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)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED DECEMBER 31, 2024

The Board is pleased to announce the audited consolidated results of our Group for the year ended December 31, 2024, together with comparative audited figures for the year of 2023.

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 tables, charts or elsewhere between totals and sums of amounts listed therein are due to rounding.

FINANCIAL AND BUSINESS HIGHLIGHTS

– Significant 139% increase in adjusted net profit for 2024 compared to 2023, driven by ongoing technology enhancements and improvements in operating efficiency

– Robust growth and user engagement across the Jianke Platform

  – Our platform grew to 49.2 million registered users as of December 31, 2024

  – Average MAUs over the twelve months ended December 31, 2024 reached 10.1 million, a 20% year-on-year increase

– Successfully connected our platform with the social healthcare insurance system to enable online insurance payment channels

FINANCIAL SUMMARY

Consolidated Statements of Profit or Loss (RMB'000)

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

Consolidated Statements of Financial Position (RMB'000)

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

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

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

Comprehensive Medical Services

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

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

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

Online Retail Pharmacy Services

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

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

Customized Content and Marketing Solutions

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

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

Pharmaceutical Supply Chain Optimization

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

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

Social Healthcare Insurance

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

Future Prospects

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

Strengthening AI Development to Enhance our Platform Capabilities

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

Enhancing Medical Professional Engagement and User Experience

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

Optimizing Supply Chain Operations and Product Offerings

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

Talent Acquisition and Development

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

FINANCIAL REVIEW

Revenue

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

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

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

Online Retail Pharmacy Services

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

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

Comprehensive Medical Services

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

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

Wholesale

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

Customized Content and Marketing Solutions

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

Cost of Sales

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

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

Gross Profit and Gross Profit Margin

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

Other Net Loss

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

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

Selling and Distribution Expenses

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

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

Administrative Expenses

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

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

Recognition of Impairment Losses

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

Finance Costs

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

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

Income Tax Expenses

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

Loss and Total Comprehensive Income for the Year

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

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

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

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

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

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

Property, Plant and Equipment

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

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

Intangible Assets

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

Inventories

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

Trade and Other Receivables

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

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

Prepayments

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

Trade and Other Payables

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

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

Contract Liabilities

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

Liquidity and Capital Resources

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

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

Bank Loans

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

Lease Liabilities

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

Capital Commitments

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

Contingent Liabilities

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

Capital Expenditures

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

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

Key Financial Ratios

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

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

Notes:

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

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

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

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

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

Significant Investments

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

Material Acquisitions and Disposals

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

Foreign Exchange Risk and Hedging

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

Pledge of Assets

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

Employees and Remuneration

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

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

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

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

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

Gearing Ratio

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

OTHER INFORMATION

Compliance with the Corporate Governance Code

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. Our Company's corporate governance practices are based on the principles and code provisions set forth in the Corporate Governance Code.

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 and up 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 of 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 of 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 the Company's securities. Having made specific enquiries to all of the Directors, all Directors confirmed that they have complied with the required standard set out in the Model Code from the Listing Date and up to the date of this announcement.

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

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.

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

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

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

Significant Events after the Reporting Period

The Directors are not aware of any other significant event requiring disclosure that has taken place subsequent to December 31, 2024 and up to the date of this announcement.

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

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

Audit Committee

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 annual results of the Group for the year ended December 31, 2024 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.

After the discussion with the Auditor, the members of the Audit Committee have reviewed our Company's audited consolidated financial statements for the year ended December 31, 2024. The Audit Committee has reviewed the accounting principles and practices adopted by our Company and discussed matters in respect of risk management and internal control of our Company. There is no disagreement between the Board and the Audit Committee regarding the accounting treatment adopted by our Company. The Audit Committee reviewed and considered that the annual results are in compliance with the applicable accounting standards, laws and regulations, and the Company has made appropriate disclosures thereof.

Auditor's Scope of Work

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended December 31, 2024 as set out in this announcement have been agreed by the Auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by KPMG in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no opinion or assurance conclusion has been expressed by KPMG on the preliminary announcement.

