方舟健客

Fangzhou Inc.
方舟云康控股有限公司
(A company incorporated in the Cayman Islands with limited liability)
(Stock code: 6086)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2024

The Board is pleased to announce the unaudited condensed consolidated interim results of the Group for the six months ended June 30, 2024, together with the comparative figures for the corresponding period in 2023 as follows. These interim results have been reviewed by the Audit Committee and the Company's auditors, KPMG.

In this announcement, "we", "us" and "our" refer to the Company and where the context otherwise requires, the Group. Certain amounts and percentage figures included in this announcement have been subject to rounding adjustments, or have been rounded to one or two decimal places. Any discrepancies in any table, chart or elsewhere between totals and sums of amounts listed therein are due to rounding.

FINANCIAL AND BUSINESS HIGHLIGHTS

– Adjusted net profit of the Group for the first half of 2024 increased by 395.0% compared to the same period in 2023, as we continued to deploy and enhance technologies across our platform to improve operating efficiency

– Significant progress across all our platforms in implementing payment through social healthcare insurance

– As of June 30, 2024, our platform reached 45.6 million registered users, nearly 217 thousand registered doctors, and collaborated with over 1,500 suppliers and more than 800 pharmaceutical companies

FINANCIAL SUMMARY

Condensed Consolidated Statements of Profit or Loss

	For the six months ended June 30,	
	2024	2023
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Revenue	**1,322,821**	1,291,014
Cost of sales	**(1,057,272)**	(1,044,009)
Gross profit	**265,549**	247,005
Loss before taxation	**(818,707)**	(153,834)
Loss and total comprehensive income for the period attributable to equity shareholders of the Company	**(818,725)**	(153,896)
Non-HKFRS measures		
Adjusted net profit (non-HKFRS measure)[1]	**15,055**	3,042
Attributable to:		
Equity shareholders of our Company	**(818,725)**	(153,896)

Condensed Consolidated Statements of Financial Position

	As of June 30, 2024	As of December 31, 2023
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Non-current assets	**59,493**	54,014
Current assets	**512,728**	467,354
Non-current liabilities	**2,028,184**	1,940,889
Current liabilities	**532,638**	481,942
Net liabilities	**(1,988,601)**	(1,901,463)

1 We define adjusted net profit (non-HKFRS measure) as loss and total comprehensive income for the period after excluding the effects of (i) equity settled share-based transactions; (ii) listing expenses; (iii) changes in the carrying amount of preferred shares liability; and (iv) foreign exchange from preferred shares liability. For details, see "Management Discussion and Analysis — Financial Review — Adjusted Net Profit and Adjusted Net Profit Margin" in this announcement.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

We are the largest online chronic disease management platform in China in terms of average MAU in 2023, according to CIC. Leveraging our chronic disease management platform, we are dedicated to providing tailored medical care and precision medicine for a growing population of chronic disease patients, with a view towards extending our services to a wider range of disease areas.

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

In addition, our platform's large and active user base enables us to effectively connect and engage with physicians and patients, providing them with targeted medical knowledge and content. By leveraging this powerful network effect, our platform facilitates the delivery of customized content and marketing solutions to pharmaceutical companies, enabling them to better inform physicians and patients about chronic disease conditions and raise broader public awareness.

Our Online Chronic Disease Management Platform

We remain focused on growing our platform's user base and engagement levels, and as of June 30, 2024, we reached 45.6 million registered users. Our Jianke Platform also achieved an average of 8.9 million MAUs for the 12 months ended June 30, 2024, demonstrating sustained user engagement and platform activity. The number of registered physicians on our H2H service platform grew to nearly 217 thousand as of June 30, 2024. Approximately 59.3% of our registered physicians were affiliated with Class III hospitals, and approximately 38.8% held a title of associate chief physician or above, demonstrating the high caliber of medical professionals on our platform.

In addition, our commitment to patient-centric care remains a top priority. The professionals in our CDM service center play a vital role in delivering comprehensive support to patients, encompassing consultation follow-up, prescription consultations, patient education, medication reminders, and drug refill notifications.

Our repeat purchase rate among paying users remained robust at 85.8% for the 12 months ended June 30, 2024, underscoring our success in fostering user loyalty and platform stickiness.

Consistent with prior periods, prescription drug GMV constituted a significant portion of our total GMV, representing 81.8% for the six months ended June 30, 2024.

During the Reporting Period, we have made significant progress across our business segments:

- *Comprehensive Medical Services:* To address the needs of chronic disease patients for convenient online payment using social healthcare insurance and help improve affordability, we implemented an online medical insurance payment system for our Internet hospital services. Leveraging the Group's Guangzhou Qishi Internet Hospital (廣州啟石互聯網醫院), we established an online payment channel, allowing insured patients to use medical insurance funds, including unified accounts (醫保統籌基金) and individual accounts (醫保個人賬戶), for outpatient prescription drugs related to common outpatient disease conditions covered by medical insurance. Through the Fangzhou Jianke Internet Healthcare Platform (方舟健客互聯網醫療平台), insured patients are able to engage in online follow-up consultations, receive e-prescriptions and make payment using their medical insurance, while gaining access to a broader selection of prescription drugs.

- *Online Retail Pharmacy Services:* Within our online retail pharmacy services segment, we also see an opportunity to better serve patients by facilitating convenient online payment using social healthcare insurance. During the Reporting Period, our online retail pharmacy service platform introduced a real-time settlement function for drugs listed in the social healthcare insurance "dual-channel" catalog. Chronic disease patients are now able to use the Fangzhou Jianke Medical Insurance Assistant Mini Program (方舟健客醫保助手小程序) within Guangdong Medical Insurance (粵醫保) to pay for hospital-issued dual-channel prescriptions using unified or individual medical insurance accounts. In addition, pharmacies on the Fangzhou Jianke Online Drug Service Platform (方舟健客線上藥品服務平台) were selected among the first batch of designated retail pharmacies in Guangzhou for online drug purchases covered by social healthcare insurance, allowing patients to purchase medications online and make payment using their individual medical insurance accounts.

- *Customized Content and Marketing Solutions:* During the Reporting Period, our customized content and marketing solutions gained greater visibility and recognition, as we continued to grow the number of patients, physicians, and pharmaceutical company partners on our platform.

