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Sipai Health Technology Co., Ltd. 思派健康科技有限公司

(A company incorporated in the Cayman Islands with limited liability)
(Stock Code: 0314)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2024

FINANCIAL HIGHLIGHTS

	Year ended December 31,		Year-on-year change (%)
	2024 RMB'000	2023 RMB'000	
Total Revenue	4,565,434	4,712,107	-3.1
Health Insurance Services Business	192,958	162,246	18.9
– Enterprise Health Insurance	68,718	49,216	39.6
– Hui Min Insurance	124,240	113,030	9.9
Physician Research Assistance Business	397,610	361,781	9.9
Specialty Pharmacy Business	3,974,866	4,188,080	-5.1
Total Gross Profit	386,433	414,698	-6.8
Health Insurance Services Business	122,271	104,123	17.4
Physician Research Assistance Business	121,519	114,617	6.0
Specialty Pharmacy Business	142,643	195,958	-27.2
Gross Margin	8.5%	8.8%	
Operating Loss¹	(238,146)	(271,357)	-12.2

FINANCIAL HIGHLIGHTS

	Year ended December 31,		Year-on-year change (%)
	2024 RMB'000	2023 RMB'000	
Normalized Net Loss ²	(127,076)	(144,107)	-11.8
IFRS Net Loss	(361,832)	(246,707)	46.7
Cash and Selected Financial Assets ³	1,191,944	1,452,315	-17.9

Notes:

1. The operating loss is calculated as IFRS gross profit deducting selling and marketing expenses, administrative expenses and research and development expenses.
2. The normalized net loss is calculated as IFRS net loss deducting non-recurring and non-operational items that we believe do not reflect the ongoing operating performance. Such items mainly includes (i) share-based payment compensation; (ii) non-recurring government grant; (iii) impairment loss of licenses and goodwill; (iv) loss from the restructuring of the specialty pharmacy business; (v) individually assessed credit loss for receivables due from national social medical insurance fund; (vi) provision of potential administrative penalty; and (vii) impact from refunding and potential refunding in relation to national basic medical insurance scheme. For detailed elaboration and reconciliation, please refer to the subsection headed “Normalized Net Loss” on pages 15-16 of this annual results announcement.
3. Cash and selected financial assets include cash and cash equivalents, time deposits over three months, pledged deposits, and wealth management products which are presented in financial assets at fair value through profit or loss (“FVTPL”) in financial statement.

The Board is pleased to announce the audited consolidated results of the Group for the Reporting Period. The content of this annual results announcement has been prepared in accordance with applicable disclosure requirements under the Listing Rules in relation to preliminary announcements of annual results which is prepared in accordance with the IFRS issued by the IASB, and audited by Ernst & Young, the auditor of the Company. Such annual results have also been reviewed and confirmed by the Board and the Audit Committee. Unless otherwise stated, the financial data of the Company are presented in RMB.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

The Company is committed to establishing China’s leading commercial healthcare payment system and service network for China’s working population and their families through its unique “health insurance + healthcare management” one-stop service model.

By leveraging our professional healthcare resource management capability, robust technology platform, and operation capability reinforced by data & AI, we connect patients, doctors, healthcare institutions, pharmaceutical companies and payers within China’s healthcare system to create an industry ecosystem that generates shared value.

We anchor development in the health insurance services business (the “**Health Insurance Services**”) ^{Note} supported by healthcare service network and pharmaceutical supply chain network built through physician research assistance (the “**Physician Research Assistance**”) business and the specialty pharmacy business (the “**Specialty Pharmacy Business**”). This unique model has equipped us with the capability to deliver healthcare services to our health insurance clients and has given us a competitive edge over traditional players.

Our Health Insurance Services business provides clients with a one-stop healthcare solution, which provides employers, their employees, and their families more comprehensive and advanced healthcare payment method, as well as flexible and high-quality health management and healthcare services.

Compared to peers in health insurance industry, our key advantage is to integrate exceptional healthcare service expertise and data capabilities into our insurance solutions, and realise a one-stop “pharmaceutical-healthcare insurance” service model. Based on our extensive data and big data model, we tailor the optimal health insurance and healthcare service solutions for corporate clients. Such solutions offer full-process service support from design, delivery to claims. Additionally, backed by robust healthcare service provider network and the Specialty Pharmacy Business, we offer members high-quality health management services that cater every need, such as preventive healthcare, customized premium drug and specialty drug (including innovative medicine) catalogs, corporate medical room services, GP service, specialist referral, online hospital and overseas healthcare network, which effectively addresses numerous pain points faced by corporate clients. With our strengths in data analysis and actuarial capabilities, we have collaborated with multiple major insurance companies to jointly develop differentiated and competitive health insurance plans. As of the end of 2024, we provided professional services to 476 leading enterprises across various industries nationwide. Such services covered over 1.1 million members, and the renewal rate reached approximately 103.5%, which demonstrated that our clients recognized and trusted in our business capabilities and values.