Material Litigation

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

Final Dividend

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

Annual General Meeting and Closure of the Register of Members

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*(Expressed in Renminbi ("**RMB**"))*

	Note	**2024**	2023
		RMB'000	*RMB'000*
Revenue	*4*	**2,707,368**	2,434,308
Cost of sales		**(2,191,427)**	(1,946,901)
Gross profit		**515,941**	487,407
Other net loss	*5*	**(28,062)**	(23,915)
Selling and distribution expenses		**(355,769)**	(343,770)
Administrative expenses		**(909,469)**	(171,477)
Recognition of impairment losses	*6(c)*	**(334)**	(140)
Loss from operations		**(777,693)**	(51,895)
Finance costs	*6(a)*	**(77,160)**	(144,816)
Loss before taxation	*6*	**(854,853)**	(196,711)
Income tax	*7*	**(32)**	(77)
Loss and total comprehensive income for the year		**(854,885)**	(196,788)
Loss per share			
Basic and diluted (in RMB)	*8*	**(0.88)**	(0.35)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Expressed in RMB)

		As at December 31,	
		2024	2023
	Note	***RMB'000***	*RMB'000*
Non-current assets			
Property, plant and equipment		**53,455**	51,639
Intangible assets		**2,239**	2,275
Other non-current assets		**75**	100
		55,769	54,014
Current assets			
Financial assets measured at fair value through profit or loss ("**FVPL**")	*9*	**86,870**	–
Inventories	*10*	**141,421**	136,045
Trade and other receivables	*11*	**90,224**	101,142
Other current assets		**32,943**	34,761
Prepayments		**16,664**	18,474
Restricted bank deposits		**65,565**	30,615
Cash and cash equivalents		**174,638**	146,317
		608,325	467,354
Current liabilities			
Trade and other payables	*12*	**457,497**	440,451
Contract liabilities		**22,450**	19,873
Bank loans		**3,001**	5,005
Lease liabilities		**16,801**	15,346
Other current liabilities		**1,537**	1,252
Current taxation		**14**	15
		501,300	481,942
Net current assets/(liabilities)		**107,025**	(14,588)
Total assets less current liabilities		**162,794**	39,426

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

(Expressed in RMB)

		As at December 31,	
		2024	2023
	Note	***RMB'000***	*RMB'000*
Non-current liabilities			
Lease liabilities		**31,090**	29,368
Convertible redeemable preferred shares ("**Preferred Shares**")	*13*	**–**	1,911,521
		31,090	1,940,889
NET ASSETS/(LIABILITIES)		**131,704**	(1,901,463)
CAPITAL AND RESERVES			
Share capital	*14*	**189**	86
Reserves		**131,515**	(1,901,549)
TOTAL EQUITY/(DEFICIT)		**131,704**	(1,901,463)

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

(Expressed in RMB unless otherwise indicated)

1 CORPORATE INFORMATION

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

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

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

2 BASIS OF PREPARATION

The consolidated results set out in this announcement do not constitute the Group's financial statements for the year ended December 31, 2024 but are extracted from those financial statements.

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

3 CHANGES IN ACCOUNTING POLICIES

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

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

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

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

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

4 REVENUE AND SEGMENT REPORTING

(a) Revenue

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

Disaggregation of revenue

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

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

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

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

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

(b) Segment Reporting

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

(i) Segment results

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

(ii) *Reconciliations of reportable segment profit*

	2024	2023
	RMB'000	*RMB'000*
Disaggregated by segment		
Reportable segment profit derived from the Group's external customers	**515,941**	487,407
Other net loss	**(28,062)**	(23,915)
Selling and distribution expenses	**(355,769)**	(343,770)
Administrative expenses	**(909,469)**	(171,477)
Recognition of impairment losses	**(334)**	(140)
Finance costs	**(77,160)**	(144,816)
Loss before taxation	**(854,853)**	(196,711)

(iii) *Geographic information*

Analysis of the Group's revenue and results as well as analysis of the Group's carrying amount of segment assets and additions to property, plant and equipment by geographical market has not been presented as over 99% of the Group's loss from operations for the year ended December 31, 2024 were generated from the PRC market.