Our Robust Pharmaceutical Supply Chain

As of June 30, 2024, our robust pharmaceutical supply chain encompassed collaborations with over 1,500 suppliers and more than 800 pharmaceutical companies, ranging from multinational corporations to domestic industry leaders. These partnerships provide us with consistent access to a broad range of pharmaceutical products, enabling us to offer over 213,000 drug SKUs to our users. Of these, approximately 61.7% were prescription drug SKUs, reflecting our strong position in this category, which is consistently a significant contributor to our overall GMV.

Future Prospects

In the second half of 2024, we will further strengthen our leading position in online CDM through the following strategies:

1. **Enhance connectivity between physicians and patients and increase user engagement on our platform**. We continue to expand our physician operations team to provide enhanced support for registered physicians, particularly those newly registered who may be less familiar with our platform's features and functionality. We are implementing additional targeted approaches to encourage physician activity by segmenting our registered physicians based on factors such as geographic region, years of medical experience, professional rank, hospital grade, and platform activity level. We also continue to introduce tools tailored to physicians' usage patterns and preferences, including AI-enabled service tools, which are designed to enhance their efficiency, and facilitate more effective interaction with their patients.

2. **Continue to grow our high-quality user base.** While maintaining our user growth, we will continue to employ a variety of technologies across our platform to enhance user experience, maintain user loyalty, improve user retention rates, and sustain a broad base of highly active users.

3. **Continue to strengthen our supply chain system and broaden our product offerings to better satisfy the needs of our users**. We aim to further expand our product offerings through collaboration with new and existing pharmaceutical company partners to target market segments with significant patient demand. In order to better meet the diverse needs of our customers, we will continue to broaden our platform, strengthen collaboration in a range of medical specialties including cardiology, neurology, infectious disease, dermatology, psychiatry and gynecology.

4. **Continue to attract talent while developing the expertise of our team members to support our continued growth.** We plan to continue recruiting top-tier talent with a range of backgrounds relevant to our business, including AI, healthcare, CDM, and the pharmaceutical industry. Our recruitment strategy includes a mix of campus recruitment programs and experienced hires, with a focus on offering attractive benefits and competitive compensation packages to attract employees.

Financial Review

Revenue

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

	For the six months ended June 30,			
	2024		2023	
	RMB'000	*%*	*RMB'000*	*%*
	(unaudited)		(unaudited)	
Online retail pharmacy services	**673,745**	**50.9**	614,709	47.6
Comprehensive medical services	**320,735**	**24.2**	612,000	47.4
Wholesale	**278,960**	**21.1**	29,611	2.3
Customized content and marketing solutions	**49,381**	**3.8**	34,694	2.7
Total	**1,322,821**	**100.0**	1,291,014	100.0

Our revenue increased by 2.5% from RMB1,291.0 million for the six months ended June 30, 2023 to RMB1,322.8 million for the six months ended June 30, 2024, primarily reflecting the increase in revenue from online retail pharmacy services, wholesale and customized content and marketing solutions which was partially offset by a decrease in revenue from comprehensive medical services.

Online Retail Pharmacy Services

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

Revenue generated from online retail pharmacy services increased by 9.6% from RMB614.7 million for the six months ended June 30, 2023 to RMB673.7 million for the six months ended June 30, 2024, driven by the increased sales volume of our pharmaceutical and healthcare products which benefited from the continued growth in our user base and strength in our operations and supply chain. At the same time, our increased business scale enabled us to negotiate more favorable procurement terms and offer more competitive pricing on a range of products while preserving our overall gross profit margins.

Comprehensive Medical Services

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

Revenue generated from comprehensive medical services decreased by 47.6% from RMB612.0 million for the six months ended June 30, 2023 to RMB320.7 million for the six months ended June 30, 2024. In the first half of 2024, as we gained greater recognition in the market, we shifted our focus towards achieving improved profitability and a more sustainable development path for this business segment, increasing gross margins to 22.8% from 15.6% for the corresponding period of 2023. We believe this shift provides a solid foundation for our future growth.

Wholesale

Wholesale revenue primarily consists of revenue from wholesale of pharmaceutical products to third-party distributors.

Revenue generated from wholesale increased by 842.1% from RMB29.6 million for the six months ended June 30, 2023 to RMB279.0 million for the six months ended June 30, 2024. In the first half of 2024, due to the market environment in the pharmaceutical industry, we were able to leverage our long-standing supply chain relationships to identify significant opportunities to source products at favorable prices.

Customized Content and Marketing Solutions

Revenue from customized content and marketing solutions mainly comprises income generated from the customized content and marketing services we offered to pharmaceutical companies.

Revenue from customized content and marketing solutions increased by 42.3% from RMB34.7 million for the six months ended June 30, 2023 to RMB49.4 million for the six months ended June 30, 2024, primarily due to our ongoing marketing efforts aimed at reaching more enterprise customers and expanding our customer base for this business segment.

Cost of Sales

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

Our cost of sales remained relatively stable at RMB1,057.3 million for the six months ended June 30, 2024, as compared to RMB1,044.0 million for the six months ended June 30, 2023.

Gross Profit and Gross Profit Margin

Our gross profit increased by 7.5% from RMB247.0 million for the six months ended June 30, 2023 to RMB265.5 million for the six months ended June 30, 2024 as our business scale increased. Our overall gross profit margin improved to 20.1% for the six months ended June 30, 2024, as compared to 19.1% for the six months ended June 30, 2023. This was primarily the result of our on-going efforts to enhance our supply chain management and optimize procurement prices, while maintaining our competitive pricing strategy.

Other Net Loss

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

Our other net loss decreased by 84.8% from RMB63.4 million for the six months ended June 30, 2023 to RMB9.6 million for the six months ended June 30, 2024, primarily reflecting the decrease in foreign exchange loss in connection with the changes in present value of redemption amount of Preferred Shares denominated in US dollars.

Selling and Distribution Expenses

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

Our selling and distribution expenses remained relatively stable at RMB171.1 million for the six months ended June 30, 2024, as compared to RMB175.9 million for the six months ended June 30, 2023. Our selling and distribution expenses as a percentage of revenue decreased slightly from 13.6% for the six months ended June 30, 2023 to 12.9% for the six months ended June 30, 2024.