Note: the Chinese name of Health Insurance Services has been changed from “健康保險業務” to “商業醫療保險業務” mainly due to market practice in China. The business substance remains unchanged.

Our Physician Research Assistance business is mainly engaged in SMO business, which supports pharmaceutical companies in their drug research and development process across all phases of clinical trials. It also provides our Health Insurance Services business with a national network of specialized hospitals and healthcare experts. As of December 31, 2024, we had completed 914 SMO projects and 807 SMO projects were ongoing. Through our excellent professional services, we are favored by doctors and leading pharmaceutical companies both at home and abroad, including all of the top ten listed pharmaceutical companies in China that engage in research and development of innovative drugs. During the Reporting Period, we achieved a 100% client retention rate with respect to our top ten SMO clients.

Our Specialty Pharmacy Business provides specialty pharmacies and value-added professional pharmacist services, and focuses on innovative medicines for the treatment of oncology and other critical illnesses. At the same time, it provides a better pharmaceutical supply chain network for health insurance services to meet their development needs. As of December 31, 2024, we operated 53 specialty pharmacies across mainland China, covering major provincial capitals and economically developed areas. Our specialty pharmacies also collaborated with payers to establish direct payment mechanisms with the social health insurance system and major insurance companies, offering diverse payment solutions to patients.

BUSINESS REVIEW

In 2024, guided by the objectives of the 14th Five-Year Plan, the construction of China's multi-level health security system is being accelerated. As a crucial part of a multi-level health security system, health insurance has constantly attracted higher attention and emphasis from the government and all sectors of society. The government is actively working on providing policy support to create more favorable conditions for the expansion and high-quality development of health insurance. Against this backdrop, health insurance is gradually evolving into an important undertaker alongside China's basic health insurance, and this trend has become inevitable.

Since 2019, the Company has been continuously exploring and conducting business in the field of health insurance. Relying on its unique data platform, abundant healthcare resources, and professional healthcare service capabilities, the Company has gradually established remarkable and differentiated competitive advantages, which provides momentum to the rapid growth of its business. Amid the favorable shifts in the current industry landscape, the Company is profoundly aware of the unprecedented development opportunities and believes that the time is ripe to step into the next stage.

To this end, the Company has decided to leverage its data and AI capabilities and comprehensively and strategically upgrade itself to become a leading commercial healthcare payment system and service platform, in a view to accelerate the achieving profitability through scaling.

To achieve this goal, the Company has made adjustment on its strategies in response to the development needs of the Health Insurance Services business in a comprehensive manner. On the one hand, it has concentrated its resources to promote the scale growth of health insurance business; on the other hand, it has been committed on building two major support networks, namely the healthcare service network and the medicine supply chain network, to continuously enhance the healthcare service delivery capability of the health insurance business. This strategic initiative aims to create an ecosystem that deeply integrates health insurance and healthcare management, and provide customers with more comprehensive and efficient healthcare services.

