review and/or approve matters relating to share scheme under Chapter 17 of the Listing Rule.

The Remuneration Committee held four meetings during the Reporting Period. The following is a summary of work performed by the Remuneration Committee during the Reporting Period:

- reviewed and made recommendation to the Board regarding the remuneration of the Directors and senior management;
- reviewed and made recommendation to the Board with respect to the remuneration of Mr. Yang Yibin on his respective appointment as executive Director; assessed the performance of executive Directors; approved the terms of Mr. Yang Yibin's service contract;
- reviewed the proposed adoption of the RSU Scheme 2023 and made recommendation to the Board for approval; and
- reviewed the proposed grants of Awards under the RSU Scheme 2023 and made recommendations to the Board for approval.

The remuneration of the members of senior management (including the executive Directors) by band for the year ended December 31, 2023 is set out below:

Remuneration bands (HKD)	Number of members of senior management
HKD500,001 to HKD1,000,000	1
HKD1,000,001 to HKD1,500,000	1
HKD1,500,001 to HKD2,000,000	2
HKD2,000,001 to HKD2,500,000	2
HKD2,500,001 to HKD3,000,000	–
More than HKD3,000,000	1

Details of the remuneration payable to the Directors and five highest paid employees for the year ended December 31, 2023 are set out in Note 11 and Note 12 respectively to the audited consolidated financial statements contained in this annual report.

Nomination Committee

The Company has established the Nomination Committee with written terms of reference in compliance with Rule 3.27A of the Listing Rules and the CG Code set out in Appendix C1 to the Listing Rules. The primary duties of the Nomination Committee are to make recommendations to the Board on the appointment of Directors and management of Board succession.

The Nomination Committee comprises one executive Director, namely Mr. Yang Wenlong, and two independent non-executive Directors, namely Dr. Fan Zhenhong and Mr. Zhang Shouchuan. Mr. Yang Wenlong is the chairman of the Nomination Committee.

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

The main duties of the Nomination Committee include, but are not limited to:

- reviewing the structure, size and composition of the Board;
- developing and formulating relevant procedures for the nomination and appointment of Directors;
- making recommendations to the Board on the appointment and succession planning of Directors; and
- assessing the independence of independent non-executive Directors.

The Nomination Committee held three meetings during the Reporting Period. The following is a summary of work performed by the Nomination Committee during the Reporting Period:

- reviewed the Board structure, size, composition and Board diversity (including skills, knowledge and experience etc.);
- reviewed the effectiveness of the related Board Diversity Policy;
- reviewed the independence of the independent non-executive Directors;
- reviewed and make recommendation to the Board on the re-election of the retiring Directors at the annual general meeting of the Company held on June 8, 2023; and
- reviewed and made recommendation to the Board regarding the appointment of new Directors.

Board Diversity Policy

The Board has adopted a board diversity policy (the "**Board Diversity Policy**") in order to enhance the effectiveness of the Board and to maintain high standard of corporate governance. The Board Diversity Policy sets out the criteria in selecting candidates to the Board, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. The Board has reviewed the implementation of the Board Diversity Policy during the Reporting Period and is of the view that the current Board composition satisfies the Board Diversity Policy. The Nomination Committee reviews the Board Diversity Policy on a regular basis and discusses any revisions that might be required, and recommends to the Board for consideration and approval.

The Board Diversity Policy is well implemented as evidenced by the fact that there are both female and male Directors ranging from 36 years old to 62 years old with experience from different industries and sectors. The Directors have a balanced mix of knowledge and skills, including knowledge and experience in the areas of business management, technology development, e-commerce, finance, and computer network. They obtained degrees in various areas including business administration, finance, economics, biomedical, computer software application and computer network technology. The Board is characterised by significant diversity in terms of gender, age, education background and professional experience. The Board is of the view that the Board Diversity Policy can develop a pipeline of potential successors to the Board to maintain gender diversity.

Female employees accounted for 70% of the total employees of the Company (including senior management). The composition of the workforce of the Group has satisfied gender diversity, and is expected to maintain a reasonable level of gender diversity.

Director Nomination Policy

The Board has adopted a director nomination policy (the "**Director Nomination Policy**") which sets out the criteria and procedure in the nomination and appointment of Directors, and ensures that the Board will maintain a balance of skills, experience and diversity of perspectives appropriate to the Company. The Board believes that the defined selection process is good for corporate governance in ensuring the Board continuity and appropriate leadership at Board level, and enhancing Board effectiveness and diversity.

Pursuant to the Director Nomination Policy, the Board has delegated its responsibilities and authority for selection and appointment of Directors to the Nomination Committee. The Nomination Committee shall identify, consider and recommend suitable individuals to the Board to consider and to make recommendations to the Shareholders for election of Directors at general meetings. The selection criteria used in assessing the suitability of a candidate include, inter alia, such as integrity, professional qualifications and skills, commitment in respect of available time, and diversity in all aspects. The Nomination Committee shall make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors.

Mechanism for Directors to Obtain Independent Views and Opinions

At Board meetings, the Directors are free to express their views and important decisions are subject to detailed discussion before they are made. If the Directors consider it necessary to seek advice from an independent professional institution, they may engage an independent professional institution in accordance with relevant procedures and at the expense of the Company. If a Director has an interest in a matter proposed by the Board, the relevant Director must withdraw from the discussion of the relevant proposal and abstain from voting, and the Director will not be counted in the quorum for voting on the resolution. In addition, the independent non-executive Directors should also express an objective and impartial independent opinion on matters discussed by the Company. The independent non-executive Directors of the Company do not hold any position in the Company other than that of a Director, do not have any relationship with the Company and the Company's substantial shareholders that might influence their independent and objective judgement, and do not have any business or financial interests in the Company or the Company's subsidiaries. During the Reporting Period, the participation of independent non-executive Directors therefore effectively ensures that there is a strong and sufficient element of independence on the Board. The Board will review the implementation and effectiveness of the above mechanism annually.

DIVIDEND POLICY

The Company has adopted a dividend policy that, in recommending or declaring dividends, the Company shall maintain adequate and sufficient cash reserves for meeting its working capital requirements and future growth as well as its shareholder value. The Board has the full discretion to declare and distribute dividends to the Shareholders, and any final dividend for a financial year will be subject to Shareholders' approval. In proposing any dividend payout, the Board shall also take into account, among other things, the Group's financial results, financial position, cash flow situation, business conditions and strategies, expected future operations and earnings, capital requirements and expenditure plans, interests of Shareholders, any restrictions on payment of dividends and any other factors the Board may consider relevant. Any payment of the dividend by the Company is also subject to any restrictions under the Companies Act, the Company's Articles and all the applicable laws and regulations.

CORPORATE GOVERNANCE FUNCTIONS

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

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

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

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

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

RISK MANAGEMENT AND INTERNAL CONTROLS

The Group highly values the importance of internal control and risk management for the smooth running of its business. The Board is responsible for the Group's risk management and internal control system and reviews the effectiveness of this system. This system is designed to manage, though not entirely eliminate, the risk of failing to achieve business objectives, and provides a satisfactory, albeit not absolute, assurance against material misrepresentations or losses. On behalf of the Board, the Audit Committee reviews the effectiveness of the Group's risk management and internal control system on an annual basis.

The Company has devoted ourselves to establishing and maintaining risk management and internal control systems consisting of policies and procedures that the Company considers to be appropriate for our business operations. We are dedicated to continuously improving these systems, developing a risk management culture and raising the risk management awareness of all employees. The Company has adopted and implemented comprehensive risk management policies in various aspects of our business operations.

The main features of the Group's risk management and internal control systems include financial, operational and compliance controls. The Board considers that the existing risk management and internal control systems are reasonably effective and adequate.

Operational and Information System Risk Management

Operational risk refers to the risk of direct or indirect financial loss resulting from incomplete or problematic internal processes, personnel mistakes, IT system failures, third-party payment possessing risks, or external events. The Company has established a series of internal policies and procedures to manage such risks. In particular, we pay close attention to risk management relating to our information technology and data privacy and protection, as sufficient maintenance, transmission, storage and protection of user data and other related information are critical to our success. The Company has been committed to promoting compliance culture, and will adopt policies and procedures on various compliance matters. In order to effectively manage our compliance and legal risk exposures, the Company has adopted strict internal policies and procedures to ensure compliance of our business operations with relevant laws and regulations. In particular, our compliance and legal department is responsible for ensuring ongoing compliance with the relevant data privacy and protection laws and regulations and relevant rules and requirements governing electronic fund transfers in the PRC. In addition, we continually review our internal policies and procedures and the implementation of our measures to ensure that our policies and their implementation are effective and sufficient. The Directors will be involved in the formulation of the internal policies and procedures.

Internal Audit Risk Management

The Company have established the Audit Committee to monitor the implementation of our risk management policies across the Company on an ongoing basis to ensure that the internal control system is effective in identifying, managing and mitigating risks involved in our business operations. For the professional qualifications and experiences of the members of the Audit Committee, see the section headed "Biographies of Directors and Senior Management" in this annual report. We also maintain an internal audit department which is responsible for reviewing the effectiveness of internal controls and reporting to the Audit Committee and senior management on any issues identified.

Human Resources Risk Management

The Group provide regular and specialized training tailored to the needs of our employees in different departments. The Group schedule regular online and offline trainings to ensure that our staff's skill sets and knowledge level of our policies remain up-to-date, enabling them to better discover and meet consumers' and merchants' needs. We have in place an employee handbook and a code of conduct approved by our management and have distributed them to all our employees. The handbook contains internal rules and guidelines regarding work ethics, fraud prevention mechanisms, negligence and corruption. We provide employees with regular training, as well as resources to explain the guidelines contained in the employee handbook.

Anti-corruption

We have in place an anti-bribery and corruption policy to safeguard against any corruption within the Company. The policy explains potential bribery and corruption conduct and our anti-bribery and corruption measures. The Company makes our internal reporting channel open and available for our staff to report any bribery and corruption acts, and our staff can also make anonymous reports to our anti-fraud team. Our anti-fraud team is responsible for investigating the reported incidents and taking appropriate measures.

The Company has engaged an independent third-party consultant (the "**Internal Control Consultant**") to perform a review on internal controls, who is responsible for carrying out the analysis and independent appraisal of the adequacy and effectiveness of the Group's risk management and internal control systems.

On behalf of the Board, the Audit Committee reviewed the internal control review report and risk management report issued by the Internal Control Consultant and the Company's risk management and internal control systems in respect of the Reporting Period and considered that they are effective and adequate.

The Board is of the view that the Group's risk management and internal control systems are effective and adequate. The Board will continue to assess the effectiveness of its risk management and internal control systems by considering reviews and recommendations made by the Audit Committee and senior management.

DISCLOSURE OF INSIDE INFORMATION

The Group has in place a framework for the disclosure of inside information with reference to the Guidelines on Disclosure of Inside Information issued by the Securities and Futures Commission. The framework sets out the procedures and internal controls for the handling and dissemination of inside information in an appropriate and timely manner, such as steps to ascertain sufficient details, conduct an internal assessment of the matter and its likely impact on the Company, seek professional advice where required and verification of the facts. Before the information is fully disclosed to the public, any persons who possess the knowledge of such information must ensure strict confidentiality and must not deal in any of the Company's securities.

AUDITOR'S RESPONSIBILITY AND REMUNERATION

The statement of the independent auditor of the Company, Deloitte Touche Tohmatsu, about their reporting responsibilities on the consolidated financial statements is set out in the Independent Auditor's Report on pages 91 to 95 of this annual report.

The remuneration paid/payable to the Auditor of the Company, Deloitte Touche Tohmatsu, in respect of the audit and audit related services and the non-audit services for the year ended December 31, 2023 are set out in the table below. The audit and audit-related services conducted by the Auditor of the Company mainly include audit and review services for the Group. Non-audit services mainly include the ESG and tax related service.

Service Category	**Fees paid/payable RMB'000**
Audit and audit related services	5,740
Non-audit services	540
	6,280

JOINT COMPANY SECRETARIES

Mr. Wang Yongzhi resigned as the joint company secretary of the Company and Mr. Liu Zhenxuan ("**Mr. Liu**") was appointed as the joint company secretary of the Company, both with effect from September 30, 2023.

Mr. Liu and Mr. Lam Yiu Por ("**Mr. Lam**") are the joint company secretaries of the Company. Both Mr. Liu and Mr. Lam are employees of the Company. Mr. Liu and Mr. Lam have confirmed that they have taken not less than 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules during the year ended December 31, 2023. The biographies of Mr. Liu and Mr. Lam are set out in the section headed "Biographies of Directors and Senior Management" in this annual report.

CHANGES IN CONSTITUTIONAL DOCUMENTS

There is no significant change in the Company's constitutional documents during the Reporting Period. The Company's Articles is available on the websites of the Company and Stock Exchange.

On March 28, 2024, the Board proposed to amend certain provisions of the existing third amended and restated memorandum and articles of association of the Company (the "**Memorandum and Articles of Association**") by way of adoption of the fourth amended and restated memorandum and articles of association of the Company (the "**New Memorandum and Articles of Association**") to (i) update and bring the Memorandum and Articles of Association in line with the relevant amendments made to the Listing Rules in respect of the electronic dissemination of corporate communications by listed issuers (effective from December 31, 2023); and (ii) make other consequential and housekeeping amendments (the "**Proposed Amendments**"). The Proposed Amendments and adoption of the New Memorandum and Articles of Association are subject to the approval of shareholders of the Company by way of a special resolution at the forthcoming annual general meeting.

SHAREHOLDERS' RIGHTS

To safeguard Shareholders' interests and rights, a separate resolution is proposed for each substantial and separate issue at general meetings, including the election of individual Directors. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each general meeting.

Convening an extraordinary general meeting by Shareholders

Pursuant to Article 17 of the Articles, the Directors may call general meetings, and they shall on a members' requisition forthwith proceed to convene an extraordinary general meeting of the Company. A members' requisition is a requisition of one or more members holding at the date of deposit of the requisition not less than 10% of the voting rights, on a one vote per Share basis, of the issued Shares which as at that date carry the right to vote at general meetings of the Company. The members' requisition must state the objects and the resolutions to be added to the agenda of the meeting and must be signed by the requisitionists and deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office of the Company, and may consist of several documents in like form each signed by one or more requisitionists.

If there are no Directors as at the date of the deposit of the members' requisition or if the Directors do not within 21 days from the date of the deposit of the members' requisition duly proceed to convene a general meeting to be held within a further 21 days, the requisitionists, or any of them representing more than one-half of the total voting rights of all the requisitionists, may themselves convene a general meeting, but any meeting so convened shall be held no later than the day which falls three months after the expiration of the said 21 day period. A general meeting convened by requisitionists shall be convened in the same manner as nearly as possible as that in which general meetings are to be convened by Directors.

Putting forward proposals at general meetings

The Board is not aware of any provisions allowing the Shareholders to put forward proposals at general meetings of the Company under the Articles of Association and the Cayman Companies Act. Shareholders who wish to put forward proposals at general meetings may refer to the preceding paragraph to make a written requisition to require the convening of an extraordinary general meeting of the Company.

Putting forward enquiries to the Board

For putting forward any enquiries to the Board, Shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

Contact details

Shareholders may send their enquiries or requests as mentioned above to the following:

Address: Unit 3512, 35/F, The Center, 99 Queen's Road Central, Central, Hong Kong
Email: ir@ddky.com

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

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company considers effective communication with Shareholders and investors is very important. There are a number of formal communication channels which the Company uses to report and account to Shareholders and investors for the performance of the Company. These include (i) the publication of interim and annual reports; (ii) the annual general meeting or extraordinary general meetings, which provide a forum for Shareholders to raise comments and exchanging views with the Board; (iii) updates of key information of the Group that are made available to Shareholders and investors through the websites of the Stock Exchange and the Company; (iv) the Company's website providing dedicated contact details to facilitate direct communications between the Company and its Shareholders and investors; and (v) the Company's share registrars in Hong Kong, which serve Shareholders in respect of all share registration matters.