Administrative Expenses

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

Our administrative expenses increased by 840.8% from RMB88.3 million for the six months ended June 30, 2023 to RMB831.1 million for the six months ended June 30, 2024. Our administrative expenses as a percentage of revenue increased from 6.8% for the six months ended June 30, 2023 to 62.8% for the six months ended June 30, 2024. This increase in our administrative expenses was primarily due to expenses incurred from our RSU Scheme.

Recognition of Impairment Losses

Our recognition of impairment losses, mainly represent impairment losses recognized on trade receivables from enterprise customers for our customized content and marketing solution services, amounted to RMB113 thousand and RMB63 thousand for the six months ended June 30, 2023 and June 30, 2024, respectively.

Finance Costs

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

Our finance costs remained relatively stable at RMB72.4 million for the six months ended June 30, 2024, as compared to RMB73.0 million for the six months ended June 30, 2023.

Income Tax Expenses

For the six months ended June 30, 2024, we recorded RMB18 thousand in income tax expenses, compared to RMB62 thousand for the six months ended June 30, 2023.

Loss and Total Comprehensive Income for the Period

As a result of the foregoing, our loss and total comprehensive income for the period increased from RMB153.9 million for the six months ended June 30, 2023 to RMB818.7 million for the six months ended June 30, 2024.

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

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

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

The following table reconciles our adjusted net profit (non-HKFRS measure) for the six months ended June 30, 2024, compared to the six months ended June 30, 2023:

	Six months ended June 30,	
	2024	2023
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Loss and total comprehensive income for the period	**(818,725)**	(153,896)
Add:		
Equity settled share-based transactions	**731,587**	3,119
Listing expenses	**18,524**	13,013
Changes in the carrying amount of preferred shares liability	**71,327**	72,342
Foreign exchange from preferred shares liability	**12,342**	68,464
Adjusted net profit (non-HKFRS measure)	**15,055**	3,042
Adjusted net profit margin (non-HKFRS measure)	**1.1%**	0.2%

Property, Plant and Equipment

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

Our property, plant and equipment increased by RMB5.3 million to RMB57.0 million as of June 30, 2024, compared to RMB51.6 million as of December 31, 2023, primarily due to an increase in right-of-use assets from the addition of new leases.

Intangible Assets

Our intangible assets consist of computer software, licenses and trademarks. Our intangible assets remained relatively stable at RMB2.5 million and RMB2.3 million as of June 30, 2024 and December 31, 2023, respectively.

Inventories

Our inventories mainly consist of pharmaceutical and healthcare products. Our inventories remained relatively stable at RMB140.4 million as of June 30, 2024, compared to RMB136.0 million as of December 31, 2023.

Trade and Other Receivables

Fluctuations of our trade receivables primarily reflected the volume of business that we provided to enterprise customers. Our trade receivables remained relatively stable at RMB27.9 million as of June 30, 2024 as compared to RMB24.1 million as of December 31, 2023.

Our other receivables primarily represented rebates from suppliers and deposits in connection with our procurement of pharmaceutical and other products. Our other receivables increased to RMB97.2 million as of June 30, 2024, as compared to RMB77.0 million as of December 31, 2023, primarily due to the increase in receivables for refunds from upstream suppliers related to purchase returns.

Prepayments

Our prepayments primarily represent prepayments to service providers for renovation, decoration, online promotional and advertising services provided to us and prepayments for our procurement of pharmaceutical and other products. Our prepayments decreased to RMB9.7 million as of June 30, 2024, compared to RMB18.5 million as of December 31, 2023, primarily due to the relatively high balance of prepayments to upstream suppliers at the end of 2023 that we made in order to ensure the stability of our supply chain over the first quarter in 2024, which included the traditional Chinese New Year holidays.

Trade and Other Payables

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

Our trade and other payables increased to RMB480.6 million as of June 30, 2024, compared to RMB440.5 million as of December 31, 2023, primarily due to the increase in payables during the Reporting Period resulted from the expansion in business scale.

Contract Liabilities

Our contract liabilities represent (i) payments we receive in advance from customers for sales of pharmaceutical and healthcare products, which are recognized as revenue when the products are delivered and control is transferred to the customers; and (ii) advance payments from our customers' loyalty points program, which are recognized as revenue when users make payments by these loyalty points or when these loyalty points expire. Our contract liabilities increased to RMB23.4 million as of June 30, 2024, compared to RMB19.9 million as of December 31, 2023, primarily reflecting the increase in advance payments received from customers.

Liquidity and Capital Resources

During the Reporting Period, we primarily financed our operations through cash inflow from operating activities and equity financing. As of June 30, 2024, we had cash and cash equivalents of RMB138.4 million, compared to RMB146.3 million as of December 31, 2023. We monitor and maintain a level of cash and cash equivalents we believe adequate to finance our operations and mitigate the effects of fluctuations in cash flows.

Our Directors believe that we have sufficient working capital to meet our present and future cash requirements for the second half of 2024, taking into account our anticipated improvement in operating cash flows, management of working capital, efforts to obtain more favorable credit terms from suppliers and net proceeds from the Global Offering.

Bank Loans

As of June 30, 2024, the repayment schedule of bank loans was within one year and the balances were unsecured. Our bank loans during the Reporting Period were denominated in RMB and were primarily used to supplement our working capital. We had bank loans of RMB10.0 million with the interest rate of 3.4% or 3.45% and RMB5.0 million with the interest rate of 3.69% as of June 30, 2024 and December 31, 2023, respectively.

Lease Liabilities

We recognized right-of-use assets and the corresponding lease liabilities in respect of all leases, except for short-term leases and leases of low value assets. Our lease liabilities increased from RMB44.7 million as of December 31, 2023 to RMB50.2 million as of June 30, 2024, primarily due to the new office leases and renewal of warehouse leases.

Capital Commitments

As of June 30, 2024 and December 31, 2023, we had no material capital commitments.

Contingent Liabilities

As of June 30, 2024, we did not have any material contingent liabilities, guarantees or any litigations or claims of material importance, pending or threatened against any member of our Group that is likely to have a material and adverse effect on our business, financial condition or results of operations.

Capital Expenditures

Our capital expenditures primarily consist of purchases of property, plant and equipment and intangible assets. Our capital expenditures were RMB2.6 million for the six months ended June 30, 2024 and RMB2.6 million for the six months ended June 30, 2023.