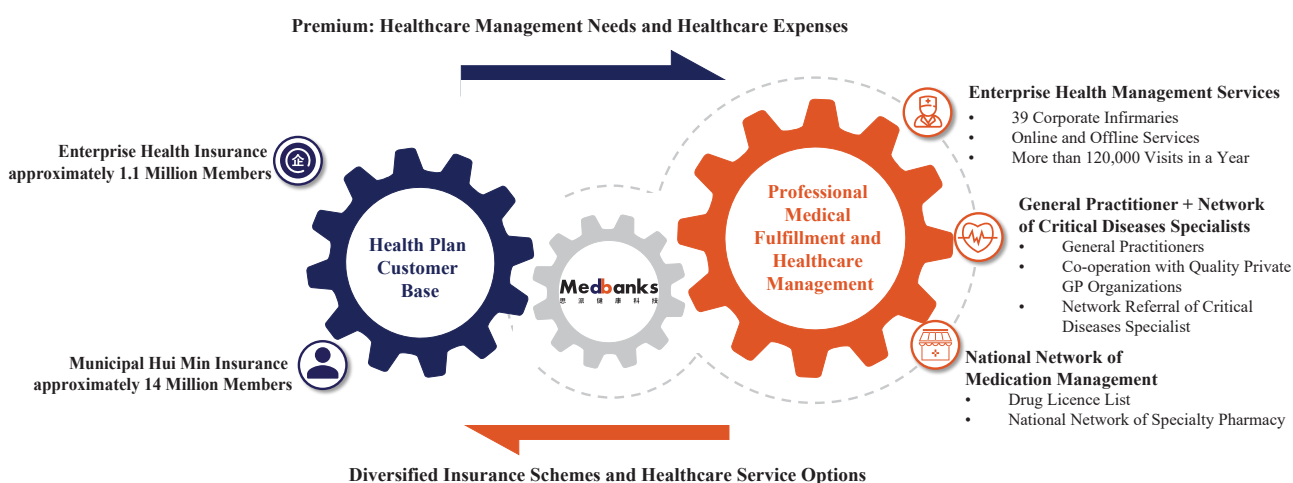
The management has decided, after profound study, to reorganize its resources and organizational structure to restructure and upgrade the Specialty Pharmacy Business and the Hui Min Insurance business segment (one of health plan solutions offered by us under the Health Insurance Services business), in order to further enhance business synergies and operation efficiency. The Company has initiated the restructuring process of the Specialty Pharmacy Business at the end of 2024, aiming to strengthen the drug management capability of the pharmacy business that supports the health insurance business, optimize the store layout and accelerate the turnaround of losses. The restructuring of the Specialty Pharmacy Business will continue during the year of 2025. At the same time, the Company plans to commence the restructuring of the Hui Min Insurance business in the year of 2025, with a focus on optimizing the operational efficiency and profitability of projects, giving full play to the synergies between the Hui Min Insurance business and the Health Insurance Services business, and further enhancing the overall competitiveness of the business.

Meanwhile, the Company persistently promotes overall operation efficiency. By utilizing digital infrastructure and artificial intelligence tools to facilitate organizational and process optimization, we pursue better profitability and strengthened competitiveness in an all-round way, thereby laying a solid foundation for the Company’s long-term business development in the future.

During the Reporting Period, the Company achieved the following key results in implementing its core development strategies:

1. Constantly refine the “dual-drivers” model to realize an one-stop “healthcare insurance” service ecosystem

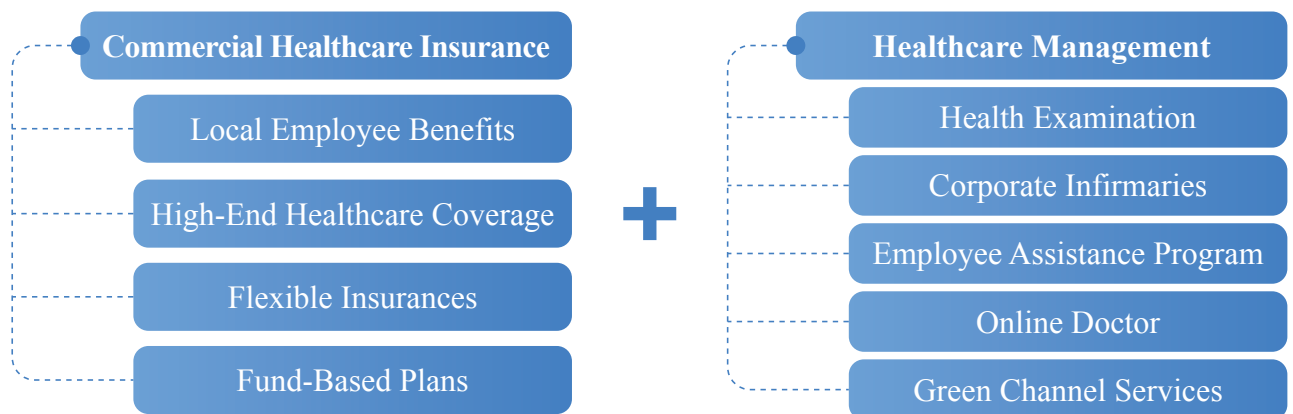
Since 2019, the Company has strategically expanded its health insurance business. Through the organic development of our businesses, we initially established a “dual-drivers” system featured with “health insurance + healthcare management”. This model underwent further refinement in 2024. Through our industry expertise and data analysis, we are able to deeply analyze the core needs of corporate employees in health management and healthcare service. By delivering customized integrated solutions for health insurance and healthcare services, we have realized a true “healthcare insurance” one-stop service system.