The Company aims to provide its Shareholders and investors with high standards of disclosure and financial transparency. The Board is committed to providing clear, detailed and timely information that concerns the Group to Shareholders and on a regular basis. This is achieved through our interim and annual reports, investor presentations as well as circulars, notices and other announcements.

The Board regularly reviews our existing channels of communication with Shareholders and investors to make sure that they remain effective and provides recommendations for improvements when needed. The Board considers our current practices were all well-implemented throughout the year and achieved satisfactory results.

Deloitte. 德勤

TO THE SHAREHOLDERS OF DINGDANG HEALTH TECHNOLOGY GROUP LTD.
叮噹健康科技集團有限公司
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Dingdang Health Technology Group Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 96 to 186, which comprise the consolidated statement of financial position of the Group as of December 31, 2023, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Group for the year then ended, and notes to the consolidated financial statements, including material accounting policy information and other explanatory information.

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

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs") issued by the International Auditing and Assurance Standards Board. 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 International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (including International Independence Standards) (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. 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.

Key audit matter	How our audit addressed the key audit matter
Impairment of goodwill	
As of December 31, 2023, the goodwill related to the acquisition of Renhe Yaofangwang (Beijing) Medicine Technology Co., Ltd. (仁和藥房網(北京)醫藥科技有限公司) ("Yaofangwang Beijing") and its subsidiaries (collectively, the "Renhe Yaofangwang") amounted to RMB167.4 million. The management of the Company determined the recoverable amount of Renhe Yaofangwang, to which this goodwill is allocated, based on value-in-use calculation by using the discounted cash flow method. There is no impairment charge for goodwill for the year ended December 31, 2023. We identified the impairment of this goodwill as a key audit matter due to the management of the Company has made key estimations in the value-in-use calculation, which are forecasted average annual revenue growth rate, estimated terminal growth rate beyond the projection period extrapolated and discount rate. Relevant disclosures are included in Note 4 "Critical accounting judgements and key sources of estimation uncertainty" and Note 17 "Goodwill" to the consolidated financial statements.	Our procedures in relation to impairment of goodwill arose from the acquisition of Renhe Yaofangwang included: • assessed the valuation methodology; • assessed the forecasted average annual revenue growth rate of Renhe Yaofangwang by performing retrospective review on actual historical revenue growth rates and challenging the management of the Company; and • compared the estimated terminal growth rate beyond the projection period extrapolated and discount rate against independent benchmarking data with the assistance of our internal valuation specialist.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs 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 ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in the independent auditor's report is Ip Yat Hung.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
March 28, 2024

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended December 31, 2023

	Notes	2023 RMB'000	2022 RMB'000
		Year ended December 31,	
Revenue	5B	**4,856,806**	4,329,075
Cost of revenue		**(3,346,135)**	(2,879,405)
Gross profit		**1,510,671**	1,449,670
Fulfillment expenses		**(492,066)**	(444,162)
Selling and marketing expenses		**(972,713)**	(908,238)
Research and development expenses		**(64,981)**	(88,951)
General and administrative expenses		**(258,664)**	(334,519)
Fair value losses on financial liabilities at fair value through profit or loss ("FVTPL")		**–**	(2,504,548)
Other gains and losses, net	7	**18,064**	27,507
Other income	8	**49,142**	28,862
Finance costs	9	**(7,879)**	(7,918)
Impairment losses under expected credit loss ("ECL") model, net of reversal	10	**(356)**	(1,546)
Listing expenses		**–**	(48,304)
Share of result of an associate	19	**(2,445)**	–
Loss before income tax	6	**(221,227)**	(2,832,147)
Income tax expense	13	**(9,641)**	(10,128)
Loss for the year		**(230,868)**	(2,842,275)
Other comprehensive expense			
Item that will not be reclassified to profit or loss:			
Fair value loss on equity instruments at fair value through other comprehensive income ("FVTOCI")	20	**(22,621)**	(9,293)
Other comprehensive expense for the year		**(22,621)**	(9,293)
Total comprehensive expense for the year		**(253,489)**	(2,851,568)
Loss for the year attributable to:			
Owners of the Company		**(225,809)**	(2,833,395)
Non-controlling interests		**(5,059)**	(8,880)
		(230,868)	(2,842,275)
Total comprehensive expense for the year attributable to:			
Owners of the Company		**(248,430)**	(2,842,688)
Non-controlling interests		**(5,059)**	(8,880)
		(253,489)	(2,851,568)
Loss per share (present in RMB YUAN)			
– Basic and diluted	14	**(0.17)**	(3.37)

Consolidated Statement of Financial Position

As of December 31, 2023

		As of December 31,	
		2023	2022
	Notes	***RMB'000***	*RMB'000*
ASSETS			
Non-current assets			
Property and equipment	*15*	**38,564**	42,404
Right-of-use assets	*16*	**155,368**	174,956
Goodwill	*17*	**255,762**	255,762
Other intangible assets	*18*	**133,618**	169,983
Equity instruments at FVTOCI	*20*	**93,537**	116,158
Rental deposits	*23*	**14,354**	10,625
Investment in an associate	*19*	**1,555**	–
Total non-current assets		**692,758**	769,888
Current assets			
Financial assets at FVTPL	*21*	**143,426**	136,798
Inventories	*22*	**612,327**	607,950
Trade and other receivables and prepayments	*23*	**365,287**	449,331
Amounts due from related parties	*33*	**877**	1,959
Restricted bank deposits and time deposits	*24*	**64,195**	120,600
Cash and cash equivalents	*24*	**1,185,898**	1,210,949
Total current assets		**2,372,010**	2,527,587
Total assets		**3,064,768**	3,297,475
EQUITY AND LIABILITIES			
Equity			
Share capital	*27*	**894**	894
Reserves		**8,132,275**	8,053,494
Accumulated losses		**(6,095,747)**	(5,868,730)
Equity attributable to owners of the Company		**2,037,422**	2,185,658
Non-controlling interests		**(527)**	13,538
Total equity		**2,036,895**	2,199,196

	Notes	As of December 31, 2023 RMB'000	2022 RMB'000
Liabilities			
Non-current liabilities			
Contract liabilities	5B	**2,984**	3,836
Lease liabilities	16	**84,126**	91,012
Deferred tax liabilities	26	**28,219**	34,097
Total non-current liabilities		**115,329**	128,945
Current liabilities			
Trade and other payables	25	**774,084**	772,817
Amounts due to related parties	33	**45,898**	29,261
Contract liabilities	5B	**32,366**	90,182
Lease liabilities	16	**56,084**	72,125
Income tax payable		**4,112**	4,949
Total current liabilities		**912,544**	969,334
Total liabilities		**1,027,873**	1,098,279
Total equity and liabilities		**3,064,768**	3,297,475

The consolidated financial statements on pages 96 to 186 were approved and authorized for issue by the board of directors on March 28, 2024 and are signed on its behalf by:

Mr. Yang Wenlong
DIRECTOR

Mr. Xu Ning
DIRECTOR

		Attributable to owners of the Company										
	Notes	Share capital RMB'000	Treasury share reserve RMB'000	Share premium RMB'000	FVTOCI reserve RMB'000	Other reserves RMB'000	Share-based payments reserves RMB'000	Statutory reserves RMB'000 (Note i)	Accumulated losses RMB'000	Sub-total RMB'000	Non-controlling interests (the "NCI") RMB'000	Total equity RMB'000
As of January 1, 2022		403	–	–	–	70,302	336,975	15,219	(3,035,146)	(2,612,247)	22,418	(2,589,829)
Loss for the year		–	–	–	–	–	–	–	(2,833,395)	(2,833,395)	(8,880)	(2,842,275)
Other comprehensive expense for the year		–	–	–	(9,293)	–	–	–	–	(9,293)	–	(9,293)
Total comprehensive expense for the year		–	–	–	(9,293)	–	–	–	(2,833,395)	(2,842,688)	(8,880)	(2,851,568)
Transfer to statutory reserves		–	–	–	–	–	–	189	(189)	–	–	–
Issuance of ordinary shares relating to initial public offering ("IPO")	27	23	–	354,412	–	–	–	–	–	354,435	–	354,435
Transaction costs attributable to issuance of ordinary shares relating to IPO	27	–	–	(30,065)	–	–	–	–	–	(30,065)	–	(30,065)
Conversion of preferred shares to ordinary shares upon IPO	27	468	–	7,155,030	–	–	–	–	–	7,155,498	–	7,155,498
Share-based payments expenses	28	–	–	–	–	–	160,725	–	–	160,725	–	160,725
As of December 31, 2022		894	–	7,479,377	(9,293)	70,302	497,700	15,408	(5,868,730)	2,185,658	13,538	2,199,196
Loss for the year		–	–	–	–	–	–	–	(225,809)	(225,809)	(5,059)	(230,868)
Other comprehensive expense for the year		–	–	–	(22,621)	–	–	–	–	(22,621)	–	(22,621)
Total comprehensive expense for the year		–	–	–	(22,621)	–	–	–	(225,809)	(248,430)	(5,059)	(253,489)
Transfer to statutory reserves		–	–	–	–	–	–	1,208	(1,208)	–	–	–
Share-based payments expenses		–	–	–	–	–	124,250	–	–	124,250	–	124,250
Capital contribution from non-controlling shareholders		–	–	–	–	–	–	–	–	–	890	890
Acquisition of additional interests in a subsidiary (Note ii)		–	–	–	–	(5,212)	–	–	–	(5,212)	5,212	–
Dividends declared	29	–	–	–	–	–	–	–	–	–	(15,108)	(15,108)
Purchases of ordinary shares	28(c)	–	(18,844)	–	–	–	–	–	–	(18,844)	–	(18,844)
As of December 31, 2023		**894**	**(18,844)**	**7,479,377**	**(31,914)**	**65,090**	**621,950**	**16,616**	**(6,095,747)**	**2,037,422**	**(527)**	**2,036,895**

Notes:

i. In accordance with the articles of association of the subsidiaries established in the People's Republic of China (the "PRC") and relevant PRC laws and regulations, these subsidiaries are required to transfer at least 10% of their profit after tax, which is determined in accordance with the PRC accounting rules and regulations, to a statutory reserve (including the general reserve fund and enterprise expansion fund, where appropriate). Transfer to this statutory reserve is subject to the approval of the respective director, and is discretionary when the balance of such fund has reached 50% of the registered capital of the respective company. Statutory reserve can only be used to offset accumulated losses or to increase capital of the relevant subsidiaries.

ii. For the purpose of optimising the Group structure, a wholly-owned subsidiary of the Group, Jiangxi Dingdang E-Commerce Co., Ltd.* (江西叮噹電子商務有限公司) acquired 70% of Jinan Renhe Yaofangwang Medicine Technology Co., Ltd.* (濟南仁和藥房網醫藥有限公司) ("Jinan Yaofangwang") from another 52% owned subsidiary of the Group, Renhe Yaofangwang (Beijing) Medicine Technology Co., Ltd.* (仁和藥房網(北京)醫藥科技有限公司) ("Yaofangwang Beijing") in April 2023 with nil consideration. The net liability acquired amounting to RMB5,212,000 was debited to other reserves account.

* English names are for identification purpose only.

Consolidated Statement of Cash Flows

For the Year Ended December 31, 2023

	Year ended December 31,	
	2023	2022
	RMB'000	*RMB'000*
OPERATING ACTIVITIES		
Loss before income tax	**(221,227)**	(2,832,147)
Adjustments for:		
Finance costs	**7,879**	7,918
Interest income	**(32,628)**	(17,151)
Net foreign exchange gains	**(5,146)**	(14,369)
Depreciation of property and equipment	**18,521**	20,181
Depreciation of right-of-use assets	**82,863**	77,890
Amortization of other intangible assets	**38,614**	37,236
Impairment losses, net of reversal		
– financial assets under ECL model	**356**	1,546
– Inventories	**3,086**	149
Share-based payments expenses	**124,250**	160,725
Loss on disposal of property and equipment	**73**	14
Loss/(gain) on early termination of leases	**424**	(58)
Gain on fair value changes of financial assets at FVTPL	**(9,946)**	(11,262)
Loss on fair value changes of financial liabilities at FVTPL	**–**	2,504,548
Share of result of an associate	**2,445**	–
Dividends from equity instruments at FVTOCI	**(3,763)**	–
Operating cash flows before movements in working capital	**5,801**	(64,780)
Increase in inventories	**(7,463)**	(174,077)
Increase in restricted bank deposits	**(32,925)**	(31,270)
Decrease/(increase) in trade and other receivables and prepayments	**95,594**	(173,186)
Decrease/(increase) in amounts due from related parties	**1,082**	(873)
(Decrease)/increase in trade and other payables	**(8,939)**	195,259
(Decrease)/increase in contract liabilities	**(58,668)**	25,339
Increase in amounts due to related parties	**16,637**	6,983
Cash from/(used in) operations	**11,119**	(216,605)
Income taxes paid	**(16,356)**	(21,266)
Net cash used in operating activities	**(5,237)**	(237,871)

	Year ended December 31,	
	2023	2022
	RMB'000	*RMB'000*
INVESTING ACTIVITIES		
Interest received	**32,157**	16,730
Proceeds on disposal of property and equipment	**338**	113
Proceeds on disposal of other intangible assets	**–**	43
Purchases of financial assets at FVTPL	**(1,146,838)**	(6,427,575)
Purchases of equity instruments of FVTOCI	**–**	(125,451)
Redemption of financial assets at FVTPL	**1,150,156**	6,302,039
Purchases of property and equipment	**(13,861)**	(17,699)
Payments for right-of-use assets	**(4,472)**	(4,265)
Purchases of other intangible assets	**(2,249)**	(8,021)
Investment in an associate	**(4,000)**	–
Placement of time deposits	**–**	(89,330)
Withdrawal of time deposits	**89,330**	–
Dividends from equity instruments at FVTOCI	**3,763**	–
Net cash from/(used in) investing activities	**104,324**	(353,416)
FINANCING ACTIVITIES		
Dividends paid to non-controlling shareholders	**(7,097)**	(10,102)
Repayments to related parties	**–**	(234)
Repayments of lease liabilities	**(82,079)**	(73,880)
Interest paid	**(7,879)**	(7,918)
Payments to the Trustee for share purchase (Note 28(c))	**(33,193)**	–
Payments of share issuing costs	**(289)**	(792)
Net proceeds from issuance of ordinary shares of the Company relating to IPO	**–**	325,822
Net cash (used in)/from financing activities	**(130,537)**	232,896
Net decrease in cash and cash equivalents	**(31,450)**	(358,391)
Cash and cash equivalents at the beginning of the year	**1,210,949**	1,552,994
Effect of foreign exchange rate changes on cash and cash equivalents	**6,399**	16,346
Cash and cash equivalents at the end of the year, represented by	**1,185,898**	1,210,949

1. GENERAL INFORMATION

Dingdang Health Technology Group Ltd. (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability and its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since September 14, 2022. Its ultimate controlling shareholder is Mr. Yang Wenlong (the "Controlling Shareholder"), who is also the Chairman and Executive Director of the Company. The address of the Company's registered office is at Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman KY1-1104, Cayman Islands. The principal place of business of the Company is at Building 1, Yard 50, Dengshikou Street, Dongcheng District, Beijing, the People's Republic of China (the "PRC").

The Company is an investment holding company and its subsidiaries (collectively, the "Group") are principally engaged in the provision of pharmaceutical and healthcare business in the PRC.