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

Key Financial Ratios

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

	As of June 30, 2024	As of December 31, 2023
Gross profit margin [(1)]	**20.1%**	20.0%
Net loss margin [(2)]	**(61.9)%**	(8.1)%
Adjusted net profit margin (non-HKFRS measure) [(3)]	**1.1%**	0.2%
Current ratio [(4)]	**1.0**	1.0
Quick ratio [(5)]	**0.7**	0.7

Notes:

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

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

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

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

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

Material Investments

We did not make any material investments during the six months ended June 30, 2024. In addition, there is no plan of our Group for material investments or additions of material capital assets as of the date of this announcement.

Material Acquisitions and Disposals

We did not have any material acquisitions or disposals of subsidiaries, associates or joint ventures during the six months ended June 30, 2024.

Foreign Exchange Risk and Hedging

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

Pledge of Assets

As at June 30, 2024, our Group pledged a restricted deposit of RMB62.2 million in a margin account to secure bills payable. Other than that, the Group did not have any charge on assets.

Employees and Remuneration

As of June 30, 2024, our Group had 515 employees. The total remuneration cost incurred by our Group for the six months ended June 30, 2024 was RMB805.3 million, as compared to RMB75.9 million for the six months ended June 30, 2023.

The following table sets forth the number of full-time employees by function as of June 30, 2024.

	Number of employees	**% of total**
General and administrative personnel	99	19.2%
Research and development personnel	119	23.1%
Operational personnel	118	22.9%
Sales and marketing personnel	112	21.8%
In-house medical professionals	67	13.0%
Total	**515**	**100.0%**

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

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

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

Gearing Ratio

Our Group monitored its capital sufficiency using gearing ratio. As of June 30, 2024 and December 31, 2023, our Group's gearing ratio (total liabilities/total assets) was 4.5 and 4.6, respectively.

CORPORATE GOVERNANCE AND OTHER INFORMATION

The Board is committed to achieving high corporate governance standards. The Board believes that high corporate governance standards are essential in providing a framework for the Group to safeguard the interests of Shareholders and to enhance corporate value and accountability.

Compliance with the Corporate Governance Code

Our Company's corporate governance practices are based on the principles and code provisions set forth in the Corporate Governance Code. As the Shares of our Company were not yet listed on the Stock Exchange as of June 30, 2024, the principles and code provisions of the Corporate Governance Code were not applicable to our Company during the Reporting Period.

We have adopted certain corporate governance measures in compliance with the Corporate Governance Code. We aim to achieve a high standard of corporate governance, which is crucial to safeguard the interests of the Shareholders. From the Listing Date to the date of this announcement, our Company has complied with all applicable code provisions set out in the Corporate Governance Code, except for the following:

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

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

Save as disclosed above, as of the date of this announcement and to the best of the knowledge, information and belief of our Directors, having made all reasonable enquiries, the Directors are not aware of any deviation from the code provisions in the Corporate Governance Code.

Compliance with the Model Code

Our Company has adopted the Model Code as its code of conduct regarding Directors' dealing in our Company's securities. As the Shares of our Company were not yet listed on the Stock Exchange as of June 30, 2024, the Model Code was not applicable to our Company during the Reporting Period. Having made specific enquiries to all of the Directors, all Directors confirmed that they have fully complied with all relevant requirements set out in the Model Code from the Listing Date to the date of this announcement.

Use of Proceeds from the Global Offering

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

- Approximately 67.4% will be used for business expansion in the next three to five years, in particular:

  - Approximately 17.3% is expected to be used for promoting brand awareness.

  - Approximately 21.5% is expected to be used for enhancing user growth and engagement, and maintaining a highly active user base.

  - Approximately 23.1% is expected to be used for attracting and retaining talents, especially those with extensive experience in media and technology-powered medical services and insights in the fields of chronic disease management.

  - Approximately 5.5% is expected to be used for expanding product offerings and enhancing supply chain capabilities.

- Approximately 16.0% will be used for research and development activities in the next five years, including:

  - Approximately 7.0% will be used for recruiting a team of approximately 40 software engineers by 2028, of which 70% are senior software engineers and the remainder are junior software engineers.

  - Approximately 9.0% will be used to (i) improve the application of AI technology and big data analysis capabilities in chronic disease management to more accurately capture user habits throughout their activities, from seeking consultations, purchasing pharmaceutical products to their preferences for viewing content on our platform, thereby improving user experience and improving the conversion rate of paying users on our platform; (ii) optimize our infrastructure in various technological areas, such as (a) computer vision, to improve the efficiency of order identification and processing and user information management, (b) natural language processing, to optimize the question-answering engine of our AI medical assistant, and (c) search-based recommendation algorithms to deliver the most relevant information catered to the users' evolving needs; (iii) improve stability of the system to withstand the increasing pressure as we scale our online operations; and (iv) optimize the functions of our WeChat mini programs and perform routine system upgrade and maintenance.

- Approximately 11.6% will be used for our potential investments and acquisitions or strategic alliances with other stakeholders in the value chain of the online chronic disease management industry.

- Approximately 5.0% will be used for our working capital and general corporate purposes.

For details, please refer to the section headed "Future Plans and Use of Proceeds" in the Prospectus.

Since the Listing Date and up to the date of this announcement, our Company has not utilized any net proceeds from the Global Offering. There has been no change in the intended use of net proceeds disclosed in the Prospectus, and our Company plans to gradually utilize the net proceeds in accordance with such intended purposes taking into account our business needs. We expect that approximately HK$10.0 million to HK$20.0 million, accounting for approximately 14.9% to 29.8% of the net proceeds of the Global Offering, will be utilized during the year ending December 31, 2024 and plan to utilize the balance of net proceeds of the Global Offering by the end of 2028. The expected timeline for utilizing the net proceeds from the Global Offering is based on the best estimate of future progress of regulatory approvals and market conditions made by our Company and subject to changes in accordance with our actual business operations and markets conditions.

Purchase, Sale or Redemption of our Company's Listed Securities

As our Company's Shares were not listed on the Stock Exchange during the six months ended June 30, 2024, neither our Company nor any of its subsidiaries purchased, sold or redeemed any of our Company's listed securities (including sale of treasury Shares, if any) during the Reporting Period.