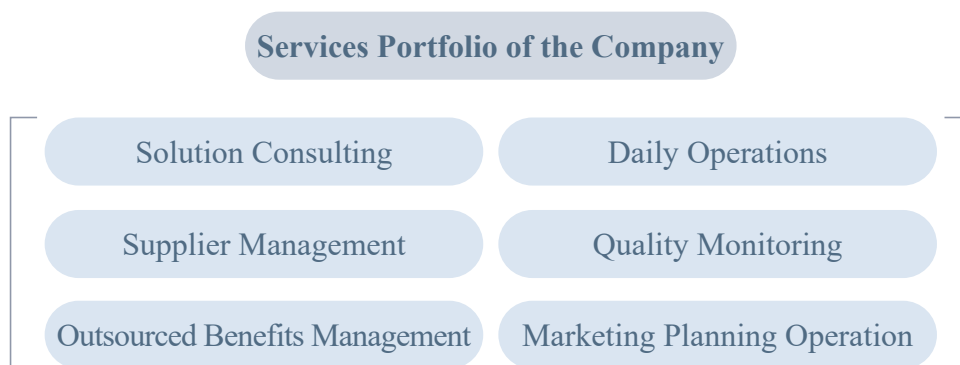
Note: the above operating data is as of December 31, 2024

Through full integration of cross-sector healthcare resources within the group ecosystem, we have transcended traditional health insurance boundaries, evolving into an ecological chain nexus that bridges payers, providers, and products. By leveraging our robust healthcare provider network and pharmaceutical management capabilities, we are able to offer our members high quality healthcare management solutions that cater to every need, including preventive care, licensed drugs list development, corporate clinic services, general practitioner services, specialist referrals, telemedicine platforms, and overseas healthcare networks, effectively addressing critical challenges faced by corporate clients.

Major items of a typical integrated solution for healthcare insurance and healthcare management are illustrated as below:



Major services portfolio of the Company are illustrated as below:



Through our professional consulting and services, we are able to assist enterprises, employees, and insurers to achieve better healthcare expenditure management by proactively prioritizing preventive health management and value-based healthcare, thereby forging a multi-stakeholder win-win ecosystem.

For employees of our corporate customers, we deliver comprehensive health management services and general healthcare support to precisely address their healthcare management needs, significantly enhancing their health protection standards. For corporate employers, our solutions effectively assist them to control insurance premium costs while reducing time spent by employees on external healthcare service and minimizing the rate of labor loss, thereby improving overall operational efficiency and strengthening employees' perception of and satisfaction with corporate welfare. For insurers, our effective health management reduces their healthcare expenses and unnecessary healthcare behaviors, which optimizes claim processing costs, thereby forging a multi-stakeholder win-win situation.

As of the end of 2024, we provided professional services to 476 leading enterprises across various industries nationwide, covering over 1.1 million employees and their families, representing an increase of approximately 45% as compared to the end of 2023. Throughout 2024, we operated 39 corporate infirmaries across the country, with over 120,000 employees visit, representing a more than threefold increase as compared to the year of 2023. While continuously expanding the scale of our services, the premium renewal rate reached to approximately 103.5% in 2024, demonstrating the recognition of our service value and quality by enterprises and further consolidating our leading position in the industry.

2. Restructure and upgrade the Specialty Pharmacy Business: focus on the development needs of health insurance to accelerate the turning of losses into profits

Starting from the second half of 2023, the management decided to streamline the medication distribution business under the Specialty Pharmacy Business, as such business is no longer in line with the Company's long-term development strategies designed based on the "health insurance + healthcare management" model. Such initiative enabled us to focus more on enhancing and optimizing the core business and improve working capital efficiency. As a result, revenue generated from medication distribution business for the financial year 2024 declined by approximately 58.4% to approximately RMB161.8 million, accounting for only approximately 3.5% of the Group's consolidated revenue generated during the Reporting Period. The core business of the Company, namely the Health Insurance Services, the Physician Research Assistance and the Specialty Pharmacy Business (excluding medication distribution business) generated revenue of approximately RMB4,403.7 million in aggregate during the Reporting Period, representing an increase of approximately 1.9% as compared to the year of 2023.