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

Contractual Arrangements

On May 25, 2021, Dingdang Kuaiyao (BeiJing) Technology Development Co., Ltd.* (叮噹快藥(北京)技術開發公司) (the "WFOE"), Dingdang Medicine Express Technology Group Ltd.* (叮噹快藥科技集團有限公司) ("Dingdang Medicine Express Technology"), the Controlling Shareholder, Zhuhai Dingdang No. 1 Enterprise Management Consulting Center (Limited Partnership)*(珠海叮噹一號企業管理諮詢中心(有限合夥)), Zhuhai Dingdang No. 2 Enterprise Management Consulting Center (Limited Partnership)*(珠海叮噹二號企業管理諮詢中心(有限合夥)), Zhuhai Dingdang No. 3 Enterprise Management Consulting Center (Limited Partnership)*(珠海叮噹三號企業管理諮詢中心(有限合夥)), and Zhuhai Dingdang No. 4 Investment Center (Limited Partnership)*(珠海叮噹四號投資中心(有限合夥)) entered into a series of contractual arrangements (collectively, the "Contractual Arrangements"), which allows the Company to exercise control over the business operation of Dingdang Medicine Express Technology and its subsidiaries (collectively, the "Restricted Subsidiaries") and enjoy all the economic interests derived therefrom.

The Contractual Arrangements were signed to comply with the relevant laws and regulations in the PRC which restrict foreign ownership of the companies engaged in business of value-added telecommunication service and the online hospital service carried out by the Group, which included exclusive business cooperation agreement, exclusive purchase option agreement, equity pledge agreement, proxy agreement, loan agreement, LP undertaking and spouse undertaking. These Contractual Arrangements can be extended at WFOE's options prior to the expiration date.

* English names are for identification purpose only.

1. GENERAL INFORMATION (Continued)

Contractual Arrangements (Continued)

The Contractual Arrangements enable the WFOE to control the Restricted Subsidiaries by:

- Irrevocably exercising equity holders' voting rights of Restricted Subsidiaries;
- Exercising effective financial and operational control over of Restricted Subsidiaries;
- Receiving substantially all of the economic interest returns generated by Restricted Subsidiaries in consideration for the technology consulting and services provided by WFOE. WFOE has obligation to grant interest-free loans to the relevant shareholders of Restricted Subsidiaries with the sole purpose of providing funds necessary for the capital contribution to Restricted Subsidiaries;
- Obtaining an irrevocable and exclusive right which WFOE may exercise at any time to purchase all or part of the equity interests in Restricted Subsidiaries from its shareholders at a minimum purchase price permitted under the PRC laws and regulations; and
- Obtaining a pledge over the entire equity interests of Restricted Subsidiaries from its shareholders as collateral security for all of Restricted Subsidiaries' payments due to WFOE and to secure performance of Restricted Subsidiaries' obligation under the Contractual Arrangements.

Total assets of the Group's Restricted Subsidiaries were RMB446 million as of December 31, 2023 (As of December 31, 2022: RMB475 million), and these balances have been reflected in the Group's consolidated financial statements with intercompany balances and transactions within the Group eliminated.

Total revenue of the Group's Restricted Subsidiaries was RMB429 million for the year ended December 31, 2023 (For the year ended December 31, 2022: RMB348 million), and these amounts have been reflected in the Group's consolidated financial statements with intercompany balances and transactions within the Group eliminated.

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

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

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

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

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

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

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

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

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

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

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

2.2 Impacts on application of Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

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

In accordance with the transition provision:

- the Group has applied the new accounting policy retrospectively to leasing transactions that occurred on or after January 1, 2022;
- the Group also, as at January 1, 2022, recognized a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized) and a deferred tax liability for all deductible and taxable temporary difference associated with right-of-use-assets and lease liabilities.

The application of the amendments has had no material impact on the consolidated financial statements but has affected the disclosure of the Group's deferred tax set out in Note 26.

Amendments to IFRSs in issue but not yet effective

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

Standards/Amendments	Content	Effective for annual periods beginning on or after
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback	January 1, 2024
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	January 1, 2024
Amendments to IAS 1	Non-current Liabilities with Covenants	January 1, 2024
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangement	January 1, 2024
Amendments to IAS 21	Lack of Exchangeability	January 1, 2025

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

3. MATERIAL ACCOUNTING POLICY INFORMATION

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

3.1 Basis of consolidation

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

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

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary.

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

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.1 Basis of consolidation (continued)

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

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

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

Changes in the Group's interests in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognized. A gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognized in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 *Financial Instruments* or, when applicable, the cost on initial recognition of an investment in an associate.

3.2 Goodwill

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

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

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.2 Goodwill (continued)

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

On disposal of the relevant cash-generating unit or any of the cash-generating unit within the group of cash-generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the cash-generating unit (or a cash-generating unit within a group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of cash-generating units) retained.

3.3 Revenue from contracts with customers

Information about the Group's accounting policies relating to contracts with customers is provided in Note 5B.

3.4 Leases

Definition of a lease

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

For contracts entered into or modified on or after the date of initial application or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 *Leases* at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee

Short-term leases

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

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.4 Leases (continued)

The Group as a lessee (continued)

Right-of-use assets

The cost of right-of-use assets includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

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

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

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

Refundable rental deposits

Refundable rental deposits paid are accounted for under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.4 Leases (continued)

The Group as a lessee (continued)

Lease liabilities

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

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

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

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

3.5 Share-based payments

Shared-based awards to the Group's employees are granted under share incentive plans. The Group grants its restricted shares, restricted share units (the "RSUs") and share options to the Group's eligible employees, which are recorded in share-based payments reserves in the Group's consolidated statement of financial position.

Equity-settled share-based payment transactions

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

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

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.5 Share-based payments (continued)

Equity-settled share-based payment transactions (continued)

When share options/RSUs are exercised or restricted shares granted are vested, the amount previously recognized in share-based payments reserves will continue to be held in share-based payments reserves. When the share options/RSUs are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognized in share-based payments reserves will continue to be held in share-based payments reserves.

The effects of modifications that increase the total fair value of the share-based payment arrangement or are otherwise beneficial to the employees are required to recognize. If the modification increases the fair value of the equity instruments granted, the Group is required to measured immediately before and after the modification and include the incremental fair value granted (i.e. the difference between the fair value of the modified equity instrument and that of the date of the modification) in the measurement of the amount recognized for services received as consideration for the equity instruments granted. If the modification occurs during the vesting period, the incremental fair value granted is included in the measurement of the amount recognized for services received over the period from the modification date until the date when the modified equity instruments vest, in addition to the amount based on the grant date fair value of the original equity instruments, which is recognized over the remainder of the original vesting period.

3.6 Taxation

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

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

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

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.6 Taxation (continued)

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

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 profits will be available to allow all or part of the asset to be recovered.

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

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

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

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

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

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.7 Property and equipment

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

Property and equipment in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, including costs of testing whether the related assets is functioning properly and, for qualifying assets, borrowing costs capitalized in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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

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

3.8 Other intangible assets

Other intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortization and any accumulated impairment losses. Amortization for other intangible assets with finite useful lives is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets acquired in a business combination are recognized separately from goodwill and are initially recognized at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortization and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Intangible assets acquired in a business combination with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

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

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

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

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

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.10 Cash and cash equivalents

Cash and cash equivalents presented on the consolidated statement of financial position include:

(a) cash, which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash; and

(b) cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

3.11 Inventories

Inventories, consisting of products available for sale, are stated at the lower of cost and net realizable value. Net realizable value represents the estimated selling price for inventories less all costs necessary to make the sale. Cost necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale. Cost of inventory is determined using the weighted average method. Adjustments are recorded to write down the cost of inventory to the estimated net realizable value due to slow-moving merchandise and damaged goods, which is dependent upon factors such as historical and forecasted consumer demand, and promotional environment. The Group takes ownership, risks and rewards of the products purchased, but has arrangements to return unsold goods with certain vendors.

3.12 Financial instruments

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

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

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.12 Financial instruments (continued)

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

(a) *Financial assets*

Classification and subsequent measurement of financial assets

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

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

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

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

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and

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

All other financial assets are subsequently measured at FVTPL except that at initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 *Business Combinations* applies.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or

- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

- it is a derivative that is not designated and effective as a hedging instrument.

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.12 Financial instruments (continued)

(a) ***Financial assets*** (continued)

Classification and subsequent measurement of financial assets (continued)

Amortized cost and interest income

Interest income is recognized using the effective interest method for financial assets measured subsequently at amortized cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired.

Equity instruments designated as at FVTOCI

Equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in the FVTOCI reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained profits.

Dividends from these equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other income" line item in profit or loss.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortized cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss. The net gain or loss recognized in profit or loss includes any dividend or interest earned on the financial asset and is included in "other gains and losses".

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.12 Financial instruments (continued)

(a) ***Financial assets*** (continued)

Impairment of financial assets

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

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

The Group always recognizes lifetime ECL for trade receivables and amounts due from related parties of trade nature (excluding the prepayments to related parties, where applicable). The ECL on these assets are assessed individually for debtors with significant balances or credit impaired and/or collectively using a provision matrix with appropriate groupings.

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

Significant increase in credit risk

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

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.12 Financial instruments (continued)

(a) ***Financial assets*** (continued)

Significant increase in credit risk (continued)

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

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

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

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

Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group). Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.12 Financial instruments (continued)

(a) ***Financial assets*** (continued)

Credit-impaired financial assets

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

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

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

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

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

Write-off policy

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

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on trade receivables and amounts due from related parties of trade nature using a provision matrix taking into consideration historical credit loss experience and forward looking information that is available without undue cost or effort.

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

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.12 Financial instruments (continued)

(a) *Financial assets* (continued)

Measurement and recognition of ECL (Continued)

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

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

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

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

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically:

- For financial assets measured at amortized cost that are not part of a designated hedging relationship, exchange differences are recognized in profit or loss in the 'Other gains and losses, net' line item (Note 7) as part of the net foreign exchange gains/(losses);
- For financial assets measured at FVTPL that are not part of a designated hedging relationship, exchange differences are recognized in profit or loss in the 'Other gains and losses, net' line item as part of the gain/(loss) from changes in fair value of financial assets (Note 7);
- For equity instruments measured at FVTOCI, exchange differences are recognized in other comprehensive income in the FVTOCI reserve.

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.12 Financial instruments (continued)

(a) *Financial assets* (continued)

Derecognition of financial assets

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

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

On derecognition of an equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the FVTOCI reserve is not reclassified to profit or loss, but is transferred to accumulated losses.

(b) *Financial liabilities and equity*

Classification as debt or equity

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

Equity instruments

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

Financial liabilities

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

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination to which IFRS 3 applies, (ii) held for trading or (iii) it is designated as at FVTPL.

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.12 Financial instruments (continued)

(b) *Financial liabilities and equity* (continued)

Financial liabilities at FVTPL (continued)

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

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL.

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

Financial liabilities at amortized cost

Financial liabilities including trade and other payables and amounts due to related parties are subsequently measured at amortized cost, using the effective interest method.

Derecognition/modification of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, canceled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgements in applying accounting policies

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

Consolidation of affiliated entities

The Group obtained control of the Restricted Subsidiaries by entering into the Contractual Arrangements. Nevertheless, the Contractual Arrangements and other measures may not be as effective as direct legal ownership in providing the Group with direct control over the Restricted Subsidiaries and uncertainties presented by the PRC legal system could impede the Group's beneficiary rights of the results, assets and liabilities of the Restricted Subsidiaries. The directors of the Company consider that the Contractual Arrangements are in compliance with the relevant PRC Laws and are legally enforceable.

Principal versus agent consideration

In determining whether the Group is acting as a principal or as an agent in the sales of goods and provision of services, judgement and consideration of all relevant facts and circumstances are required. In evaluation of the Group acting as a principal or an agent, the Group considers whether it obtains control of the good or service before that good or service is transferred to a customer, including whether the Group is primarily responsible for fulfilling the promise to provide the specified good or service, has inventory risk before the specified good or service has been transferred to a customer, has discretion in establishing the price for the specified good or service.

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

Key sources of estimation uncertainty

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

Leases – Estimating the incremental borrowing rate

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

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the group of cash-generating units to which goodwill has been allocated, which is the higher of the value-in-use or fair value less costs of disposal. The value-in-use calculation requires the management to estimate the future cash flows expected to arise from the group of cash-generating units and a suitable discount rate in order to calculate the present value. The management of the Company has made key estimations in the value-in-use calculation, which are forecasted average annual revenue growth rate, estimated terminal growth rate beyond the projection period extrapolated and discount rate. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash flows or upward revision of discount rate, a material impairment loss or further impairment loss may arise.

As of December 31, 2023, the carrying amount of goodwill is RMB255.8 million (2022: RMB255.8 million) (with no accumulated impairment loss at the end of each reporting period). Details of the recoverable amount calculation are disclosed in Note 17.

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

Key sources of estimation uncertainty (continued)

Useful lives and amortization of other intangible assets

The Group determines the estimated useful lives and related amortization for the Group's other intangible assets with reference to the estimated periods that the Group intends to derive future economic benefits from the use of these assets. Specifically, the useful life of customer relationship is estimated based on the retention rate of the current customers of the acquisition target as of the acquisition date, the historical retention rate and projected future revenues associated with such customers. Management will revise the amortization charges where useful lives are different from that of previously estimated. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in useful lives and therefore amortization expense in future periods.

Provision of ECL for trade receivables

Provision of ECL for trade receivables was estimated based on provision matrix through grouping of various debtors that have similar loss patterns, after considering ageing, internal credit ratings of trade debtors, repayment history and/or past due status of respective trade receivables. Estimated loss rates are based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. In addition, trade receivables that are credit-impaired are assessed for ECL individually. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables are disclosed in Note 31.

5A. SEGMENT INFORMATION

The Group does not distinguish revenue, costs and expenses between segments in its internal reporting, and reports costs and expenses by nature as a whole.

The Group's chief operating decision maker, who has been identified as the president, reviews the consolidated results when making decisions about allocating resources and assessing performance of the Group as a whole and hence, the Group has only one reportable segment. The Group does not distinguish between markets or segments for the purpose of internal reports. As the Group's non-current assets (excluding equity instruments at FVTOCI) are all located in the PRC and all the Group's revenue are derived from the PRC, no geographical information is presented. During the year ended December 31, 2023, there is no revenue derived from transactions with a single external customer which amounted to 10% or more of the Group's revenue (2022: none).

5B. REVENUE

(a) Disaggregation of revenue from contracts with customers

	Year ended December 31,	
	2023	2022
	RMB'000	*RMB'000*
Type of goods or services:		
Product revenue *(note i)*		
Pharmaceutical and healthcare business	**4,717,592**	4,201,618
Others *(note ii)*	**139,214**	127,457
Total revenue from contracts with customers	**4,856,806**	4,329,075
Timing of revenue recognition:		
At point in time	**4,717,592**	4,201,618
Overtime	**139,214**	127,457
Total	**4,856,806**	4,329,075

Notes:

i. The Group primarily sells pharmaceutical and healthcare products through online channels, such as its mobile APP or third-party online platforms, and offline channels, such as its network of physical pharmacies across the PRC. The Group also distributes some of its products to merchant customers. The Group recognizes the product revenue on a gross basis as the Group controls the specified goods before they are transferred to the customer after taking into consideration indicators such as the Group is responsible for fulfilling the promise to provide the specified goods.

   Product revenue is recognized at the point in time when the customer obtains control of the products, net of discounts.

ii. Others represents the marketing services, marketplace services and other revenue.

   The Group provides marketing services to third parties on its online and offline channels. The Group recognizes revenue overtime from advertising placements based on the Group's advertising schedules confirmed by customers during the advertising period with an output method, as the customer simultaneously receives and consumes the benefits throughout the period.

   Marketplace services revenue primarily consists of commission fees charged to third-party merchants via the Group's online marketplace such as mobile APP or WeChat mini program. The Group generally is acting as an agent and its performance obligation is to present specified goods or services provided by those third-party merchants throughout a certain period. Commission fee revenue is recognized on a net basis over the presenting period with an output method.