Neither our Company nor any of its subsidiaries purchased, redeemed or sold any of our Company's listed securities (including sale of treasury Shares, if any) since the Listing Date and up to the date of this announcement.

Review of the Interim Results by the Audit Committee and the Company's External Auditor

We have established the Audit Committee with terms of reference in compliance with Rule 3.21 of the Listing Rules as well as paragraph D.3 of part 2 of the Corporate Governance Code. The Audit Committee consists of three independent non-executive Directors, namely, Mr. ZHU Xiaolu, Dr. WANG Haizhong and Ms. KANG Wei. The chairman of the Audit Committee is Mr. ZHU Xiaolu, who has the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules. The interim results of the Group have been reviewed by the Audit Committee.

The primary duties of the Audit Committee are to assist the Board by providing an independent view of the effectiveness of the financial reporting process, internal control and risk management systems of the Company and overseeing the audit process.

The members of the Audit Committee have reviewed the accounting principles and practices adopted by the Group and discussed auditing, internal control, risk management and financial reporting matters including the review of the unaudited interim results of the Group for the six months ended June 30, 2024. The unaudited interim results of the Group for the six months ended June 30, 2024 have been reviewed by the Company's external auditor, KPMG, in accordance with Hong Kong Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity, issued by the Hong Kong Institute of Certified Public Accountants.

Material Litigation

Our Company was not involved in any material litigation or arbitration during the six months ended June 30, 2024. The Directors are also not aware of any material litigation or claims that are pending or threatened against our Group since the Listing Date and up to the date of this announcement.

Interim Dividend

The Board did not recommend the payment of interim dividend for the six months ended June 30, 2024.

Events After the End of the Reporting Period

1. Immediately prior to the completion of the Global Offering, each issued Class A Ordinary Share, Class B Ordinary Share and Preferred Share was converted into an Ordinary Share on a one-to-one basis.

   On the Listing Date, our Company's Shares were listed on the Main Board of the Stock Exchange.

2. Ms. Fung Po Ting has tendered her resignation as the joint company secretary of the Company (the "**Joint Company Secretary**") and the agent for the acceptance of service of process and notices on behalf of the Company in Hong Kong under Part 16 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the "**Process Agent**") due to other work arrangements, with effect from August 28, 2024. Ms. Ng Sau Mei has been appointed as the Joint Company Secretary and the Process Agent in replacement of Ms. Fung Po Ting, with effect from August 28, 2024. Mr. Zou Yuming will continue to serve as the other Joint Company Secretary. For details, please refer to the Company's announcement dated August 28, 2024.

Save as disclosed in this announcement, the Directors are not aware of any other significant event requiring disclosure that has taken place subsequent to June 30, 2024 and up to the date of this announcement.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED JUNE 30, 2024 – UNAUDITED
(Expressed in RMB)

	Note	**Six months ended June 30, 2024**	2023
		RMB'000	*RMB'000*
Revenue	*3*	**1,322,821**	1,291,014
Cost of sales		**(1,057,272)**	(1,044,009)
Gross profit		**265,549**	247,005
Other net loss		**(9,639)**	(63,409)
Selling and distribution expenses		**(171,055)**	(175,945)
Administrative expenses		**(831,050)**	(88,338)
Impairment losses on trade receivables		**(63)**	(113)
Loss from operations		**(746,258)**	(80,800)
Finance costs		**(72,449)**	(73,034)
Loss before taxation		**(818,707)**	(153,834)
Income tax	*4*	**(18)**	(62)
Loss and total comprehensive income for the period attributable to equity shareholders of the Company		**(818,725)**	(153,896)
Loss per share			
Basic and diluted (in RMB)	*5*	**(1.27)**	(0.28)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT JUNE 30, 2024 – UNAUDITED
(Expressed in RMB)

	Note	**At June 30, 2024 RMB'000**	At December 31, 2023 *RMB'000*
Non-current assets			
Property, plant and equipment		**56,968**	51,639
Intangible assets		**2,450**	2,275
Other non-current assets		**75**	100
		59,493	54,014
Current assets			
Inventories	*6*	**140,418**	136,045
Trade and other receivables	*7*	**125,019**	101,142
Other current assets		**36,936**	34,761
Prepayments		**9,710**	18,474
Restricted bank deposits	*8*	**62,226**	30,615
Cash and cash equivalents	*9*	**138,419**	146,317
		512,728	467,354
Current liabilities			
Trade and other payables	*10*	**480,623**	440,451
Contract liabilities		**23,419**	19,873
Bank loans		**10,005**	5,005
Lease liabilities		**17,252**	15,346
Other current liabilities		**1,324**	1,252
Current taxation		**15**	15
		532,638	481,942
Net current liabilities		**(19,910)**	(14,588)
Total assets less current liabilities		**39,583**	39,426

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT JUNE 30, 2024 – UNAUDITED (continued)
(Expressed in RMB)

	Note	At June 30, 2024 RMB'000	At December 31, 2023 RMB'000
Non-current liabilities			
Lease liabilities		**32,994**	29,368
Convertible redeemable preferred shares	*12*	**1,995,190**	1,911,521
		2,028,184	1,940,889
NET LIABILITIES		**(1,988,601)**	(1,901,463)
CAPITAL AND RESERVES	*13*		
Share capital		**104**	86
Reserves		**(1,988,705)**	(1,901,549)
TOTAL DEFICIT		**(1,988,601)**	(1,901,463)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED JUNE 30, 2024 – UNAUDITED

(Expressed in RMB)