To further implement the "health insurance+ healthcare management" strategy, the Company launched a restructuring and upgrading plan for the Specialty Pharmacy Business in 2024. The aim of this restructuring is to build a healthcare service support network that caters to more needs to assume the pharmaceutical supply chain service function within the commercial insurance business and enhance drug management capabilities, so as to accelerate the turning of losses into profits. To achieve this, we actively implemented several initiatives. On one hand, we optimized the strategic layout of offline pharmacies by focusing on areas with significant growth potential in the health insurance market, which covered provincial capitals and economically developed cities, to promote the service geographical coverage and capacity of each store. On the other hand, we accelerated

digital transformation by leveraging AI tools and our data capacity, so as to achieve better operation efficiency and refined Medication Management. As of December 31, 2024, the Company operated 53 specialty pharmacies in 40 cities across mainland China, all of which are provincial capitals and economic hub cities. The Company will continue this restructuring project in the first half of 2025. As of the date of this annual results announcement, this restructuring project was proceeded in line with the plan. For the financial impact of this restructuring plan in the financial year 2024, please refer to the section “ Financial Review – Restructuring Cost” on page 14 of this annual results announcement.

3. Research and Develop Technologies as well as Explore the Application of AI

Technology and R&D capabilities are core to our business. We have developed our technology and digital infrastructure to enhance our operations and services. By leveraging our expertise and statistics accumulated from daily operations, our technology and digital infrastructures effectively support our Specialty Pharmacy Business, Physician Research Assistance and Health Insurance Services business, as well as build contacts among various business segments to provide holistic insights into the dynamics of the healthcare industry across products, providers and payers.

We dedicate significant time, attention, and resources to improving our technology and digital infrastructure. Therefore, we can strengthen our data processing and analysis capabilities, and develop new solutions that complement existing ones, aiming to explore better ways to serve our members, patients, doctors, pharmaceutical companies, and insurance companies. Our R&D personnel primarily consists of data engineers, data scientists, software engineers, technology infrastructure architects, health management specialists and actuaries.

We are actively exploring the application of AI tools in R&D and technology. Currently, we have gained access to the DeepSeek R1 671B large model through Tencent Cloud’s LLM knowledge engine. This marks a significant milestone in our efforts to apply AI in commercial health insurance and the healthcare sector, positioning us as a leader in the innovative transformation of industry service models.

BUSINESS OUTLOOK

In 2025, the Company will continue to advance the restructuring of its pharmacy and the Hui Min Insurance business. We target to complete the establishment of a pharmaceutical supply chain support network for commercial health insurance services, and accelerate the expansion and penetration of its commercial health insurance business. Meanwhile, the Group aims to achieve an overall turnaround from loss to profit through adjusting the structure of business segments, optimizing layouts, and implementing multiple measures to enhance quality and efficiency.

Looking at the medium to long term, as China accelerates the construction of a multi-tiered healthcare security system, more encouraging and supportive policies are expected to be introduced to safeguard the industry's development. The commercial insurance market and healthcare service system in China are expected to gradually mature, presenting vast development opportunities for the Company's health insurance business.

As a pioneer in the "health insurance + healthcare management" model, the Company is committed to providing high-quality solutions for the diverse healthcare needs of the general public. Moving forward, the Company will continue to optimize its strategic layout by focusing on the following directions to build a more sophisticated industry ecosystem:

1. Further advance the integration of "insurance + healthcare" to create a one-stop health management platform

Product innovation: the Company plans to develop more insurance products that are deeply integrated with health management services. For example, the Company will customize insurance and health management plans for those who require chronic disease management or suffer from sub-healthy conditions, to meet the diversified needs of customers.

Service upgrade: the Company plans to integrate online and offline healthcare resources to provide insurance members with a full-process service ranging from health consultation, disease prevention, diagnosis and treatment to rehabilitation management, so as to enhance the service experience and value.

Data utilization: the Company plans to utilize big data and artificial intelligence technologies to build user health profiles, and achieve accurate risk assessment, personalized health management and intelligent insurance services.

2. Strengthen the pharmaceutical supply chain network and enhance the pharmaceutical management capabilities to build an online-offline integrated pharmaceutical service system

Continuously optimize business layout: the Company will focus on core cities and regions to improve the service capabilities and accessibility of the pharmaceutical supply chain.

Enhance professional services: the Company will strengthen the construction of the pharmacist team to provide professional medication guidance and health consultation services.

Explore new business models: the Company will actively explore new business models such as online health consultations and doorstep medicine delivery, to build an integrated pharmaceutical service system that combines online and offline channels.