5 OTHER NET LOSS

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

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

6 LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

	2024	2023
	RMB'000	*RMB'000*
(a) Finance costs		
Interest on lease liabilities	**1,715**	1,377
Interest on bank loans	**522**	263
Changes in the carrying amount of Preferred Shares *(note 13)*	**74,923**	143,176
	77,160	144,816
(b) Staff costs (including directors' emoluments)		
Salaries, wages and other benefits	**138,727**	132,169
Equity settled share-based transactions	**743,330**	5,233
Contributions to defined contribution retirement plan *(i)*	**5,246**	9,643
	887,303	147,045

Note:

(i) Pursuant to the relevant labour rules and regulations in the PRC, the Group's entities in the PRC participate in defined contribution retirement benefit schemes (the "**Schemes**") organized by the local government authorities whereby the Group's entities in the PRC are required to make contributions to the Schemes based on certain percentages of the eligible employee's salaries. The local government authorities are responsible for the entire pension obligations payable to the retired employees.

The Group also operates a Mandatory Provident Fund Scheme (the "**MPF scheme**") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance and not previously covered by the defined benefit retirement plan.

The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000. Contributions to the plan vest immediately, there is no forfeited contributions that may be used by the Group to reduce the existing level of contribution.

The Group has no further material obligation for payment of other retirement benefits beyond the above contributions.

	2024	2023
	RMB'000	*RMB'000*
(c) Other items		
Amortization		
– intangible assets	**871**	795
Depreciation		
– property, plant and equipment	**3,910**	3,591
– right-of-use assets	**19,335**	15,929
	23,245	19,520
Recognition of impairment losses		
– trade debtors	**334**	140
Auditors' remuneration	**2,400**	–
Research and development costs *(i)*	**41,608**	41,532
Listing expenses	**19,484**	25,081
Cost of inventories *(note 10(b)) (ii)*	**2,144,549**	1,955,804

Notes:

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

(ii) During the year ended December 31, 2024, cost of inventories includes staff costs, depreciation and amortization of RMB4,141,000 (2023: RMB4,465,000), which amount is also included in the respective total amounts disclosed separately above or in note 6(b) for each of these types of expenses.

7 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operated.

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

	2024	2023
	RMB'000	*RMB'000*
Current tax		
Provision for the year	**32**	77

(i) The Cayman Islands income tax

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

(ii) Hong Kong income tax

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

(iii) The PRC corporate income tax

The provision for current income tax in Mainland China is based on a statutory tax rate of 25% of the assessable profits of the PRC subsidiaries of the Group as determined in accordance with the Corporate Income Tax Law of the PRC and the respective regulations except for the following subsidiaries:

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

Certain subsidiaries was eligible as a small low-profit enterprise and entitled to a tax relief policy. The portion of annual taxable income amount of a small low-profit enterprise, which does not exceed RMB3 million, shall be computed at a reduced rate of 25% as taxable income amount, and be subject to enterprise income tax at 20% tax rate.

(b) Reconciliation between tax expense and accounting loss at applicable tax rates:

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

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

8 LOSS PER SHARE

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

Weighted average number of ordinary shares

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

Diluted loss per share

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

9 FINANCIAL ASSETS MEASURED AT FVPL

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

10 INVENTORIES

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

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

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

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

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

11 TRADE AND OTHER RECEIVABLES

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

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

Ageing analysis:

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

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

Trade debtors are generally due within 120 days from the date of billing.

12 TRADE AND OTHER PAYABLES

	2024	2023
	RMB'000	*RMB'000*
Total trade and bills payables *(ii)*	**348,627**	292,944
Staff cost payables	**32,439**	53,829
Other tax payables	**12,842**	20,480
Deposits	**1,962**	1,444
Other payables and accrued charges	**61,627**	71,754
	457,497	440,451

Notes:

(i) All of the trade and other payables are expected to be settled or recognized as income within one year or are repayable on demand.

(ii) As at year end of the reporting period, the ageing analysis of total trade and bills payables (which are included in trade and other payables), based on the invoice date, is as follows:

	2024	2023
	RMB'000	*RMB'000*
Within 1 month	**154,351**	181,163
1 to 3 months	**133,623**	110,683
Over 3 months but within 6 months	**60,485**	842
Over 6 months but within 1 year	**11**	169
Over 1 year but within 2 years	**157**	87
	348,627	292,944

13 PREFERRED SHARES

Since the date of incorporation, the Company has completed several rounds of financing arrangements by issuing Preferred Shares.