5B. REVENUE (continued)

(b) Contract liabilities

The Group collected payments in advance from customers primarily for sales of pharmaceutical and healthcare products, marketplace service fees and unearned revenue awards to customers. The Group has recognized the following liabilities related to contracts with customers under "contract liabilities":

	As of December 31,	
	2023	2022
	RMB'000	*RMB'000*
Advance from sales of products	**27,439**	75,278
Advance service income	**478**	8,289
Unearned revenue awards to customers	**7,433**	10,451
Total	**35,350**	94,018

	As of December 31,	
	2023	2022
	RMB'000	*RMB'000*
Current	**32,366**	90,182
Non-current	**2,984**	3,836
	35,350	94,018

As of January 1, 2022, contract liabilities amounted to RMB68.7 million.

The Group has recognized the transaction price allocated to the remaining performance obligation (unsatisfied or partially unsatisfied) as of December 31, 2023, as contract liabilities. The directors of the Company expect that the current contract liabilities will be recognized as revenue within one year, while the non-current contract liabilities will be recognized as revenue over one year but within two years.

(c) Revenue recognized in relation to contract liabilities

The following table shows the amount of the revenue recognized for the year ended December 31, 2023 relates to carried-forward contract liabilities:

	Year ended December 31,	
	2023	2022
	RMB'000	*RMB'000*
Revenue recognized that was included in the contract liabilities balance at the beginning of the year:	**89,822**	62,188

6. LOSS BEFORE INCOME TAX

Loss before income tax has been arrived at after charging:

	Year ended December 31,	
	2023	2022
	RMB'000	*RMB'000*
Cost of inventories sold (including write-down of inventories amounting to RMB3,086,000 (2022: RMB149,000))	**3,345,308**	2,873,722
Employee benefit expenses (including directors' emoluments as set out in Note 11)		
– Salaries and bonuses	**324,256**	373,245
– Share-based payments expenses (Note 28)	**124,250**	160,725
– Retirement benefit scheme contributions	**33,576**	34,823
– Welfare, medical and other benefits	**48,333**	50,653
Total employee benefit expenses	**530,415**	619,446
Depreciation of property and equipment	**18,521**	20,181
Depreciation of right-of-use assets	**82,863**	77,890
Amortization of other intangible assets	**38,614**	37,236
Auditor's remuneration*	**5,740**	16,368

* The service fee in connection with IPO for the year ended December 31, 2023 is nil (2022: RMB10,988,000).

7. OTHER GAINS AND LOSSES, NET

	Year ended December 31,	
	2023	2022
	RMB'000	*RMB'000*
Net foreign exchange gains	**5,146**	14,369
Loss on disposal of property and equipment	**(73)**	(14)
Gain on fair value changes of financial assets at FVTPL	**9,946**	11,262
(Loss)/gain on early termination of leases	**(424)**	58
Others	**3,469**	1,832
Total	**18,064**	27,507

8. OTHER INCOME

	Year ended December 31, 2023 RMB'000	2022 RMB'000
Interest income		
– Bank deposits	**32,157**	16,730
– Lease deposits	**471**	421
Government grants (Note)	**8,936**	7,678
Rental income – fixed	**3,815**	4,033
Dividends from equity instruments at FVTOCI	**3,763**	–
Total	**49,142**	28,862

Note: The amounts represented subsidies received from the local governments for rewarding the Group's contribution to local economies. There were no specific conditions attached to the grants and the amounts were recognized in profit or loss when the grants were received.

9. FINANCE COSTS

	Year ended December 31, 2023 RMB'000	2022 RMB'000
Interest on lease liabilities	**7,879**	7,918

10. IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL, NET OF REVERSAL

	Year ended December 31, 2023 RMB'000	2022 RMB'000
Impairment losses, net of reversal, recognized/ (reversed) on:		
– Trade receivables	**493**	220
– Other receivables	**(137)**	1,326
Total	**356**	1,546

Details of impairment assessment are set out in Note 31.

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

Directors' and chief executive's remuneration for the year ended December 31, 2023, disclosed pursuant to the applicable Listing Rules and Hong Kong Companies Ordinance, is as follows:

(a) The remuneration of directors and chief executive is set out below:

	For the year ended December 31, 2023					
Name	Fees *RMB'000*	Salaries and bonuses *RMB'000* (note i)	Share-based payments expenses *RMB'000*	Retirement benefit scheme contributions *RMB'000*	Welfare, medical and other benefits *RMB'000*	Total *RMB'000*
Executive directors:						
Mr. Yang Wenlong (Chairman)	–	–	111,567	–	–	111,567
Mr. Xu Ning	–	1,223	248	63	89	1,623
Mr. Yu Lei	–	1,607	489	63	89	2,248
Mr. Yu Qinglong	–	1,351	388	63	89	1,891
Mr. Yang Yibin (note ii)	–	798	–	56	80	934
Non-executive directors:						
Ms. Cai Li (note iii)	–	–	–	–	–	–
Ms. Lian Suping (note iv)	–	–	–	–	–	–
Independent non-executive directors:						
Mr. Zhang Shouchuan (note v)	302	–	–	–	–	302
Dr. Fan Zhenhong (note v)	302	–	–	–	–	302
Mr. Jiang Shan (note v)	302	–	–	–	–	302
	906	4,979	112,692	245	347	119,169

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (continued)

(a) The remuneration of directors and chief executive is set out below: (continued)

	For the year ended December 31, 2022					
Name	**Fees** *RMB'000*	**Salaries and bonuses** *RMB'000* (note i)	**Share-based payments expenses** *RMB'000*	**Retirement benefit scheme contributions** *RMB'000*	**Welfare, medical and other benefits** *RMB'000*	**Total** *RMB'000*
Executive directors:						
Mr. Yang Wenlong (Chairman)	–	–	152,317	–	–	152,317
Mr. Xu Ning	–	1,226	163	37	67	1,493
Mr. Yu Lei	–	1,610	325	37	67	2,039
Mr. Yu Qinglong	–	1,366	260	37	67	1,730
Non-executive directors:						
Ms. Cai Li (note iii)	–	–	–	–	–	–
Ms. Lian Suping (note iv)	–	–	–	–	–	–
Independent non-executive directors:						
Mr. Zhang Shouchuan (note v)	96	–	–	–	–	96
Dr. Fan Zhenhong (note v)	96	–	–	–	–	96
Mr. Jiang Shan (note v)	96	–	–	–	–	96
	288	4,202	153,065	111	201	157,867

Notes:

i Bonuses are determined based on the Group's performance, performance of the relevant individual within the Group and comparable market statistics.

ii. Appointed as executive director of the Company commenced from August 25, 2023.

iii. No emoluments were paid or payable to non-executive directors for the services as directors of the Group.

iv. No emoluments were paid or payable to non-executive directors for the services as directors of the Group. Ms. Lian Suping has tendered her resignation as a non-executive Director of the Company with effect from July 18, 2023.

v. Appointed as independent non-executive director of the Company commenced from June 19, 2021 and took effect from September 1, 2022.

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (continued)

(a) The remuneration of directors and chief executive is set out below: (continued)

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

(b) Benefits and interests of directors

Except for the emoluments disclosed above, there is no other benefits offered to the directors.

(c) Directors' termination benefits

No director's termination benefit subsisted at any time for the year ended December 31, 2023 (2022: none).

(d) Consideration provided to third parties for making available directors' services

No consideration provided to third parties for making available director's services subsisted at any time for the year ended December 31, 2023 (2022: none).

(e) Information about loans, quasi-loans and other dealings in favor of directors, their controlled bodies and connected entities

No loans, quasi-loans and other dealings in favor of directors, their controlled bodies corporate and connected entities subsisted at any time for the year ended December 31, 2023 (2022: none).

(f) Directors' material interests in transactions, arrangements or contracts

Save as disclosed in Note 33, no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at any time for the year ended December 31, 2023 (2022: none).

12. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three (2022: two) directors, whose remuneration is set out in Note 11 above. Details of the remuneration for the year of the remaining two (2022: three) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	Year ended December 31,	
	2023	2022
	RMB'000	*RMB'000*
Salaries and bonuses	**2,110**	3,778
Retirement benefit scheme contributions	**131**	151
Welfare, medical and other benefits	**130**	183
Share-based payments	**5,276**	1,709
Total	**7,647**	5,821

The number of the highest paid employees who are not the directors of the Company whose emoluments fell within the following bands:

	Number of individuals	
	Year ended December 31,	
	2023	2022
Emolument bands (in Hong Kong dollars (the "HKD"))		
HKD2,000,001 to HKD2,500,000	**1**	2
HKD2,500,001 to HKD3,000,000	**–**	1
HKD6,000,001 to HKD6,500,000	**1**	–
Total	**2**	3

During the year ended December 31, 2023, no emoluments were paid by the Group to the five highest paid employees as an inducement to join or upon joining the Group or as compensation for the loss of office (2022: none). None of directors and employees waived or agreed to waive any emoluments during the year ended December 31, 2023 (2022: none).

13. INCOME TAX EXPENSE

Income tax

Cayman Islands

Under the current laws of the Cayman Islands, the Company incorporated in the Cayman Islands is not subject to tax on income or capital gains. Additionally, the Cayman Islands does not impose a withholding tax on payments of dividends to shareholders.

British Virgin Islands

Under the current laws of the British Virgin Islands, entities incorporated in the British Virgin Islands are not subject to tax on their income or capital gains. Additionally, the British Virgin Islands does not impose a withholding tax on payments of dividends to shareholders.

Hong Kong

On March 21, 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on March 28, 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HKD2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HKD2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Accordingly, the Hong Kong profits tax of the qualifying group entity is calculated at 8.25% on the first HKD2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HKD2 million. During the reporting period, there is no assessable profit for the Group's entity in Hong Kong.

PRC

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the standard enterprise income tax rate for PRC operating entities is 25% during the year ended December 31, 2023 (2022: 25%).

Dingdang Medicine Express Technology was subject to a preferential income tax rate of 15%, as Dingdang Medicine Express Technology was qualified as a High-New Technology Enterprises (the "HNTE") and the HNTE qualification was approved and valid for 3 years ended December 31, 2023.

Certain subsidiaries have been approved as small low-profit enterprises. The entitled subsidiaries are subject to a preferential income tax rate of 5% or 10% during the year ended December 31, 2023 (2022: 2.5%, 5%, or 10%).

13. INCOME TAX EXPENSE (continued)

Income tax (continued)

Withholding tax on undistributed dividends

The EIT Law also imposes a withholding income tax of 10% on dividends distributed by a foreign investment enterprise (the "FIE") to its immediate holding company outside of China, if such immediate holding company is considered as a non-resident enterprise without any establishment or place within China or if the received dividends have no connection with the establishment or place of such immediate holding company within China, unless such immediate holding company's jurisdiction of incorporation has a tax treaty with China that provides for a different withholding arrangement. According to the arrangement between Mainland China and Hong Kong Special Administrative Region on the Avoidance of Double Taxation and Prevention of Fiscal Evasion in August 2006, dividends paid by an FIE in China to its immediate holding company in Hong Kong will be subject to withholding tax at a rate of no more than 5% (if the foreign investor owns directly at least 25% of the shares of the FIE) if the Hong Kong holding company qualifies for the beneficial owner criteria. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to RMB160,132,000 as of December 31, 2023 (2022: RMB143,214,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

The income tax expense of the Group is analyzed as follows:

	Year ended December 31,	
	2023	2022
	RMB'000	*RMB'000*
PRC Enterprise Income Tax		
Current income tax		
– Current year	**15,073**	17,302
– Under provision in respect of prior year	**446**	310
Deferred income tax (Note 26)	**(5,878)**	(7,484)
Total	**9,641**	10,128

13. INCOME TAX EXPENSE (continued)

Income tax (continued)

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

	Year ended December 31,	
	2023	2022
	RMB'000	*RMB'000*
Loss before income tax	**(221,227)**	(2,832,147)
Tax calculated at PRC statutory income tax rate of 25%	**(55,307)**	(708,037)
Tax effects of:		
– Expenses that are not deductible in determining taxable profit	**6,272**	636,192
– Different tax rates available to different jurisdictions	**(6,111)**	8,929
– Preferential income tax rates applicable to subsidiaries	**(2,098)**	3,642
– Tax losses not recognized	**39,215**	38,878
– Utilization of tax losses previously not recognized	**(8,043)**	(19,139)
– Tax effect of deductible temporary differences previously not recognized net of utilization	**35,267**	49,353
– Under provision in respect of prior year	**446**	310
Total income tax expense	**9,641**	10,128

14. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to the owners of the Company is based on the following data:

Loss figures are calculated as follows:

	Year ended December 31,	
	2023	2022
	RMB'000	*RMB'000*
Loss for the year attributable to owners of the Company for the purpose of basic and diluted loss per share	**(225,809)**	(2,833,395)

Number of shares

	Year ended December 31,	
	2023	2022
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share*	**1,338,749,730**	841,076,782

* The weighted average number of ordinary shares for the purpose of basic loss per share has considered the impact of treasury stock purchased.

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. For the year ended December 31, 2023, the potential ordinary shares were not included in the calculation of diluted loss per share, as taking into account the exercise of the Company's RSUs under the 2023 RSU Scheme would be anti-dilutive (2022: anti-dilutive). Accordingly, diluted loss per share for the year ended December 31, 2023 is the same as basic loss per share.

15. PROPERTY AND EQUIPMENT

	Leasehold improvement *RMB'000*	Electronic equipment *RMB'000*	Motor vehicle *RMB'000*	Machinery *RMB'000*	Furniture and fixtures *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
COST							
At January 1, 2022	75,803	25,625	3,519	442	10,154	–	115,543
Additions	4,016	2,925	1,575	51	3,371	5,761	17,699
Disposals	(1,520)	(542)	(2)	–	(22)	–	(2,086)
At December 31, 2022	78,299	28,008	5,092	493	13,503	5,761	131,156
Additions	3,852	3,738	2	379	1,988	5,133	15,092
Transfer from construction in progress	–	–	–	10,894	–	(10,894)	–
Disposals	(1,140)	(1,822)	–	(28)	(252)	–	(3,242)
At December 31, 2023	**81,011**	**29,924**	**5,094**	**11,738**	**15,239**	**–**	**143,006**
DEPRECIATION							
At January 1, 2022	55,551	10,476	1,075	96	3,332	–	70,530
Charge for the year	10,614	6,605	733	55	2,174	–	20,181
Eliminated on disposals	(1,520)	(416)	(2)	–	(21)	–	(1,959)
At December 31, 2022	64,645	16,665	1,806	151	5,485	–	88,752
Charge for the year	8,137	6,446	868	583	2,487	–	18,521
Eliminated on disposals	(1,140)	(1,551)	–	(5)	(135)	–	(2,831)
At December 31, 2023	**71,642**	**21,560**	**2,674**	**729**	**7,837**	**–**	**104,442**
CARRYING AMOUNT							
At December 31, 2023	**9,369**	**8,364**	**2,420**	**11,009**	**7,402**	**–**	**38,564**
At December 31, 2022	13,654	11,343	3,286	342	8,018	5,761	42,404

The above items of property and equipment, after taking into account the residual values, are depreciated on a straight-line basis at the following rates per annum:

Leasehold improvement	Over the shorter of the expected life of leasehold improvement or the lease term
Electronic equipment	19.00%-31.67%
Motor vehicle	23.75%
Machinery	9.50%
Furniture and fixtures	19.00%

No impairment losses were recognized to property and equipments for the year ended December 31, 2023 (2022: none) as detailed disclosed in Note 16.

16. LEASES

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements for the year ended December 31, 2023 are as follows:

	Year ended December 31,	
	2023	2022
	RMB'000	*RMB'000*
Carrying amount at the beginning of the year	**174,956**	168,518
Additions	**71,693**	89,229
Depreciation charge	**(82,863)**	(77,890)
Early termination	**(8,418)**	(4,901)
Carrying amount at the end of the year	**155,368**	174,956

The carrying amounts of right-of-use assets as of December 31, 2023 and the depreciation by classes of right-of-use assets are all buildings for the year ended December 31, 2023.