3. Strengthen the application of technology to improve operation efficiency and service quality

Digital transformation: the Company will continuously promote the digital and intelligent upgrading of business processes to improve operation efficiency and reduce costs.

Data platform construction: the Company plans to build a unified data platform to achieve data interconnection and provide data support for making business decision.

Artificial intelligence application: the Company will explore the application of artificial intelligence technology in fields such as disease prediction, health management, and insurance claims settlement to improve service efficiency and accuracy.

4. Build an industry ecosystem and create value together with partners

Deeply cooperate with insurance companies: the Company plans to jointly develop innovative insurance products and share customer resources to achieve mutual benefit and win-win results with insurance companies.

Closely cooperate with healthcare institutions: the Company plans to collaborate with high-quality commercial healthcare institutions to provide insurance members with better and more convenient healthcare services such as referrals and online health consultations.

Cooperate with leading pharmaceutical companies at home and abroad: the Company plans to share patient data analysis to achieve precise promotion of drugs. It will also cooperate with pharmaceutical companies to explore the supply chain service system for innovative drugs, with an aim to provide patient with better access and innovative payment solutions.

Jointly seek innovation with technology companies: the Company will explore the application of technologies such as artificial intelligence and big data in the healthcare field, with an aim to promote the digital transformation of the industry.

In conclusion, the Company will continue to adhere to its “customer-centric” philosophy. Driven by technology and connected through collaborations, the Company is committed to creating a China’s leading one-stop health insurance + healthcare management platform, thus to provide the best healthcare for China’s working population and their families.

FINANCIAL REVIEW

Overview

The following discussion is based on, and should be read in conjunction with, the financial information and the notes included elsewhere in this annual results announcement.

Revenue

During the Reporting Period, the Group realized robust growth in revenue generated from Health Insurance Services business, strong uptrend of Physician Research Assistance and a decline in Specialty Pharmacy Business. The movement in revenue reflected the strategic shift of the Group to further focus and propel its Health Insurance Services business. The following table sets forth a breakdown of revenue by segments and year-on-year growth:

Revenue	2024 RMB'000	2023 RMB'000	Year-on-year Change RMB'000	Year-on-year Change %
Health Insurance Services Business	192,958	162,246	30,712	18.9
Physician Research Assistance Business	397,610	361,781	35,829	9.9
Specialty Pharmacy Business	3,974,866	4,188,080	(213,214)	-5.1
Total	<u>4,565,434</u>	<u>4,712,107</u>	<u>(146,673)</u>	<u>-3.1</u>

Health Insurance Services

Revenue generated from Health Insurance Services business increased by approximately 18.9% from approximately RMB162.2 million in 2023 to approximately RMB193.0 million in 2024. Meanwhile, revenue generated from enterprise health insurance business segment under the Health Insurance Services business upsoared by approximately 39.6% to approximately RMB68.7 million in 2024, mainly attributable to the vigorous growth in the number of customers and members insured thanks to our competitive edge in healthcare management capabilities and successful implementation of business development plans.

Physician Research Assistance

Revenue generated from Physician Research Assistance business increased by approximately 9.9% from approximately RMB361.8 million in 2023 to approximately RMB397.6 million in 2024.

Specialty Pharmacy Business

Revenue generated from Specialty Pharmacy Business decreased by approximately 5.1% from approximately RMB4,188.1 million in 2023 to approximately RMB3,974.9 million in 2024, which was mainly attributable to the strategic streamlining of medication distribution business.

Cost of Sales

Cost of sales	2024	2023	Year-on-year	Year-on-year
	RMB'000	RMB'000	Change	Change
			RMB'000	%
Health Insurance Services Business	70,687	58,123	12,564	21.6
Physician Research Assistance Business	276,091	247,164	28,927	11.7
Specialty Pharmacy Business	3,832,223	3,992,122	(159,899)	-4.0
Total	4,179,001	4,297,409	(118,408)	-2.8

Cost of sales decreased by approximately 2.8% from approximately RMB4,297.4 million in 2023 to approximately RMB4,179.0 million in 2024, which was primarily due to the decrease in procurement cost for medicines relating to the streamlined medication distribution business.