	Note	Share capital *RMB'000*	Share premium *RMB'000*	Other reserves *RMB'000*	Share held for the RSU Incentive plan *RMB'000*	Share-based payments reserve *RMB'000*	Accumulated losses *RMB'000*	Total deficit *RMB'000*
Balance at January 1, 2023		86	30,075	(785,509)	(8)	9,604	(964,156)	(1,709,908)
Changes in equity for the six months ended June 30, 2023								
Loss and total comprehensive income for the period		–	–	–	–	–	(153,896)	(153,896)
Equity settled share-based transactions	*11(c)*	–	–	–	–	3,119	–	3,119
Shares vested under the RSU Incentive Plan	*13(d)(i)*	–	3,522	–	–	(3,522)	–	–
Balance at June 30, 2023		86	33,597	(785,509)	(8)	9,201	(1,118,052)	(1,860,685)
Changes in equity for the six months ended December 31, 2023								
Loss and total comprehensive income for the period		–	–	–	–	–	(42,892)	(42,892)
Equity settled share-based transactions		–	–	–	–	2,114	–	2,114
Shares vested under the RSU Incentive Plan	*13(d)(i)*	–	3,396	–	–	(3,396)	–	–
Balance at December 31, 2023		86	36,993	(785,509)	(8)	7,919	(1,160,944)	(1,901,463)
Balance at January 1, 2024		**86**	**36,993**	**(785,509)**	**(8)**	**7,919**	**(1,160,944)**	**(1,901,463)**
Changes in equity for the six months ended June 30, 2024								
Loss and total comprehensive income for the period		**–**	**–**	**–**	**–**	**–**	**(818,725)**	**(818,725)**
Issuance of ordinary shares	*13(b)*	**18**	**–**	**–**	**(18)**	**–**	**–**	**–**
Equity settled share-based transactions	*11(c)*	**–**	**–**	**–**	**–**	**731,587**	**–**	**731,587**
Shares vested under the RSU Incentive Plan	*13(d)(i)*	**–**	**727,603**	**–**	**24**	**(727,627)**	**–**	**–**
Balance at June 30, 2024		**104**	**764,596**	**(785,509)**	**(2)**	**11,879**	**(1,979,669)**	**(1,988,601)**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE SIX MONTHS ENDED JUNE 30, 2024 – UNAUDITED

(Expressed in RMB)

	Note	**Six months ended June 30, 2024** *RMB'000*	2023 *RMB'000*
Operating activities			
Cash generated from operations		**31,381**	30,261
Income tax paid		**(19)**	(51)
Net cash generated from operating activities		**31,362**	30,210
Investing activities			
Repayments of borrowings by related parties		**–**	12,032
Payments for purchases of property, plant and equipment and intangible assets		**(2,560)**	(2,608)
Proceeds from sales of property, plant and equipment		**–**	3
Proceeds from disposal of other non-current assets		**–**	10,000
Net cash (used in)/generated from investing activities		**(2,560)**	19,427
Financing activities			
Proceeds from bank loans		**16,000**	5,000
Payments of restricted bank deposits		**(69,226)**	(21,000)
Proceeds from maturity of restricted bank deposits		**37,615**	25,000
Repayments of bank loans		**(11,000)**	(10,000)
Capital element of lease rentals paid		**(9,302)**	(7,900)
Interest element of lease rentals paid		**(863)**	(616)
Interest paid		**(260)**	(230)
Net cash used in financing activities		**(37,036)**	(9,746)
Net (decrease)/increase in cash and cash equivalents		**(8,234)**	39,891
Cash and cash equivalents at the beginning of the period		**146,317**	134,907
Effect of foreign exchange rate changes		**336**	3,258
Cash and cash equivalents at the end of the period	*9*	**138,419**	178,056

NOTES TO THE UNAUDITED INTERIM FINANCIAL INFORMATION

(Expressed in RMB unless otherwise indicated)

1 BASIS OF PREPARATION

This unaudited interim financial information was extracted from the interim financial report of Fangzhou Inc. (the "Company") and its subsidiaries (together the "Group") for the six months ended 30 June 2024.

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange, including compliance with Hong Kong Accounting Standard ("HKAS") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). It was authorized for issue on August 28, 2024.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the historical financial information for the years ended December 31, 2021, 2022 and 2023 (the "Historical Financial Information") as disclosed in Appendix I to the prospectus of the Company dated June 28, 2024. (the "Prospectus") in connection with Listing on the Main Board of the Stock Exchange.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statement and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the Historical Financial Information as disclosed in Appendix I to the Prospectus. The condensed consolidated interim financial statement and notes thereon do not include all of the information required for a full set of financial statement prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA.

The financial information relating to the financial year ended December 31, 2023 that is included in the interim financial report as comparative information does not constitute the Company's annual consolidated financial statements for that financial year but is derived from the Historical Financial Information.

The Group recorded net current liabilities of RMB19,910,000 and net liabilities of RMB1,988,601,000 as at June 30, 2024. The net liabilities position was primarily caused by the convertible redeemable preferred shares totalling RMB1,995,190,000 as at June 30, 2024. The convertible redeemable preferred shares have been automatically and irrevocably converted into ordinary shares after the Listing on July 9, 2024. The Group also received the gross proceeds from the Listing of approximately HKD194,680,000. Accordingly, the directors of the Company are of the opinion that no material uncertainties related to events or conditions which, individually or collectively, may cast significant doubt on the Group's ability to continue as a going concern.

2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a new HKFRS and a number of amendments to HKFRSs that are first effective for the current accounting period. None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial information. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3 REVENUE AND SEGMENT REPORTING

(a) Revenue

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

Disaggregation of revenue

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

	Six months ended June 30,	
	2024	2023
	RMB'000	*RMB'000*
Revenue from contracts with customers within the scope of HKFRS 15		
Online retail pharmacy services	**673,745**	614,709
Comprehensive medical services	**320,735**	612,000
Wholesale	**278,960**	29,611
Customized content and marketing solutions	**49,381**	34,694
	1,322,821	1,291,014

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

	Six months ended June 30,	
	2024	2023
	RMB'000	*RMB'000*
Disaggregated by timing of revenue recognition		
– Point in time	**1,273,440**	1,236,653
– Over time	**49,381**	54,361
	1,322,821	1,291,014

No revenue from individual customer contributes over 10% of total revenue of the Group for the period (six months ended June 30, 2023: nil).