	Year ended December 31,	
	2023	2022
	RMB'000	*RMB'000*
Expense relating to short-term leases	**13,392**	9,581
Total cash outflow for leases	**107,822**	95,644

The Group leases certain of its offline pharmacies, offices, warehouses and staff quarters which are negotiated for terms ranging from 1 to 9 years for the year ended December 31, 2023 (for the year ended December 31 2022: 1 to 16 years). Lease terms are negotiated on an individual basis and contain different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

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

The Group conducted impairment assessment on recoverable amounts of right-of-use assets, property and equipments and other intangible assets of relevant subsidiaries that have indicators of impairment. The Group estimated the recoverable amount of these subsidiaries, each representing an individual cash-generating unit, to which these non-current assets belong when it is not possible to estimate their recoverable amount individually. No impairment losses were recognized to right-of-use assets, property and equipments and other intangible assets for the year ended December 31, 2023 (2022: none).

16. LEASES (continued)

(a) Right-of-use assets (continued)

The Group regularly entered into short-term leases for offline pharmacies, offices, warehouses and staff quarters. As of December 31, 2023, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed above (2022: similar).

The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessors. Leased assets may not be used as security for borrowing purposes.

(b) Lease liabilities

The carrying amounts of the Group's lease liabilities for the year ended December 31, 2023 are as follows:

	As of December 31,	
	2023	2022
	RMB'000	*RMB'000*
Present value of lease liabilities		
– within one year	**56,084**	72,125
– between 1 and 2 years	**47,057**	46,370
– between 2 and 5 years	**36,644**	43,261
– over 5 years	**425**	1,381
	140,210	163,137
Analyzed as:		
Non-current	**84,126**	91,012
Current	**56,084**	72,125
	140,210	163,137

16. LEASES (continued)

(b) Lease liabilities (continued)

The lease liabilities were measured at the present value of the lease payments that are not yet paid using incremental borrowing rates. The following table shows the weighted average incremental borrowing rates applied to lease liabilities:

	Year ended December 31,	
	2023	2022
	%	*%*
Incremental borrowing rate	**2.96~4.27**	3.81~7.08

All leases are entered at fixed rates.

As of December 31, 2023, lease obligations that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	As of December 31,	
	2023	2022
	RMB'000	*RMB'000*
HKD	**848**	2,287

The maturity analysis of lease liabilities at each reporting date for the year ended December 31, 2023 are set out in Note 31.

(c) Major non-cash transactions

During the year, the Group recognized non-cash additions to right-of-use assets and lease liabilities of RMB67,221,000 (2022: RMB84,964,000) and RMB67,221,000 (2022: RMB84,964,000), respectively.

17. GOODWILL

	RMB'000
COST	
At January 1, 2022, December 31, 2022 and 2023	255,762
CARRYING AMOUNT	
At December 31, 2022 and 2023	255,762

For the purpose of impairment testing, goodwill is allocated to a group of cash-generating units. The carrying amounts of goodwill allocated to significant cash-generating units (the "Significant CGUs") are as follows:

	As of December 31,	
	2023	2022
	RMB'000	*RMB'000*
Dingdang Smart Pharmacy (Shanghai) Co., Ltd.* (叮噹智慧藥房(上海)有限公司) ("Shanghai Smart Pharmacy") and its subsidiaries	**10,978**	10,978
Dingdang Smart Pharmacy (Beijing) Co., Ltd.* (叮噹智慧藥房(北京)有限公司) ("Beijing Smart Pharmacy") and its subsidiaries	**4,041**	4,041
Dingdang Smart Pharmacy (Guangdong) Co., Ltd.* (叮噹智慧藥房(廣東)有限公司) ("Guangdong Smart Pharmacy")	**48,503**	48,503
Yaofangwang Beijing and its subsidiaries (collectively, the "Renhe Yaofangwang")	**167,351**	167,351

* English names are for identification purpose only.

17. GOODWILL (continued)

The impairment review on the goodwill of the Group according to IAS 36 *Impairment of Assets* were conducted by the management with reference to valuation carried out by an independent qualified professional valuer who has appropriate qualifications and experiences.

For the purpose of impairment review as of December 31, 2023, the recoverable amount of the Significant CGUs containing goodwill is determined based on value-in-use calculations by using the discounted cash flow method, based on the following inputs:

Shanghai Smart Pharmacy and its subsidiaries:

	As of December 31,	
	2023	2022
Financial projection period	**5-year**	5-year
Forecasted average annual revenue growth rate	**5%**	10%
Estimated terminal growth rate beyond the projection period extrapolated	**2.2%**	2.5%
Pre-tax discount rate	**22.10%**	24.83%

Beijing Smart Pharmacy and its subsidiaries:

	As of December 31,	
	2023	2022
Financial projection period	**5-year**	5-year
Forecasted average annual revenue growth rate	**4%**	7%
Estimated terminal growth rate beyond the projection period extrapolated	**2.2%**	2.5%
Pre-tax discount rate	**21.72%**	23.01%

Guangdong Smart Pharmacy:

	As of December 31,	
	2023	2022
Financial projection period	**5-year**	5-year
Forecasted average annual revenue growth rate	**10%**	10%
Estimated terminal growth rate beyond the projection period extrapolated	**2.2%**	2.5%
Pre-tax discount rate	**23.14%**	25.42%

17. GOODWILL (continued)

Renhe Yaofangwang:

	As of December 31, 2023	2022
Financial projection period	**5-year**	5-year
Forecasted average annual revenue growth rate	**13%**	13%
Estimated terminal growth rate beyond the projection period extrapolated	**2.2%**	2.5%
Pre-tax discount rate	**23.11%**	23.44%

The management leveraged their extensive experience in the industry and provided forecast based on past performance and expectation of future business plans and market developments.

The management, together with the Company's valuer, performed impairment test for the goodwill and determined such goodwill was not impaired, since the recoverable amount exceeded the carrying amount for the Significant CGUs containing goodwill by:

	As of December 31, 2023 *RMB'000*	2022 *RMB'000*
Shanghai Smart Pharmacy and its subsidiaries	**41,188**	81,433
Beijing Smart Pharmacy and its subsidiaries	**63,647**	100,729
Guangdong Smart Pharmacy	**25,329**	36,588
Renhe Yaofangwang	**32,071**	28,339

Management believes that reasonably possible change in any of the aforementioned assumptions would not result in impairment.

18. OTHER INTANGIBLE ASSETS

	Software *RMB'000*	Trademark and franchise right *RMB'000*	Customer relationship *RMB'000*	Total *RMB'000*
COST				
At January 1, 2022	64,721	122,294	60,000	247,015
Additions	8,021	–	–	8,021
Disposals	(92)	–	–	(92)
At December 31, 2022	72,650	122,294	60,000	254,944
Additions	2,119	130	–	2,249
At December 31, 2023	**74,769**	**122,424**	**60,000**	**257,193**
AMORTIZATION				
At January 1, 2022	13,950	21,824	12,000	47,774
Charge for the year	11,868	13,368	12,000	37,236
Eliminated on disposals	(49)	–	–	(49)
At December 31, 2022	25,769	35,192	24,000	84,961
Charge for the year	13,245	13,369	12,000	38,614
At December 31, 2023	**39,014**	**48,561**	**36,000**	**123,575**
CARRYING AMOUNT				
At December 31, 2023	**35,755**	**73,863**	**24,000**	**133,618**
At December 31, 2022	46,881	87,102	36,000	169,983

The estimated useful lives of other intangible assets are as follows:

Category	**Estimated useful lives**
Software	3-10 years
Trademark and franchise right	5-9 years
Customer relationship	5 years

18. OTHER INTANGIBLE ASSETS (Continued)

The trademark acquired from third party is related to three trademark registration certificates granted by Trademark Office of the State Administration for Industry and Commerce of China. The management of the Group considered the trademark would be able to apply on the Company's online medicine trading service or technologies for 9 years with reference to the remaining valid period of such trademark registration certificates.

The franchise rights acquired in the business combinations were related to franchise right contracts. The management of the Group considered the franchise rights would be able to apply on the Company's online medicine trading service or technologies for 5-9 years with reference to the franchise right contracts.

No impairment losses were recognized to other intangible assets for the year ended December 31, 2023 (2022: none) as detailed disclosed in Note 16.

19. INVESTMENT IN AN ASSOCIATE

	As of December 31,	
	2023	2022
	RMB'000	*RMB'000*
Investment in an associate	**4,000**	–
Share of loss of an associate	**(2,445)**	–
	1,555	–

During the year, Dingdang Medicine Express Technology invested RMB4,000,000 to Dingdang Health (Zhuhai) Intelligent Technology Co., Ltd.* (叮噹健康(珠海)智能科技有限公司) ("Zhuhai Intelligent Technology"). Zhuhai Intelligent Technology is registered in Zhuhai, Guangdong Province, and is mainly engaged in selling products and providing services related to the artificial intelligence industry. Dingdang Medicine Express Technology has 40% ownership interest and voting rights in Zhuhai Intelligent technology.

* English name are for identification purpose only.

20. EQUITY INSTRUMENTS AT FVTOCI

	As of December 31,	
	2023	2022
	RMB'000	*RMB'000*
Equity securities	**93,537**	116,158

The above listed equity investments represent ordinary shares of a company listed on the Stock Exchange. These investments are not held for trading, instead, they are held for long-term strategic purposes. The directors of the Company have elected to designate these equity instruments at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realizing their performance potential in the long run.

During the year ended December 31, 2023, fair value loss of RMB22,621,000 (2022: fair value loss of RMB9,293,000) was recorded and charged to other comprehensive expense.

21. FINANCIAL ASSETS AT FVTPL

	As of December 31,	
	2023	2022
	RMB'000	*RMB'000*
Current:		
Investment in financial products	–	500
Investment in a private fund (Note)	**143,426**	136,298
	143,426	136,798

Note: The Group's investments in a private fund is the financial products issued by a fund company, which are short-term investments with expected rates of return ranging from 1.60% to 4.10% (2022: 1.60% to 2.80%). The directors of the Company have measured the investments in a private fund as financial assets at FVTPL as they believe that the investments are held for trading purpose. Details of fair value measurements are set out in Note 31.

22. INVENTORIES

Inventories consist of the following:

	As of December 31,	
	2023	2022
	RMB'000	*RMB'000*
Products	**612,316**	607,911
Others	**11**	39
	612,327	607,950

23. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	As of December 31,	
	2023	2022
	RMB'000	*RMB'000*
Current:		
(a) Trade receivables		
Trade receivables from third parties	**114,438**	106,125
Less: allowance for ECL	**(1,056)**	(563)
Subtotal	**113,382**	105,562
(b) Other receivables and prepayments		
Welfare receivable	**1,918**	1,926
Advance to suppliers	**34,009**	115,212
Prepaid expenses	**28,399**	43,957
Recoverable value-added tax	**33,978**	27,462
Receivable from non-controlling shareholders	**4,790**	3,900
Receivable from third-party online platforms	**116,486**	132,029
Deposits receivables	**12,297**	15,181
Deposit in Trustee (as defined in Note 28(c))	**14,349**	–
Others	**8,671**	7,231
Less: allowances for ECL	**(2,992)**	(3,129)
Subtotal	**251,905**	343,769
Total	**365,287**	449,331
Non-current:		
Rental deposits	**14,354**	10,625
	14,354	10,625

As of January 1, 2022, trade receivables amounted to RMB91.0 million.

23. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS (continued)

As of December 31, 2023, trade and other receivables that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	As of December 31,	
	2023	2022
	RMB'000	*RMB'000*
HKD	**14,835**	458

The Group's trading terms with some of its customers are on credit. The Group primarily allows a credit period from 30 to 45 days. Trade receivables are settled in accordance with the terms of the respective contracts. Aging analysis of trade receivables based on invoice date is as follows:

	As of December 31,	
	2023	2022
	RMB'000	*RMB'000*
Within 3 months	**89,937**	100,281
3 to 6 months	**10,340**	1,936
6 to 12 months	**12,268**	2,615
Over 12 months	**1,893**	1,293
Less: allowance for ECL	**(1,056)**	(563)
	113,382	105,562

As of December 31, 2023, included in the Group's trade receivables balance was debtors with aggregate carrying amount of RMB36.0 million (2022: RMB39.7 million), which were past due but not impaired as of the reporting date. The Group has not provided an impairment loss as the credit quality of these customers had not seen deteriorated. The Group does not hold any collateral over these balances.

Details of impairment assessment of trade and other receivables are set out in Note 31.

24. CASH AND CASH EQUIVALENTS, RESTRICTED BANK DEPOSITS AND TIME DEPOSITS

	As of December 31,	
	2023	2022
	RMB'000	*RMB'000*
Cash and bank balances denominated in		
United States Dollar ("USD")	**153,241**	153,125
HKD	**155,614**	92,067
RMB	**877,043**	965,757
	1,185,898	1,210,949
Restricted bank deposits denominated in		
RMB	**64,195**	31,270
Time deposits denominated in		
HKD	**–**	89,330
	1,250,093	1,331,549

Bank balances

For the year ended December 31, 2023, bank balances carry interest at market rates which range from 0.20% to 5.75% per annum (2022: 0.25% to 2.10% per annum).

Restricted bank deposits and time deposits

For the year ended December 31, 2023, restricted bank deposits and time deposits carry fixed interest rates which range from 0.20% to 1.45% per annum (2022: 0.25% to 3.73%). Restricted bank deposits amounting to RMB64.2 million (2022: RMB31.3 million) are primarily pledged to secure notes payables. Term deposits for the year ended December 31, 2022 amounting to RMB89.3 million have been matured in March 2023.

25. TRADE AND OTHER PAYABLES

	As of December 31,	
	2023	2022
	RMB'000	*RMB'000*
Trade payables	**384,963**	345,904
Notes payables	**21,223**	7,966
Subtotal	**406,186**	353,870
Salary and welfare payables	**133,815**	159,955
Other tax payable	**5,564**	15,215
Payables for delivery	**50,091**	50,063
Payables for service fee	**28,119**	35,001
Accrued expenses	**86,889**	78,542
Receipt on behalf of third-party merchants	**28,254**	46,890
Dividend payable to a non-controlling shareholder	**8,011**	–
Rental received in advance	**1,135**	757
Accrued listing expenses and issue costs	**–**	12,031
Deposits payable	**21,078**	16,332
Payable for machinery	**1,231**	–
Others	**3,711**	4,161
Subtotal	**367,898**	418,947
Total	**774,084**	772,817

As of December 31, 2023, trade and other payables that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	As of December 31,	
	2023	2022
	RMB'000	*RMB'000*
USD	**17,088**	23,593
HKD	**788**	849

The credit period of trade payables is ranging from 30 to 60 days. An aging analysis of the trade payables and notes payables based on the invoice date as of December 31, 2023 is as follows:

	As of December 31,	
	2023	2022
	RMB'000	*RMB'000*
Within 3 months	**293,748**	319,622
3 to 6 months	**45,179**	12,293
6 to 12 months	**49,401**	13,311
Over 12 months	**17,858**	8,644
Total	**406,186**	353,870

26. DEFERRED TAX ASSETS/(LIABILITIES)

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

	As of December 31,	
	2023	2022
	RMB'000	*RMB'000*
Deferred tax assets	**–**	–
Deferred tax liabilities	**(28,219)**	(34,097)
	(28,219)	(34,097)

The following are the major deferred tax assets/(liabilities) recognized and movements thereon during the current and prior years:

	Tax losses	Right-of-use assets	Lease liabilities	Revaluation in acquisitions	Total
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***
At December 31, 2021	–	–	–	(41,581)	(41,581)
Adjustment (Note 2.2)	–	(38,658)	38,658	–	–
At January 1, 2022 (restated)	–	(38,658)	38,658	(41,581)	(41,581)
(Charge)/credit to profit or loss	–	(1,614)	1,614	7,484	7,484
At December 31, 2022	–	(40,272)	40,272	(34,097)	(34,097)
Credit/(charge) to profit or loss	2,615	1,430	(5,649)	7,482	5,878
At December 31, 2023	**2,615**	**(38,842)**	**34,623**	**(26,615)**	**(28,219)**

At the end of the reporting period, the Group has unused tax losses of approximately RMB860,447,000 (2022: RMB728,746,000) available for offset against future profits. A deferred tax asset has been recognized in respect of approximately RMB10,460,000 (2022: nil) of such losses. No deferred tax asset has been recognized in respect of the remaining approximately RMB849,987,000 (2022: RMB728,746,000) due to the unpredictability of future profit streams. The unrecognized tax losses with expiry dates are disclosed in the following table.