Gross Profit and Gross Margin

Gross Profit and Gross Margin	2024		2023	
	Gross Profit	Gross Margin	Gross Profit	Gross Margin
	RMB'000	%	RMB'000	%
Health Insurance Services Business	122,271	63.4	104,123	64.2
Physician Research Assistance Business	121,519	30.6	114,617	31.7
Specialty Pharmacy Business	142,643	3.6	195,958	4.7
Total	386,433	8.5	414,698	8.8

During the Reporting Period, the Health Insurance Services business exemplified remarkable increase of approximately 17.4% in the gross profit, and maintained a generous gross margin of approximately 63.4%. Total gross profit in 2023 and 2024 were approximately RMB414.7 million and RMB386.4 million, respectively, representing a year-on-year decrease of approximately 6.8%. Gross margin showed a slight decrease from approximately 8.8% in 2023 to approximately 8.5% in 2024 mainly due to the decline in gross margin from Specialty Pharmacy Business.

Other Income and Gains

Other income and gains consist primarily of government grants, interest income, gains on financial assets at FVTPL.

Other income and gains decreased by approximately 51.0% from approximately RMB76.5 million in 2023 to approximately RMB37.5 million in 2024, which was primarily due to decrease in the government grants and interest income.

Selling and Marketing Expenses

Selling and marketing expenses consist primarily of staff costs, marketing and promotion fees, depreciation and amortization expenses, travel and business related expense and others.

Selling and marketing expenses decreased by approximately 4.8% from approximately RMB292.3 million in 2023 to approximately RMB278.4 million in 2024, mainly resulting from the efficiency improvement initiatives related to Specialty Pharmacy Business and Health Insurance Services business.

Administrative Expenses

Administrative expenses consist primarily of staff costs, consulting and service fees, travel and business related expense, depreciation and amortization expenses and others.

Administrative expenses decreased by approximately 6.8% from approximately RMB347.8 million in 2023 to approximately RMB324.0 million in 2024, mainly resulting from the organizational optimization and improvement of the administrative efficiency.

Research and Development Expenses

Research and development expenses primarily consist of staff costs and outsourcing cost and others. Research and development expenses decreased by approximately 51.4% from approximately RMB45.9 million in 2023 to approximately RMB22.3 million in 2024, mainly due to the corresponding optimization in research and development as the upfront research and development investment has been paid off.

Restructuring Cost

Restructuring cost of approximately RMB22.3 million was primarily arose from the Specialty Pharmacy Business strategic transformation, including (1) employee optimization severance cost of approximately RMB10.5 million; (2) impairment losses of licenses of approximately RMB8.4 million; and (3) losses on other assets of approximately RMB3.4 million, including disposal of property, plant and equipment, termination of lease etc.

Other expenses

Other expenses increased by approximately RMB62.3 million to approximately RMB99.2 million in 2024, primarily due to (1) increase in impairment losses on goodwill from previous pharmacy acquisition; (2) increase in impairment losses of other intangible assets which were mainly licenses acquired through previous pharmacy acquisition; and (3) increase in the provision, which pertains to an administrative investigation in connection with national basic health insurance schemes that occurred in 2024. The Company is in seek of review of the case as at the date of this annual results announcement.

Income Tax

Income tax expense increased by approximately 20.0% from approximately RMB1.0 million in 2023 to approximately RMB1.2 million in 2024.

Normalized Net Loss

To supplement the Group's consolidated financial statements, which are presented in accordance with IFRSs, we also use normalized net loss, in conjunction with non-IFRS measure, as an additional financial measure, which is not required by, or presented in accordance with, IFRSs. While the Company is going through a strategic shift in business focus, we believe normalized net loss better reflects the Company's ongoing operational results and facilitates comparisons of company to company by eliminating potential impacts of non-recurring items and non-operational items. Our presentation of the normalized net loss should not be construed as an implication that our future results will be unaffected by unusual or nonrecurring items.

We believe normalized net loss provides useful information to investors and others in understanding and evaluating our combined results of operations in the same manner as it helps our management. However, our presentation of normalized net loss may not be comparable to similarly titled measures presented by other companies. The use of normalized net loss has limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for an analysis of, our results of operations or financial condition as reported under IFRSs.

The following table sets forth the reconciliations of our non-IFRS financial measures and normalized net loss for the period presented to the nearest measures prepared in accordance with IFRS, which is loss for the period indicated:

	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Normalized net loss:		
Loss for the year	(361,832)	(246,707)
<i>Add</i>		
Share-based payment compensation	67,624	96,612
Including: Selling and marketing expenses	4,405	4,647
Administrative expenses	62,492	90,919
Research and development expenses	727	1,046
Restructuring cost	22,295	–
Adjusted loss (non-IFRS measure) for the year	(271,913)	(150,095)
<i>Add/(deduct)</i>		
Government grants	(2,943)	(25,326)
Impairment losses on goodwill	34,098	31,281
Impairment losses of other intangible assets	5,026	–
Individually assessed credit loss for receivables due from national social medical insurance fund	17,348	–
Impact from refunding and potential refunding in relation to national basic medical insurance scheme	46,923	33
Provision for potential administrative penalty	44,385	–
Normalized net loss for the year	(127,076)	(144,107)