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

(b) Segment Reporting

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

(i) Segment results

	Six months ended June 30,	
	2024	2023
	RMB'000	*RMB'000*
Disaggregated by segment		
Online retail pharmacy services		
Revenue	**673,745**	614,709
Gross profit	**149,101**	122,260
Comprehensive medical services		
Revenue	**320,735**	612,000
Gross profit	**73,212**	95,707
Wholesale		
Revenue	**278,960**	29,611
Gross profit	**6,355**	703
Customized content and marketing solutions		
Revenue	**49,381**	34,694
Gross profit	**36,881**	28,335
Reportable segment gross profit derived from the Group's external customers	**265,549**	247,005

(ii) Reconciliations of reportable segment profit

	Six months ended June 30,	
	2024	2023
	RMB'000	*RMB'000*
Disaggregated by segment		
Reportable segment profit derived from the Group's external customers	**265,549**	247,005
Other net loss	**(9,639)**	(63,409)
Selling and distribution expenses	**(171,055)**	(175,945)
Administrative expenses	**(831,050)**	(88,338)
Impairment losses on trade receivables	**(63)**	(113)
Finance costs	**(72,449)**	(73,034)
Loss before taxation	**(818,707)**	(153,834)

(iii) Geographic information

Analysis of the Group's revenue and results as well as analysis of the Group's carrying amount of segment assets and additions to property, plant and equipment by geographical market has not been presented as over 99% of the Group's loss before taxation for the six months ended June 30, 2024 (six months ended June 30, 2023: over 99%) are generated from the PRC market.

4 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Six months ended June 30,	
	2024	2023
	RMB'000	*RMB'000*
Current tax		
Provision for the period	**18**	62

(i) The Cayman Islands income tax

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

(ii) Hong Kong income tax

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

(iii) The PRC corporate income tax

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

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

5 LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to ordinary equity shareholders of the Company and the weighted average number of ordinary shares as below:

	For the six months ended June 30,	
	2024	2023
Net loss attributable to ordinary equity shareholders of the Company (RMB'000)	**818,725**	153,896
Weighted average number of ordinary shares at June 30 (shares)	**646,397,522**	557,398,568

(b) Diluted loss per share

For the six months ended June 30, 2024 and 2023, the Company's redeemable convertible preferred shares issued to investors as disclosed in note 12 and restricted share units as disclosed in note 11 were not included in the calculation of diluted loss per share, as their effect would have been anti-dilutive. Accordingly, diluted loss per share for the six months ended June 30, 2024 and 2023 were the same as basic loss per share of the respective periods.

6 INVENTORIES

	At June 30, 2024 RMB'000	At December 31, 2023 RMB'000
Pharmaceutical and healthcare products	**140,418**	136,045

7 TRADE AND OTHER RECEIVABLES

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

	At June 30, 2024 RMB'000	At December 31, 2023 RMB'000
Within 3 months	**20,883**	17,012
Over 3 months but within 6 months	**4,573**	5,160
Over 6 months but within 1 year	**2,092**	1,336
Over 1 year	**310**	588
Trade receivable, net of loss allowance	**27,858**	24,096
Other receivables	**97,161**	77,046
	125,019	101,142

Trade receivables are generally due within 180 days from the date of billing.

8 RESTRICTED BANK DEPOSITS

As at June 30, 2024, deposits with bank of RMB62,226,000 (December 31, 2023: RMB30,615,000) were pledged as securities for bills payable, respectively.

9 CASH AND CASH EQUIVALENTS

	At June 30, 2024 RMB'000	At December 31, 2023 RMB'000
Cash on hand	**48**	52
Cash at bank	**115,632**	129,436
Cash equivalents placed at payment platforms	**22,739**	16,829
	138,419	146,317

10 TRADE AND OTHER PAYABLES

As of the end of the reporting period, the ageing analysis of trade creditors, based on the invoice date, is as follows:

	At June 30, 2024	At December 31, 2023
	RMB'000	*RMB'000*
Within 1 month	**171,178**	181,163
1 to 3 months	**129,662**	110,683
Over 3 months but within 6 months	**37,291**	842
Over 6 months but within 1 year	**320**	169
Over 1 year but within 2 years	**120**	87
Total trade and bills payables	**338,571**	292,944
Staff cost payables	**45,354**	53,829
Other tax payables	**18,743**	20,480
Deposits	**1,569**	1,444
Other payables and accrued charges	**76,386**	71,754
	480,623	440,451

11 EQUITY SETTLED SHARE-BASED TRANSACTIONS

RSU Incentive Plan

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

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

(a) Movements in RSUs granted are as follows:

	Number of shares
Outstanding as of January 1, 2023	14,350,012
Shares vested during the year	(6,948,763)
Outstanding as of December 31, 2023 and January 1, 2024	7,401,249
Cancellation during the period	(1,596,250)
Granted on April 1, 2024	178,865,898
Shares vested during the period	(172,018,084)
Outstanding as of June 30, 2024	**12,652,813**

(b) Fair value of shares and assumptions

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

Grant date	**April 1, 2024**
Fair value at measurement date (USD)	0.5963
Expected volatility	51.3%
Expected dividend yield	–
Risk-free interest rate	4.7%

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

(c) Equity settled share-based transactions expenses recognized in the consolidated statement of profit or loss and other comprehensive income:

	Six months ended June 30,	
	2024	2023
	RMB'000	*RMB'000*
Administrative expenses	**726,770**	1,902
Selling and distribution expenses	**4,817**	1,217
	731,587	3,119

12 CONVERTIBLE REDEEMABLE PREFERRED SHARES

Since the date of incorporation, the Company has completed several rounds of financing arrangements by issuing convertible redeemable preferred shares ("Preferred Shares"). The movement of the financial liabilities arising from the Preferred Shares during the period are as follows:

	Present value of redemption amount
	RMB'000
At January 1, 2023	1,737,882
Changes in the carrying amount of preferred shares liabilities:	
– Changes in present value of redemption amount	143,176
Exchange differences	30,463
At December 31, 2023 and January 1, 2024	**1,911,521**
Changes in the carrying amount of preferred shares liabilities (Note 5(a)):	
– Changes in present value of redemption amount	**71,327**
Exchange differences	**12,342**
At June 30, 2024	**1,995,190**

13 CAPITAL AND RESERVES

(a) Authorized share capital

The authorized share capital of the Company was USD50,000 divided into 2,500,000,000 shares of a nominal value of USD0.00002 each.