26. DEFERRED TAX LIABILITIES (Continued)

	As of December 31,	
	2023	2022
	RMB'000	*RMB'000*
2023	**–**	3,282
2024	**46,141**	65,902
2025	**148,588**	150,423
2026	**234,258**	240,473
2027	**126,795**	131,321
2028	**156,860**	–
2029	**11,106**	11,106
2030	**46,854**	46,854
2031	**39,066**	39,066
2032	**40,319**	40,319
	849,987	728,746

As of December 31, 2023, the Group has deductible temporary differences of RMB971,818,000 (2022: RMB830,749,000). No deferred tax asset has been recognized in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilized.

27. SHARE CAPITAL

Authorized

As of December 31, 2023 and 2022, the Company had an authorized share capital of USD500,000, divided into 5,000,000,000 authorized ordinary shares, with par value of USD0.0001 each.

	Number of ordinary shares	Nominal value of ordinary shares *USD*
Issued and fully paid		
As of January 1, 2022 of USD0.0001 each	630,793,590	63,079
Issuance of ordinary shares upon IPO (Note i)	33,537,000	3,354
Conversion of preferred shares (Note ii)	677,142,307	67,714
As of December 31, 2022 and December 31, 2023 of USD0.0001 each	1,341,472,897	134,147

	As of December 31,	
	2023 ***RMB'000***	2022 *RMB'000*
Presented as:		
Share capital	**894**	894

Notes:

i. Upon completion of the IPO in September 2022, the Company issued 33,537,000 new shares with par value of USD0.0001 each at HK$12 and raised gross proceeds of approximately HK$402,444,000 (equivalent to RMB354,435,000). The respective share capital amount was approximately RMB23,000 and share premium arising from the issuance was approximately RMB354,412,000. The issuance costs amounting to approximately RMB30,065,000 were treated as a deduction against the share premium arising from the issuance.

ii. Upon completion of the IPO in September 2022, preferred shares with par value of USD0.0001 have been converted into 677,142,307 ordinary shares on conversion ratio of 1:1. The respective share capital amount was approximately RMB468,000 and share premium arising from the conversion was approximately RMB7,155,030,000, based on the fair value of preferred shares on the conversion date that was determined by new shares issuing price.

28. SHARE-BASED PAYMENTS

The employees were granted restricted shares, share options and RSUs under the share incentive plans. Accordingly, the Group accounted for such plans by measuring the services received from the grantees in accordance with the requirement applicable to equity-settled share-based payment transactions.

The table below sets forth share-based payments expenses for restricted shares, share options and RSUs:

	Year ended December 31,	
	2023	2022
	RMB'000	*RMB'000*
Restricted shares	**115,030**	154,852
Share options	**4,284**	4,392
RSUs	**4,936**	1,481
	124,250	160,725

(a) Details of the restricted shares

A restricted share plan of Dingdang Medicine Express Technology (the "2016 Share Incentive Plan") was adopted pursuant to a resolution passed on September 13, 2016 for the primary purpose of providing incentives to eligible employees and directors, in which Dingdang Medicine Express Technology granted 85,333,330 restricted shares to 26 employees and directors.

The time-based condition for the common grantees is that no more than 30%, 30% and 40% in sequence of restricted shares can be disposed of in each of the three years after listing date. The time-based condition for the special grantees is that no restricted shares can be disposed within six month after listing date. After six months, restricted shares cannot be disposed without the authorization of the Company. The fair value of each restricted share under 2016 Share Incentive Plan for common grantees and special grantees were RMB0.5012 and RMB0.5100, respectively, on September 13, 2016.

On May 30, 2020, a share incentive plan (the "2020 Share Incentive Plan") including a restricted share scheme was adopted by the Company. Considering the restricted shares under both plans have been granted to same participants with same quantity, the fair value of the restricted shares granted under 2016 Share Incentive Plan is broadly consistent with the fair value of the restricted shares granted under 2020 Share Incentive Plan on May 30, 2020. The fair value of each restricted share granted under both plans were RMB2.3027 and RMB2.0334, respectively, on May 30, 2020. Accordingly, the 2016 Share Incentive Plan was replaced as a result of the adoption of the 2020 Share Incentive Plan. The remaining employed 17 employees became the shareholders of the Company through Go Prosper Enterprises Corporation and Much Premium Investment Limited instead. The replacement of the plans has no effect on the vesting conditions of the grantees.

In September 2023, supplementary agreements were signed under the 2020 Share Incentive Plan by adding certain performance conditions. Since the performance targets for the year ended December 31, 2023 were not met, 30% restricted shares for the common grantees and all restricted shares for the special grantees that should have been vested in 2023, the first year after listing date, were not vested and will be vested upon the approval from a committee comprising of Controlling Shareholder (the "Administrator"). These supplementary agreements did not have an accounting impact on the share-based payments expenses of the Group as the modification is not beneficial to employees.

28. SHARE-BASED PAYMENTS (continued)

(a) Details of the restricted shares (continued)

On May 31, 2021, an incentive shares plan (the "Founder Incentive Scheme") was approved by the shareholders of the Company. Pursuant to the Founder Incentive Scheme, 130,793,590 ordinary shares, representing the then 10% of the total issued shares of the Company, were issued to Future Health Limited, 60% equity interest of which is held by the Controlling Shareholder. The purpose of the Founder Incentive Scheme was to recognize and reward the contribution of the Controlling Shareholder to the growth and development of the Group.

20% of the founder incentive shares will be released of upon the expiration of the lock-up period applicable to the founder after the IPO of the Company. The time-based condition for the Controlling Shareholder is that 10%, 10%, 10% and 10% in sequence of restricted shares can be released of in each of the first four anniversaries of the grant date. The performance-based condition for the Controlling Shareholder is that 10%, 10%, 10% and 10% in sequence of restricted shares can be released of over four years upon satisfaction of certain performance conditions of the Group on the performance testing date, which is the date the board of the Company approves the final audited consolidated financial statements. The fair value of the restricted shares under Founder Incentive Scheme was RMB5.3197 per share on May 31, 2021.

A summary of the restricted shares' movement for common grantees and special grantees is as follows:

	Number of restricted shares for common grantees	Number of restricted shares for special grantees	Total	Weighted-average grant date fair value
Outstanding as of January 1, 2022, December 31, 2022 and December 31, 2023	54,400,000	21,833,330	76,233,330	0.50

A summary of the restricted shares' movement for the Controlling Shareholder under Founder Incentive Scheme is as follows:

	Number of restricted shares for the Controlling Shareholder	Weighted-average grant date fair value
Outstanding as of January 1, 2022	130,793,590	5.32
Vested	(39,238,077)	5.32
Outstanding as of December 31, 2022	91,555,513	5.32
Vested	(13,079,359)	5.32
Outstanding as of December 31, 2023	**78,476,154**	**5.32**

28. SHARE-BASED PAYMENTS (continued)

(a) Details of the restricted shares (continued)

Movement of the restricted shares for directors, which has been included in common grantees and the Controlling Shareholder under Founder Incentive Scheme as shown above, is as follows:

	Number of restricted shares for directors	Weighted-average grant date fair value
Outstanding as of January 1, 2022	153,793,590	4.60
Vested	(39,238,077)	5.32
Outstanding as of December 31, 2022	114,555,513	4.35
Vested	(13,079,359)	5.32
Outstanding as of December 31, 2023	**101,476,154**	**4.23**

The valuation of the restricted shares were conducted by the management with reference to valuation carried out by independent qualified professional valuer who has appropriate qualifications and experiences in valuation of similar instruments. Restricted shares for common grantees and special grantees were priced using the value of the ordinary share of Dingdang Medicine Express Technology which determined by the discounted cash flow method with a DLOM. Restricted shares for the Controlling Shareholder were priced using the value of ordinary share of the Company which determined by the back-solve method with a DLOM. The key inputs used to evaluate the fair value of restricted shares on the grant date are as follows:

	Restricted shares for common grantees	Restricted shares for special grantees	Restricted shares for the Controlling Shareholder
Discount rate	23%	23%	N/A
DLOM	28%-30%	28%	10.5%-20.5%

Share-based payments expenses of RMB115,030,000 for restricted shares have been recognized in profit or loss for the year ended December 31, 2023 (2022: RMB154,852,000).

28. SHARE-BASED PAYMENTS (continued)

(b) Details of the employee share option scheme of the Company

The employee share option scheme of the Company was pursuant to a resolution passed in May 2020 for the primary purpose of providing incentives to eligible employees. A total number of 11,710,000 shares under the share option scheme were classified into two categories with different lockup period, including 3,840,000 shares which were granted to common grantees, and the remaining shares were granted to special grantees. The total share options granted to common grantees will be vested by 30%, 30% and 40% in sequence over three years after listing date of the Company. The share options granted to special grantees will be vested by 40% and 60% over two years after listing date of the Company. Both categories of grantees should satisfy the performance appraisal. No further share options will be granted by the Company after IPO in accordance with the share option scheme. In the event where any share option was subsequently terminated or forfeited, the underlying shares of which will be available for future grant in the form of RSUs in accordance with the terms of the RSUs scheme under the 2020 Share Incentive Plan.

Details of the employees' share option is as follows:

Date of grant	Number of ordinary shares	Exercise price *RMB*
As of May 30, 2020	11,710,000	0.1

The following tables disclose the details of share options held by existing employees of the Company and movements in such holdings:

	Number of share options	Weighted average exercise price *RMB*	Weighted average remaining term *Year*
Outstanding as of January 1, 2022	11,480,000	0.1	8.42
Forfeited	(530,000)	0.1	
Outstanding as of December 31, 2022	10,950,000	0.1	7.42
Forfeited	(440,000)	0.1	
Vested	(3,894,000)	0.1	
Outstanding as of December 31, 2023	**6,616,000**	**0.1**	**6.42**

The number of share options granted expected to vest has been reduced to reflect historical experience of forfeiture of 10.25% as of December 31, 2023 (2022: 6.49%) of options granted prior to completion of vesting period and accordingly the share option expense has been adjusted. As of December 31, 2023, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognized in the profit and loss over the remaining vesting period, with a corresponding adjustment to the share-based payments reserve.

28. SHARE-BASED PAYMENTS (continued)

(b) Details of the employee share option scheme of the Company (continued)

The valuation of the share option were conducted by the management with reference to valuation carried out by independent qualified professional valuer who has appropriate qualifications and experiences in valuation of similar instruments. Options were priced using a binomial option pricing model. The main inputs used in the model include fair value of the Company's share as of the grant date, exercise price, expected volatility, expected life and risk-free interest rate. The inputs used in the model are as follows:

	Share options to common grantees	Share options to special grantees
Grant date	30/05/2020	30/05/2020
Exercise price	RMB0.1	RMB0.1
Expected life (years)	10	10
Expected volatility	52.82%	52.82%
Risk-free interest	2.71%	2.71%
Fair value as of grant date (per share)	RMB2.0663	RMB2.0653

Share-based payments expenses of RMB4,284,000 for share options has been recognized in profit or loss for the year ended December 31, 2023 (2022: RMB4,392,000).

(c) Details of the RSUs

810,000 shares which were available for future grant in the form of RSUs arose from the share option scheme based on the 2020 Share Incentive Plan were granted to an employee (the "2022 Grantee") on September 30, 2022. The time-based condition for 2022 Grantee is that 50% and 50% in sequence of vested shares can be disposed of in following two years after grant date upon satisfaction the performance appraisal. The fair value of each RSUs was RMB9.85 on September 30, 2022.

In September 2023, a supplementary agreement was signed under the share option scheme for 2022 Grantee by adding certain performance conditions. Since the performance target for the year ended December 31, 2023 was not met, 50% RSUs that should have been vested in 2023 were not vested and will be vested upon the Administrator's approval. The supplementary agreement did not have an accounting impact on the share-based payments expenses of the Group as the modification is not beneficial to 2022 Grantee.

A summary of the 2022 Grantee RSUs' movement is as follows:

	Number of RSUs for 2022 Grantee	Grant date fair value
Outstanding as of January 1, 2022	–	–
Granted	810,000	9.85
Outstanding as of December 31, 2022 and 2023	810,000	9.85

28. SHARE-BASED PAYMENTS (continued)

(c) Details of the RSUs (continued)

The valuation of the RSUs were conducted by the management with reference to valuation carried out by independent qualified professional valuer who has appropriate qualifications and experiences in valuation of similar instruments. RSUs for 2022 Grantee were priced using binomial option pricing model. The key inputs used to evaluate the fair value of RSUs on the grant date are as follows:

	RSUs for 2022 Grantee
Grant date	**30/09/2022**
Exercise price	**RMB0.1**
Expected life (years)	**10**
Expected volatility	**53.00%**
Risk-free interest	**2.78%**
Fair value as of grant date (per share)	**RMB9.8496**

Share-based payments expenses of RMB4,936,000 for RSUs have been recognized in profit or loss for the year ended December 31, 2023 (2022: RMB1,481,000).

A restricted share unit scheme (the "2023 RSU Scheme") was adopted by the Company on June 27, 2023 (the "Adoption Date"). The 2023 RSU Scheme was contemplated and adopted to be funded solely by the existing ordinary shares of the Company. The maximum number of shares to be awarded under the 2023 RSU Scheme will be 2.0% of the total issued ordinary shares of the Company as at the Adoption Date. Pursuant to the 2023 RSU Scheme, the Company will purchase the existing shares through CMB Wing Lung (Trustee) Limited (the "Trustee") on the secondary market with the self-owned funds, and the Trustee has been appointed by the Company for the administration of the 2023 RSU Scheme. For the year ended December 31, 2023, the Trustee purchased 7,650,000 ordinary shares, which will be granted to the eligible participants, with a total consideration of RMB18,844,000, including 4,348,000 ordinary shares purchased in July of 2023, 2,352,000 ordinary shares purchased in August of 2023, and 950,000 ordinary shares purchased in December of 2023, at a price range from HK$1.99 (equivalent to RMB1.81) per share to HK$2.91 (equivalent to RMB2.66) per share. The cost of the shares purchased was recognized in equity as treasury share reserve.

29. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during the year ended December 31, 2023 (2022: nil).

During the year ended December 31, 2023, a dividend to the non-controlling interests of RMB15,108,000 (2022: nil) was declared by certain subsidiaries.

30. OPERATING LEASING ARRANGEMENTS

The Group as lessor

The Group accounts for the headlease and the sublease as two separate contracts when acts as an intermediate lessor. The subleases are classified as operating leases by reference to the right-of-use assets arising from the headlease, which have committed lessees for the next 1 to 5 years.

Undiscounted lease payments receivable on leases are as follows:

	As of December 31,	
	2023	2022
	RMB'000	*RMB'000*
Within one year	**3,749**	1,387
In the second year	**2,771**	645
In the third year	**985**	191
In the fourth year	**598**	175
In the fifth year	**122**	84
	8,225	2,482

31. FINANCIAL INSTRUMENTS

31.1 Financial instruments by categories

	As of December 31,	
	2023	2022
	RMB'000	*RMB'000*
Financial assets		
Financial assets at amortized cost	**1,517,284**	1,605,074
Financial assets at FVTPL	**143,426**	136,798
Equity instruments at FVTOCI	**93,537**	116,158
Financial liabilities		
Financial liabilities at amortized cost	**584,569**	547,609

31.2 Financial risk management

The Group's activities expose it to a variety of financial risks, such as market risk (including foreign exchange risk, interest rate risk and other price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. Risk management is carried out by the directors of the Company.