The movements of the financial liabilities arising from the Preferred Shares during the years ended December 31, 2024 and 2023 are as follows:

	Present value of redemption amount
	RMB'000
At January 1, 2023	1,737,882
Changes in the carrying amount of Preferred Shares *(note 6(a))*:	
– Changes in present value of redemption amount	143,176
– Exchange differences	30,463
At December 31, 2023	1,911,521
Changes in the carrying amount of Preferred Shares *(note 6(a))*:	
– Changes in present value of redemption amount	74,923
– Exchange differences	13,542
– Conversion of Preferred Shares	(1,999,986)
At December 31, 2024 *(note)*	–

Note: All of the Preferred Shares were automatically converted into ordinary shares on a one to one ratio upon the Listing on July 9, 2024 and the carrying amount of the Preferred Shares was transferred to share capital and share premium.

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

At December 31, 2024, the details of the changes in the issued ordinary shares of the Company was as follows:

	Number of ordinary shares	**Nominal value of ordinary shares** *USD'000*	**Nominal value of ordinary shares** *RMB'000*
Ordinary shares, Issued			
At January 1, 2023, December 31, 2023, and January 1, 2024	617,562,340	12	86
Issued during the year *(note)*	151,042,178	3	21
Conversion of Preferred Shares *(note 13)*	571,662,939	11	82
At December 31,2024	1,340,267,457	26	189

Note: In May 2024, the Company allotted and issued 127,242,178 Class A Ordinary Shares of par value of USD0.00002 each to the platforms for RSU Incentive Plan.

On July 9, 2024, the Company completed its Listing on the Stock Exchange, the Company issued 23,800,000 shares.

(c) Dividends

The directors of the Company did not propose any declaration of dividend for the years ended December 31, 2024 and 2023.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (investors.jianke.com).

The annual report of the Company for the year ended December 31, 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.

APPRECIATION

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

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

"Audit Committee"	the audit committee of the Board
"Auditor"	KPMG, an independent auditor of our Company
"Board"	the board of Directors of the 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", "Mainland China" or "PRC"	the People's Republic of China and, except where the context requires, references in this announcement to the PRC or Mainland China excluding Hong Kong, China; Macau, China; and Taiwan, China
"Class A Ordinary Share(s)"	class A ordinary share(s) in the share capital of our Company with a par value of US$0.00002 each, conferring a holder of a Class A Ordinary Share one vote per share on any resolution tabled at our Company's general meeting

"Class B Ordinary Share(s)"	class B ordinary share(s) in the share capital of our Company with a par value of US$0.00002 each, conferring weighted voting rights in our Company such that a holder of a Class B Ordinary Share is entitled to twenty votes per share on any resolution tabled at our Company's general meeting
"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
"Consolidated Affiliated Entities"	the entities we control through the contractual arrangements, namely Fangzhou Yunkang and its subsidiaries
"Corporate Governance Code"	Corporate Governance Code as set out in Appendix C1 to the Listing Rules
"Director(s)"	the director(s) of our Company
"Global Offering"	has the meaning ascribed thereto in the Prospectus
"GMV"	gross merchandise volume, the total value of all orders placed, regardless of whether the services or products are performed or delivered or whether the products are returned
"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$" or "HK dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Jianke Platform"	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
"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 share(s) in the share capital of our Company with a par value of US$0.00002 each, including the series A preferred shares, series A-1 preferred shares, series B preferred shares, series C preferred shares, series D preferred shares and series D+ preferred shares
"Prospectus"	the prospectus issued by our Company on June 28, 2024
"Reporting Period"	the year ended December 31, 2024
"RMB"	Renminbi, the lawful currency of the PRC
"RSU"	the restricted share unit
"RSU Scheme"	the restricted share unit scheme adopted by our Company on January 1, 2020
"Share(s)" or "Ordinary Share(s)"	ordinary shares in the share capital of our Company with a par value of US$0.00002 each
"Shareholder(s)"	holder(s) of our Share(s)
"SKU"	stock keeping unit
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary" or "subsidiaries"	has the meaning ascribed to it in section 15 of the Companies Ordinance (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, March 21, 2025

As of the date of this announcement, the Board comprises Mr. XIE Fangmin as the Chairman and Executive Director, 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.