(b) Issued share

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

In May 2024, the Company allotted and issued 127,242,178 Class A Ordinary Shares of par value of USD0.00002 each to the platforms for RSU Incentive Plan. Details of the changes in the Company's issued ordinary shares:

	Number of ordinary shares issued	Nominal value of ordinary shares *USD'000*	Nominal value of ordinary shares *RMB'000*
Ordinary shares, Issued			
At January 1, 2023, December 31, 2023 and January 1, 2024	617,562,340	12	86
Issued during this period	127,242,178	3	18
At June 30, 2024	**744,804,518**	**15**	**104**

(c) Dividends

During the six month ended June 30, 2024, the entities comprising the Group did not declare nor pay dividends to the equity shareholders (six month ended June 30, 2023: nil).

(d) Nature and purposes of reserves

(i) Share premium

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

(ii) Other reserves

The balance of other reserves mainly represent the reserve arising from reorganization.

(iii) Share-based payments reserve

The share-based payments reserve represents the portion of the grant date fair value of shares granted to the eligible persons of the Group.

14 SUBSEQUENT EVENT

On July 9, 2024, the Company completed its Listing on the Main Board of the Stock Exchange. Upon completion of the Listing, the Company issued 23,800,000 shares at the initial offer price of HKD8.18 each and received the gross proceeds of approximately HKD194,680,000. The convertible redeemable preferred shares as disclosed in note 12 have been automatically and irrevocably converted into ordinary shares after the Listing.

Save as disclosed in this announcement and as of the date of this announcement, the Company is not aware of any other material subsequent events that might affect the Group since June 30, 2024 and up to the date of this announcement.

PUBLICATION OF THE 2024 CONDENSED CONSOLIDATED INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and our Company's website (investors.jianke.com). The interim report of our Company for the six months ended June 30, 2024 containing all the information in accordance with the requirements under the Listing Rules will be despatched to the Shareholders (if requested) and published on the respective websites of the Stock Exchange and our Company in due course.

The Board would like to express its sincere gratitude to the Shareholders, management, employees, business partners and customers of our Group for their support and contribution to our Group.

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

"Audit Committee"	the audit committee of the Board
"Board"	the board of Directors of our Company
"CDM"	the establishment of an integrated system of intervention and management for chronic disease throughout different stages of the continuum of chronic disease care, ultimately strengthening disease control, preventing disease deterioration, and controlling the overall medical cost
"China" or "the PRC"	the People's Republic of China, and for the purposes of this announcement only, except where the context requires otherwise, excluding Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan
"Class A Ordinary Share(s)"	class A ordinary share(s) in the share capital of our Company with a par value of US$0.00002 each, conferring a holder of a Class A Ordinary Share one vote per share on any resolution tabled at our Company's general meeting
"Class B Ordinary Share(s)"	class B ordinary share(s) in the share capital of our Company with a par value of US$0.00002 each, conferring weighted voting rights in our Company such that a holder of a Class B Ordinary Share is entitled to twenty votes per share on any resolution tabled at our Company's general meeting
"Company", "our Company" or "the Company"	Fangzhou Inc. (方舟云康控股有限公司), an exempted company with limited liability incorporated in the Cayman Islands on September 26, 2019

"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Consolidated Affiliated Entities"	the entities we control through the contractual arrangements, namely Fangzhou Yunkang and its subsidiaries (each a "**Consolidated Affiliated Entity**"), details of which are set out in the section headed "History, Reorganization and Corporate Structure" of the Prospectus
"Corporate Governance Code"	the Corporate Governance Code as set out in Appendix C1 to the Listing Rules
"Director(s)"	the director(s) of our Company
"Global Offering"	the offer for subscription and placing of the Shares as described in the Prospectus
"GMV"	gross merchandise volume, the total value of all orders placed, regardless of whether the services or products are performed or delivered or whether the products are returned
"Group", "our Group", "the Group", "we", "us", or "our"	our Company, its subsidiaries and the Consolidated Affiliated Entities from time to time, and where the context requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time
"H2H"	hospital-to-home
"H2H service platform"	the platforms where we offer H2H services, which are online medical services forming the primary part of our comprehensive medical services. These platforms include the Jianke Doctor App (健客醫生), Jianke Hospital App (健客醫院) and certain of our WeChat mini programs
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Jianke Platform"	the platforms where we offer certain of our services, including Jianke Doctor App (健客醫生), Jianke Hospital App (健客醫院), Jianke Online Pharmacy App (健客網上藥店), the website of Jianke.com and WeChat official accounts and mini programs. The aforementioned mobile applications and the website were at times historically operated by Guangdong Jianke Medicine Co., Ltd. (廣東健客醫藥有限公司) under license and authorization from Guangdong Fangzhan Technology Co., Ltd. (廣東方展科技有限公司)

"Listing"	the listing of the Shares on the Main Board of the Stock Exchange
"Listing Date"	July 9, 2024, being the date on which dealings in the Shares first commenced on the Main Board of the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with GEM (formerly known as the Growth Enterprise Market) of the Stock Exchange
"MAU"	monthly active users and, in relation to us, the number of active users who access our services on the Jianke Platform at least once during a calendar month
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules
"Mr. Xie"	Mr. XIE Fangmin (謝方敏), an executive Director, chairman of the Board and chief executive officer of our Company
"Preferred Share(s)"	preferred shares(s) in the share capital of our Company with a par value of US$0.00002 each, including the series A preferred shares, series A-1 preferred shares, series B preferred shares, series C preferred shares, series D preferred shares and series D+ preferred shares
"Prospectus"	the prospectus issued by our Company on June 28, 2024
"Reporting Period"	six months ended June 30, 2024
"RMB"	Renminbi, the lawful currency of the PRC
"RSU Scheme"	the restricted share unit scheme adopted by our Company on January 1, 2020
"SKU"	stock keeping unit
"Share(s)" or "Ordinary Share(s)"	ordinary shares in the share capital of our Company with a par value of US$0.00002 each

"Shareholder(s)"	holder(s) of our Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary" or "subsidiaries"	has the meaning ascribed to it in section 15 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
"US"	United States of America, its territories, its possessions and all areas subject to its jurisdiction
"US dollars", "US$" or "USD"	United States dollars, the lawful currency of the US
"%"	per cent

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

Hong Kong, August 28, 2024

As of the date of this announcement, the Board comprises Mr. XIE Fangmin, Mr. ZHOU Feng and Mr. ZOU Yuming as executive Directors, Mr. David McKee HAND as non-executive Director, and Dr. WANG Haizhong, Ms. KANG Wei and Mr. ZHU Xiaolu as independent non-executive Directors.