The Group's major financial instruments include financial assets at FVTPL, rental deposits, equity instruments at FVTOCI, trade and other receivables, restricted bank deposits and time deposits, cash and cash equivalents, amounts due from related parties, lease liabilities, trade and other payables and amounts due from/to related parties. Details of the financial instruments are disclosed in respective notes. The policies on how to mitigate these risks are set out below. The directors of the Company manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner.

31. FINANCIAL INSTRUMENTS (continued)

31.2 Financial risk management (continued)

(a) Market risk

Foreign exchange risk

The functional currency of the Group's entities is RMB. Foreign exchange risk arises when future commercial transactions or recognized financial assets and liabilities are denominated in a currency that is not the respective functional currency of the Group's entities.

As of December 31, 2023, the Group had the following financial assets and financial liabilities, which were cash and cash equivalents, time deposits, rental deposits, lease liabilities and other payables, denominated in currencies other than RMB.

	As of December 31,	
	2023	2022
	RMB'000	*RMB'000*
Assets:		
– HKD	**156,100**	181,855
– USD	**153,241**	153,125
Liabilities:		
– HKD	**1,636**	3,136
– USD	**17,088**	23,593

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to foreign currency rates and includes only outstanding foreign currency denominated monetary items and adjusted their transaction at year end for a 5% change in foreign currency rates. The sensitivity analysis includes cash and cash equivalents, time deposits, deposited in trustee, rental deposits, lease liabilities and other payables. A 5% increase or decrease is used when reporting foreign currency rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign currency rates.

If 5% weakening/strengthening of USD and HKD against RMB, the Group's post-tax loss for the year ended December 31, 2023 would increase/decrease by RMB14,531,000 (2022: increase/decrease by RMB15,413,000). This is mainly attributable to the Group's exposure to foreign currencies rates of USD and HKD on its cash and cash equivalents as of December 31, 2023.

31. FINANCIAL INSTRUMENTS (continued)

31.2 Financial risk management (continued)

(a) ***Market risk*** (continued)

Interest rate risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Floating rate instruments expose the Group to cash flow interest rate risk, whereas fixed rate instruments expose the Group to fair value interest risk. The Group's cash flow interest rate risk primarily arose from cash and cash equivalents and restricted bank deposits and time deposits, details of which have been disclosed in Note 24. The Group's fair value interest risk primarily arises from lease liabilities, details of which have been disclosed in Note 16.

No sensitivity analysis on interest rate risk on bank balance is presented as management consider the sensitivity on interest rate risk on bank balance is insignificant.

Other price risk

The Group is exposed to price risk in respect of its investments in financial products issued by banks and a private fund measured as financial assets at FVTPL and equity securities measured at FVTOCI. The above financial instruments are exposed to price risk because of changes in market prices, where changes are caused by factors specific to the individual financial instruments or their issuers, or factors affecting all similar financial instruments traded in the market.

If the prices of quoted equity securities measured at FVTOCI categorized within Level 1 had been 5% higher/lower, the other comprehensive expense for the year ended December 31, 2023 would decrease/increase by RMB4,677,000 (2022: RMB5,808,000) as a result of the changes in fair value of equity instruments at FVTOCI.

If the prices of the financial products issued by a private fund measured at FVTPL categorized within Level 2 had been 5% higher/lower, the post-tax loss for the year ended December 31, 2023 would decrease/increase RMB7,171,000 (2022: RMB6,815,000) as a result of the changes in fair value of investments at FVTPL.

The other price risk of financial products issued by banks is not considered to be significant.

31. FINANCIAL INSTRUMENTS (continued)

31.2 Financial risk management (continued)

(b) Credit risk and impairment assessment

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group's credit risk is mainly associated with cash and cash equivalents, restricted bank deposits and time deposits, rental deposits, trade and other receivables and amounts due from related parties. The carrying amounts of each class of the above financial assets represent the Group's maximum exposure to credit risk in relation to financial assets.

The Group's cash and cash equivalents and restricted bank deposits and time deposits are mainly deposited in state-owned or reputable financial institutions in Mainland China and reputable international financial institutions outside of Mainland China. There has been no recent history of default in relation to these financial institutions. The Group considers the instruments have low credit risk because they have a low risk of default and the counterparty has a strong capacity to meet its contractual cash flow obligations in the near term. The identified credit losses are insignificant during the year ended December 31, 2023 (2022: insignificant). The Group considers that there is no significant credit risk and no material losses due to the default of the other parties.

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognized financial assets as stated in the consolidated statement of financial position.

The Group also has concentration of credit risk on trade receivables. As of December 31, 2023, 10.53% (2022: nil) of the total trade receivable was due from the Group's largest customer, and 18.83% (2022: 26.32%) of the total trade receivables were due from the Group's top five customers, respectively.

In order to minimize credit risk, the Group has tasked its credit management team to develop and maintain the credit risk grading for the Group's trade receivables and other receivables and to categorize exposures according to their degree of risk of default. The credit management team uses publicly available financial information and the Group's own trading records to rate its major customers and other debtors. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

31. FINANCIAL INSTRUMENTS (continued)

31.2 Financial risk management (continued)

(b) *Credit risk and impairment assessment* (continued)

The table below set forth how the Group defines the credit risk grading of its counterparties and its accounting policies for recognition of ECL:

Category	Group definition of category	Basis for recognition of ECL	
	Trade receivables, amounts due from related parties of trade nature and other receivables	Trade receivables and amounts due from related parties of trade nature	Other receivables
Performing	The counterparties have a low risk of default and a strong capacity to meet contractual cash flows	Lifetime ECL – not credit-impaired	12m ECL
Doubtful	There has been a significant increase in credit risk since initial recognition	N/A	Lifetime ECL – not credit-impaired
In default	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Asset is written off	Asset is written off

31. FINANCIAL INSTRUMENTS (continued)

31.2 Financial risk management (continued)

(b) *Credit risk and impairment assessment* (continued)

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

	Notes	External credit rating	Internal credit rating	12m or Lifetime ECL	Gross carrying amount as of December 31, 2023 RMB'000	Gross carrying amount as of December 31, 2022 RMB'000
Financial assets at amortized cost						
Cash and cash equivalents	*24*	N/A	Performing	12m ECL	**1,185,898**	1,210,949
Restricted bank deposits and time deposits	*24*	N/A	Performing	12m ECL	**64,195**	120,600
Trade receivables	*23*	N/A	(Note)	Lifetime ECL – not credit – impaired	**114,438**	106,125
Other receivables	*23*	N/A	Performing	12m ECL	**142,244**	160,267
Amounts due from related parties of trade nature	*	N/A	(Note)	Lifetime ECL – not credit – impaired	**203**	200
Rental deposits	*23*	N/A	Performing	12m ECL	**14,354**	10,625

* Prepayments to related parties included in the total balance of amounts due from related parties of trade nature, amounting to RMB674,000 as of December 31, 2023 (2022: RMB1,759,000), are not subject to ECL assessment.

Note: The directors of the Company estimates the amount of lifetime ECL of trade receivables and amounts due from related parties of trade nature based on provision matrix through grouping of various debtors that have similar loss patterns, after considering aging, internal credit ratings of trade debtors, repayment history and/or past due status of respective trade receivables and amounts due from related parties of trade nature. Estimated loss rates are based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. In addition, trade receivables and amounts due from related parties of trade nature with significant balances or credit-impaired are assessed for ECL individually.

31. FINANCIAL INSTRUMENTS (continued)

31.2 Financial risk management (continued)

(b) *Credit risk and impairment assessment* (continued)

On that basis, the loss allowance as of December 31, 2023 was determined as follows for trade receivables and amounts due from related parties of trade nature which were assessed on a collective basis by using provision matrix within lifetime ECL (not credit impaired).

As of December 31, 2023

Provision on collective basis	Within 1 year	1 to 2 years	2 to 3 years	Total
Lifetime expected credit loss rate	**0.30%**	**22.97%**	**53.00%**	**0.92%**
Gross carrying amount (RMB'000)	**112,548**	**1,293**	**800**	**114,641**
Loss allowance (RMB'000)	**(335)**	**(297)**	**(424)**	**(1,056)**

As of December 31, 2022

Provision on collective basis	Within 1 year	1 to 2 years	2 to 3 years	Total
Lifetime expected credit loss rate	0.27%	18.07%	61.9%	0.53%
Gross carrying amount (RMB'000)	104,832	1,472	21	106,325
Loss allowance (RMB'000)	(284)	(266)	(13)	(563)

31. FINANCIAL INSTRUMENTS (continued)

31.2 Financial risk management (continued)

(b) Credit risk and impairment assessment (continued)

The following table shows the movement in lifetime ECL that has been recognized for trade receivables and amounts due from related parties of trade nature under the simplified approach.

	Lifetime ECL (not credit-impaired) *RMB'000*	Lifetime ECL (credit-impaired) *RMB'000*	Total *RMB'000*
As of January 1, 2022	343	–	343
Impairment losses reversed due to financial instruments recognized at January 1, 2022	(343)	–	(343)
Impairment losses recognized due to new financial assets originated	563	–	563
As of December 31, 2022	563	–	563
Impairment losses reversed due to financial instruments recognized at December 31, 2022	(13)	–	(13)
Impairment losses recognized due to new financial assets originated	506	–	506
As of December 31, 2023	**1,056**	**–**	**1,056**

31. FINANCIAL INSTRUMENTS (continued)

31.2 Financial risk management (continued)

(b) *Credit risk and impairment assessment* (continued)

The following tables show reconciliation of loss allowances that has been recognized for other receivables.

	12-month ECL *RMB'000*	Lifetime ECL (not credit-impaired) *RMB'000*	Lifetime ECL (credit-impaired) *RMB'000*	Total *RMB'000*
As of January 1, 2022	1,803	–	–	1,803
Impairment losses reversed due to financial instruments recognized at January 1, 2022	(1,803)	–	–	(1,803)
Impairment losses recognized due to new financial assets originated	3,129	–	–	3,129
As of December 31, 2022	3,129	–	–	3,129
Impairment losses reversed due to financial instruments recognized at December 31, 2022	(3,129)	–	–	(3,129)
Impairment losses recognized due to new financial assets originated	2,992	–	–	2,992
As of December 31, 2023	**2,992**	**–**	**–**	**2,992**

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

31. FINANCIAL INSTRUMENTS (continued)

31.2 Financial risk management (continued)

(c) *Liquidity risk*

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

The following table details remaining contractual maturity of the Group's financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities and lease liabilities on the earliest date on which the Group can be required to pay. The maturity dates are based on the agreed repayment dates.

The table includes both interest and principal cash flows.

	Weighted average interest rate	Carrying amount *RMB'000*	On demand or less than 1 year *RMB'000*	Between 1 and 2 years *RMB'000*	Between 2 and 5 years *RMB'000*	Over 5 years *RMB'000*	Total *RMB'000*
As of December 31, 2023							
Trade and other payables	**–**	**538,671**	**538,671**	**–**	**–**	**–**	**538,671**
Amounts due to related parties	**–**	**45,898**	**45,898**	**–**	**–**	**–**	**45,898**
Lease liabilities	**2.96%-4.27%**	**140,210**	**61,319**	**50,664**	**38,416**	**433**	**150,832**
		724,779	**645,888**	**50,664**	**38,416**	**433**	**735,401**
As of December 31, 2022							
Trade and other payables	–	518,348	518,348	–	–	–	518,348
Amounts due to related parties	–	29,261	29,261	–	–	–	29,261
Lease liabilities	3.81%-7.08%	163,137	78,511	49,786	46,025	1,612	175,934
		710,746	626,120	49,786	46,025	1,612	723,543

31. FINANCIAL INSTRUMENTS (continued)

31.3 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to enhance shareholders' value in the long-term.

The management of the Group reviews the capital structure regularly. As part of this review, the management of the Group considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the management, the Group will balance its overall capital structure through the payment of dividends, new shares issues as well as raising of borrowings.

31.4 Fair value measurement of financial instruments

Determination of fair value and fair value hierarchy

IFRS 13 *Fair Value Measurement* defines fair value as 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. When determining the fair value measurement for assets and liabilities required or permitted to be recorded at fair value, the Group considers the principal or most advantageous market in which it would transact and it considers assumptions that market participants would use when pricing the asset or liability.

Accounting guidance establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Accounting guidance establishes three levels of inputs that may be used to measure fair value.

The level of fair value calculation is determined by the lowest level input that is significant in the overall calculation.

As such, the significance of the input should be considered from an overall perspective in the calculation of fair value.

For Level 1 financial instruments, valuations are determined using prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

For Level 2 financial instruments, valuations are generally obtained from third party pricing services for identical or comparable assets, or through the use of valuation methodologies using observable market inputs, or recent quoted market prices. Valuation service providers typically gather, analyze and interpret information related to market transactions and other key valuation model inputs from multiple sources, and through the use of widely accepted internal valuation models, provide a theoretical quote on various securities.

For Level 3 financial instruments, prices are determined using valuation methodologies such as discounted cash flow models and other similar techniques. Determinations to classify fair value measurement within Level 3 of the valuation hierarchy are generally based on the significance of the unobservable factors to the overall fair value measurement.

31. FINANCIAL INSTRUMENTS (continued)

31.4 Fair value measurement of financial instruments (continued)

Determination of fair value and fair value hierarchy (continued)

The following tables provide the fair value measurement hierarchy of the Group's financial assets and liabilities:

	Level 1 *RMB'000*	Level 2 *RMB'000*	Level 3 *RMB'000*	Total *RMB'000*
As of December 31, 2023				
Assets:				
Financial assets at FVTPL	**–**	**143,426**	**–**	**143,426**
Equity instruments at FVTOCI	**93,537**	**–**	**–**	**93,537**
As of December 31, 2022				
Assets:				
Financial assets at FVTPL	–	136,298	500	136,798
Equity instruments at FVTOCI	116,158	–	–	116,158

The following table gives information about how the fair values of the Group's financial assets are determined (in particular, the valuation techniques and inputs used).

Financial assets	Fair value as of December 31, **2023** ***RMB'000***	 2022 *RMB'000*	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Equity securities issued by a listed company	**93,537**	116,158	Level 1	Quoted bid prices in an active market.	N/A	N/A
Financial products issued by a fund company	**143,426**	136,298	Level 2	Based on the adjusted market value of underlying investment portfolios, which includes USD deposits and quoted United States treasury notes and bonds.	N/A	N/A
Financial products issued by banks	**–**	500	Level 3	Discounted cash flow Future cash flows are estimated based on estimated return.	Estimated return	The higher the estimated return, the higher the fair value, vice versa

31. FINANCIAL INSTRUMENTS (continued)

31.4 Fair value measurement of financial instruments (continued)

Determination of fair value and fair value hierarchy (continued)

During the year ended December 31, 2023, the changes in the input of the financial instruments as listed in the table above resulted in the following changes in the Group's results:

For assets and liabilities that are measured at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at each reporting end. During the year ended December 31, 2023, there were no transfers among different levels of fair values measurement (2022: none).

Reconciliation of Level 3 fair value measurements:

	Financial products issued by banks *RMB'000*	Preferred shares *RMB'000*
As of January 1, 2022	–	4,650,950
Purchase	5,100,028	–
Redemption	(5,106,462)	–
Changes in fair value	6,934	2,504,548*
Conversion of preferred shares to ordinary shares upon IPO	–	(7,155,498)
As of December 31, 2022	500	–
Purchase	1,146,838	–
Redemption	(1,150,156)	–
Changes in fair value	2,818	–
As of December 31, 2023	**–**	**–**

* Change in fair value presented in RMB includes effect of exchange on translation from USD balances.

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis

For the financial assets and financial liabilities that are not measured at fair value on a recurring basis, the directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortized cost in the consolidated financial statements approximate their fair values.

32. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Financial liabilities at FVTPL *RMB'000*	Lease liabilities *RMB'000*	Dividends payable *RMB'000*	Amounts due to related parties *RMB'000*	Accrued issue costs* *RMB'000*	Total *RMB'000*
Liabilities from financing activities as of January 1, 2022	4,650,950	157,012	10,102	234	1,754	4,820,052
Financing cash flows	–	(81,798)	(10,102)	(234)	(792)	(92,926)
Additions	–	84,964	–	–	–	84,964
Finance costs (Note 9)	–	7,918	–	–	–	7,918
Fair value losses on financial liabilities at FVTPL	2,504,548	–	–	–	–	2,504,548
Early termination of a lease	–	(4,959)	–	–	–	(4,959)
Conversion of preferred shares to ordinary shares upon IPO	(7,155,498)	–	–	–	–	(7,155,498)
Others	–	–	–	–	(673)	(673)
Liabilities from financing activities as of December 31, 2022	–	163,137	–	–	289	163,426
Financing cash flows	–	(89,958)	(7,097)	–	(289)	(97,344)
Additions	–	67,221	–	–	–	67,221
Finance costs (Note 9)	–	7,879	–	–	–	7,879
Dividends declared	–	–	15,108	–	–	15,108
Early termination of a lease	–	(8,069)	–	–	–	(8,069)
Liabilities from financing activities as of December 31, 2023	**–**	**140,210**	**8,011**	**–**	**–**	**148,221**

* The accrued issue costs are included in accrued listing expenses and issue costs as set out in Note 25.

33. RELATED PARTY TRANSACTIONS

(a) Names and relationships with related parties

The following companies are significant related parties of the Group that had transactions and/or balances with the Group during the years ended December 31, 2022 and 2023.

Name of related parties	Relationship
Mr. Yang Wenlong	The Controlling Shareholder
Renhe (Group) Development Co., Ltd.* (仁和(集團)發展有限公司) ("Renhe (Group)")	Related companies controlled by the Controlling Shareholder
Renhe (Shenzhen) Dajiankang Intelligent Technology Co., Ltd.* (仁和(深圳)大健康智能科技有限公司)	
Zhangshu Mingjia Intellectual Property Consulting Co., Ltd.* (樟樹市銘嘉知識產權諮詢服務有限公司)	
Zhuhai Hengqin Renhe Health Culture Development Co., Ltd.* (珠海橫琴仁和養生文化發展有限公司)	
Renhe Pharmacy Co., Ltd. and its subsidiaries* (仁和藥業股份有限公司)	Related company significantly influenced by the Controlling Shareholder

* English names are for identification purpose only.

33. RELATED PARTY TRANSACTIONS (continued)

(b) Transactions with related parties

Other than as disclosed elsewhere in these consolidated financial statements, the Group has following transactions and balances with related parties:

Name of related parties	Nature of balances/ transactions	Year ended December 31, 2023 RMB'000	2022 RMB'000
Renhe Pharmacy Co., Ltd. and its subsidiaries	Product sales	**531**	22
	Purchase of goods	**243,686**	246,539
	Brand usage fee	**3,769**	2,746
Renhe (Group)	Product sales	**6**	3
	Brand usage fee	**1,749**	1,693
Other related parties	Product sales	**15**	9

In the opinion of the directors of the Company, the related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective related parties.

33. RELATED PARTY TRANSACTIONS (continued)

(c) Balances with related parties

Amounts due from related parties

Name of related parties	Nature of balances/ transactions	As of December 31, 2023 RMB'000	2022 RMB'000
Renhe Pharmacy Co., Ltd. and its subsidiaries	Trade	**877**	1,959

Amounts due to related parties

Name of related parties	Nature of balances/ transactions	As of December 31, 2023 RMB'000	2022 RMB'000
Renhe Pharmacy Co., Ltd. and its subsidiaries	Trade (note i)	**42,633**	26,416
Renhe (Group)	Non-trade (note ii/iii)	**3,219**	2,811
Other related parties	Trade	**28**	34
	Non-trade (note ii)	**18**	–
Total		**45,898**	29,261

Notes:

i. The amount included notes payables of RMB41,892,000 (2022: RMB25,769,000).

ii. The amount is unsecured, interest free and repayable on demand.

iii. The amount primarily included brand usage fee payables, which was recognized as amounts due to related parties of non-trade nature.

33. RELATED PARTY TRANSACTIONS (continued)

(d) Key management personnel compensation

The remuneration of directors and other key management personnel is as follows:

	Year ended December 31,	
	2023	2022
	RMB'000	*RMB'000*
Salaries and bonuses	**8,533**	7,517
Share-based payments	**112,624**	153,065
Retirement benefit scheme contributions	**357**	206
Welfare, medical and other benefits	**413**	266
	121,927	161,054

34. RETIREMENT BENEFITS SCHEMES

The employees of the Group in mainland China are members of a state-managed retirement benefit scheme operated by the PRC government. The Group is required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

The Group also participates in mandatory provident fund scheme ("MPF Scheme") for all its qualifying employees in Hong Kong under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of trustees. Under the scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000. The Group contributes 5% of relevant payroll costs to the Scheme.

During the years ended December 31, 2023 and 2022, there was no forfeited contribution available for the Group to reduce its existing level of contributions. There was also no forfeited contributions available as of December 31, 2023 and 2022 under such schemes which may be used by the Group to reduce the contribution payable in future years.

The amounts of contributions made by the Group in respect of such retirement benefit schemes are disclosed in Note 6.

35. PARTICULARS OF PRINCIPAL SUBSIDIARIES

35.1 General information of principal subsidiaries

Details of the principal subsidiaries directly and indirectly held by the Company are set out below:

Name of subsidiaries**	Place of incorporation/ registration/ operations	Paid up issued/ registered capital	Proportion ownership interest attributable by the Company December 31, 2023	2022	Principal activities
Dingdang Medicine Express Technology	Mainland China	RMB52,941,000	**100%**	100%	Online retail of pharmaceutical and healthcare products
Jiangxi Dingdang E-Commerce Co., Ltd* (江西叮噹電子商務有限公司)	Mainland China	RMB27,000,000	**100%**	100%	Investment holding
Beijing Smart Pharmacy	Mainland China	RMB10,000,000	**100%**	100%	Online and offline retail of pharmaceutical and healthcare products
Shanghai Smart Pharmacy	Mainland China	RMB10,000,000/ RMB11,111,000	**100%**	100%	Online and offline retail of pharmaceutical and healthcare products
Guangdong Smart Pharmacy	Mainland China	RMB5,000,000	**100%**	100%	Online and offline retail of pharmaceutical and healthcare products
Dingdang Smart Pharmacy (Guangzhou) Co., Ltd.* (叮噹智慧藥房(廣州)有限公司)	Mainland China	RMB15,000,000	**100%**	100%	Online and offline retail of pharmaceutical and healthcare products
Dingdang Smart Pharmacy (Tianjin) Co., Ltd.* (叮噹智慧藥房(天津)有限公司)	Mainland China	RMB4,250,000/ RMB5,000,000	**85%**	85%	Online and offline retail of pharmaceutical and healthcare products
Sichuan Dingdang Smart Pharmacy Chain Co., Ltd.* (四川叮噹智慧藥房連鎖有限公司), (formerly known as Chengdu Dingdang Smart Pharmacy Chain Co., Ltd.* (成都叮噹智慧藥房連鎖有限公司))	Mainland China	RMB2,000,000	**100%**	100%	Online and offline retail of pharmaceutical and healthcare products
Dingdang Smart Pharmacy (Wuhan) Co., Ltd.* (叮噹智慧藥房(武漢)有限公司)	Mainland China	RMB8,500,000/ RMB10,000,000	**85%**	85%	Online and offline retail of pharmaceutical and healthcare products
Dingdang Smart Pharmacy (Nanjing) Co., Ltd.* (叮噹智慧藥房(南京)有限公司)	Mainland China	RMB8,500,000/ RMB10,000,000	**85%**	85%	Online and offline retail of pharmaceutical and healthcare products
Dingdang Smart Pharmacy (Hangzhou) Co., Ltd* (叮噹智慧藥房(杭州)有限公司)	Mainland China	RMB6,220,000/ RMB10,000,000	**85%**	85%	Online and offline retail of pharmaceutical and healthcare products
Jiangxi Renhetang	Mainland China	RMB5,000,000	**85%**	85%	E-commerce operating company of pharmaceutical and healthcare products

35. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

35.1 General information of principal subsidiaries (continued)

Name of subsidiaries**	Place of incorporation/ registration/ operations	Paid up issued/ registered capital	Proportion ownership interest attributable by the Company December 31, 2023	2022	Principal activities
Jiangxi Zhongda Pharmacy Co., Ltd* (江西中達藥業有限公司)	Mainland China	RMB3,600,000	**100%**	100%	E-commerce operating company of pharmaceutical and healthcare products
Jiangxi Zhongxuan Daily Chemicals Technology Co., Ltd.* (江西中軒日化科技有限公司)	Mainland China	RMB2,000,000	**100%**	100%	E-commerce operating company of pharmaceutical and healthcare products
Dingdang Kuaiyi (Hainan) Medical Technology Co., Ltd.* (叮噹快醫(海南)醫療科技有限公司)	Mainland China	RMB5,000,000	**100%**	100%	Provision of online hospital services
Dingdang Kuaiyi (Hainan) Internet Hospital Co., Ltd.* (叮噹快醫(海南)互聯網醫院有限公司)	Mainland China	RMB5,000,000	**100%**	100%	Provision of online hospital services
Dingdang Good Health	Mainland China	RMB2,000,000	**70%**	70%	Healthcare production sales
Dingdang Youpin Technology Co., Ltd.* (北京叮噹優品技術有限公司)	Mainland China	RMB4,500,000/ RMB5,000,000	**70%**	70%	Healthcare production sales
Yaofangwang Beijing	Mainland China	RMB33,000,000	**52%**	52%	Online and offline retail of pharmaceutical and healthcare products
Renhe Yaofangwang Guohua (Beijing) Medicine Technology Co., Ltd.* (仁和藥房網國華(北京)醫藥有限公司)	Mainland China	RMB10,000,000	**52%**	52%	Online and offline retail of pharmaceutical
Jiangxi Dingdang Lexiang E-Commerce Co., Ltd.* (江西叮噹樂享電子商務有限公司)	Mainland China	RMB2,000,000	**51%**	51%	Healthcare production sales

* English names are for identification purpose only.

** All of these subsidiaries of the Company established in the PRC are limited liability companies.

The above table lists the subsidiaries of the Company that the directors of the Company believe to principally affect the results or assets of the Group. In the opinion of the directors of the Company, to give details of other subsidiaries would, result in particulars of excessive length.

The voting power of the subsidiaries held by the Company are same with the ownership interest held by the Company.

None of the subsidiaries had issued any debt securities at the end of the current year.

35. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

35.2 Details of non-wholly owned subsidiaries that have material non-controlling interests

Summarized financial information of Renhe Yaofangwang is set out below. The summarized financial information below represents amounts before intragroup eliminations.

Name of subsidiaries	Incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Total comprehensive income (expense) allocated to non-controlling interests		Accumulated non-controlling interests	
		December 31,		Year ended December 31,		December 31,	
		2023	2022	**2023** *RMB'000*	2022 *RMB'000*	**2023** *RMB'000*	2022 *RMB'000*
Renhe Yaofangwang	Mainland China	48%	48%	**702**	(10,014)	**22,576**	17,219
Individually immaterial subsidiaries with non-controlling interests						**(23,103)**	(3,681)
						(527)	13,538

Renhe Yaofangwang:

	As of December 31,	
	2023 *RMB'000*	2022 *RMB'000*
Current assets	**290,478**	238,063
Non-current assets	**117,566**	152,778
Current liabilities	**(333,063)**	(309,931)
Non-current liabilities	**(27,948)**	(40,316)
Equity attributable to owners of the Company	**24,457**	23,375
Non-controlling interests of Renhe Yaofangwang	**22,576**	21,577
Non-controlling interests of Yaofangwang Beijing's subsidiary	**–***	(4,358)

* Less than RMB500.

35. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

35.2 Details of non-wholly owned subsidiaries that have material non-controlling interests (continued)

Renhe Yaofangwang: (continued)

	Year ended December 31,	
	2023	2022
	RMB'000	*RMB'000*
Revenue and other gains	**1,150,641**	966,852
Expenses	**(1,148,868)**	(986,284)
Profit/(loss) and total comprehensive income/(expense) for the year	**1,773**	(19,432)
Profit/(loss) and total comprehensive income/(expense) attributable to:		
Owners of the Company	**1,071**	(9,418)
Non-controlling interests of Renhe Yaofangwang	**988**	(8,694)
Non-controlling interests of Yaofangwang Beijing's subsidiary	**(286)**	(1,320)
Profit/(loss) and total comprehensive income/(expense) for the year	**1,773**	(19,432)
Net cash inflow/(outflow) from operating activities	**47,623**	(8,287)
Net cash outflow from investing activities	**(1,540)**	(3,492)
Net cash (outflow)/inflow from financing activities	**(25,924)**	23,424
Net cash inflow	**20,159**	11,645

36. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

36.1 Statement of financial position of the Company

	As of December 31,	
	2023	2022
	RMB'000	*RMB'000*
ASSETS		
Non-current assets		
Interests in subsidiaries	**4,434,530**	4,310,280
Equity instruments at FVTOCI	**93,537**	116,158
Total non-current assets	**4,528,067**	4,426,438
Current assets		
Other receivables	**1**	–
Financial assets at FVTPL	**143,426**	136,298
Amounts due from subsidiaries	**499,156**	481,526
Time deposits	**–**	89,330
Cash and cash equivalents	**310,194**	244,836
Total current assets	**952,777**	951,990
Total assets	**5,480,844**	5,378,428
EQUITY AND LIABILITIES		
Equity		
Share capital	**894**	894
Reserves	**8,041,210**	7,958,425
Accumulated losses	**(2,634,042)**	(2,660,668)
Total equity	**5,408,062**	5,298,651
Current liabilities		
Other payables	**17,717**	24,712
Amounts due to subsidiaries	**55,065**	55,065
Total current liabilities	**72,782**	79,777
Total liabilities	**72,782**	79,777
Total equity and liabilities	**5,480,844**	5,378,428

36. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (continued)

36.2 Reserves movement of the Company

	Notes	Treasury share reserve RMB'000	Share premium RMB'000	FVTOCI reserve RMB'000	Share-based payments reserves RMB'000	Other reserves RMB'000	Total RMB'000
At January 1, 2022		–	–	–	327,485	131	327,616
Total comprehensive expense for the year		–	–	(9,293)	–	–	(9,293)
Issuance of ordinary shares relating to IPO		–	354,412	–	–	–	354,412
Transaction costs attributable to issuance of ordinary shares relating to IPO		–	(30,065)	–	–	–	(30,065)
Conversion of preferred shares to ordinary shares upon IPO		–	7,155,030	–	–	–	7,155,030
Share-based payments expenses		–	–	–	160,725	–	160,725
At December 31, 2022		–	7,479,377	(9,293)	488,210	131	7,958,425
Total comprehensive expense for the year		–	–	(22,621)	–	–	(22,621)
Share-based payments expenses		–	–	–	124,250	–	124,250
Purchases of ordinary shares	28(c)	(18,844)	–	–	–	–	(18,844)
At December 31, 2023		**(18,844)**	**7,479,377**	**(31,914)**	**612,460**	**131**	**8,041,210**

37. SUBSEQUENT EVENTS

There are no significant subsequent events subsequent to December 31, 2023.