Capital Management

During the Reporting Period, we primarily funded working capital requirements through capital contributions from our shareholders including net proceeds from the Global Offering. We monitor and maintain a level of cash and cash equivalents deemed adequate to finance our operations and mitigate the effects of fluctuations in cash flows. Net cash used in operating activities was approximately RMB59.4 million in 2024.

Liquidity, Financial Resources and Gearing Ratio

As of December 31, 2024, we recorded net current assets of approximately RMB943.5 million. As at December 31, 2024, the gearing ratio, calculated as total liabilities over total assets, was approximately 47.0%, as compared with approximately 42.1% as at December 31, 2023.

As our business develops and expands, we expect to generate net cash from operating activities, through the sales revenue of our future commercialized products. Going forward, we foresee our liquidity requirements will be satisfied by using funds from a combination of cash on hand and cash generated from operating activities. As of December 31, 2024, we had cash and selected financial assets of approximately RMB1,191.9 million.

Significant Investments, Material Acquisitions and Disposals

Subscription of Wealth Management Products from China Construction Bank

Sipai Healthcare Investment Co., Ltd. (思派健康產業投資有限公司) (“**Sipai Healthcare Investment**”), a wholly-owned subsidiary of the Company, subscribed for two wealth management products each with a principle amount of RMB100 million from China Construction Bank on April 16, 2024 and April 24, 2024 respectively, for treasury management purpose.

Bixun (Guangdong) Medical Technology Co., Ltd. (比遜(廣東)醫療科技有限公司) (“**Bixun Guangdong**”), a wholly-owned subsidiary of the Company subscribed for a wealth management product with a principle amount of RMB100 million from China Construction Bank on July 2, 2024 for treasury management purpose.

As of December 31, 2024, the Group had wealth management products from the China Construction Bank with a fair value of approximately RMB304.6 million, which accounted for approximately 13.4% of the total assets of the Group. The fair value gain from such wealth management products during the Reporting Period was approximately RMB4.6 million. As of December 31, 2024, the aggregate outstanding principal amount of the wealth management products subscribed from China Construction Bank was RMB300.0 million.

On January 22, 2025, each of Sipai Healthcare Investment and Bixun Guangdong redeemed the wealth management products for an amount of RMB200 million and RMB100 million, respectively.

For details of the above subscription of wealth management products, please refer to the announcements of the Company dated April 24, 2024, July 2, 2024 and January 23, 2025.

Save as disclosed above, during the Reporting Period, there were no significant investments, and material acquisitions and disposals of subsidiaries, associates and joint ventures by the Group.

Capital Expenditure

Principal capital expenditures relate primarily to the purchase of office equipment, softwares as well as leasehold improvements. The following table sets forth capital expenditures for the periods indicated:

	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Purchases of property, plant and equipment	8,464	5,361
Purchases of other intangible assets	<u>2,240</u>	<u>388</u>
Total	<u><u>10,704</u></u>	<u><u>5,749</u></u>

Currency Risk

During the Reporting Period, the Group mainly operated in China and a majority of its transactions were settled in Renminbi, the functional currency of the Company's primary subsidiaries. The Group is exposed to foreign currency risk as a result of certain cash and bank balances denominated in non-functional currency. We currently do not have a foreign currency hedging policy. However, our management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Pledge of Assets

The pledged deposits pledged by the Group for letters of credit and bills payable decreased from approximately RMB147.12 million as of December 31, 2023 to approximately RMB105.44 million as of December 31, 2024.

Contingent Liabilities

The Group had no material contingent liabilities as at December 31, 2024.

Employees and Remuneration Policies

As of December 31, 2024, we had a total of 3,247 employees, an increase of 151 employees as compared to December 31, 2023, primarily due to the business expansion in our Physician Assistance Service business and Health Insurance Services business. Most of them are stationed in China. We recruit employees based on a number of factors, including work experience, educational background and the requirements of a relevant vacancy. We assess our employees based on their performance to determine their salary, promotion and career development.

We enter into standard employment agreements and confidentiality agreements or clauses with all of our employees. We also enter into non-compete agreements with senior management and core personnel. These agreements include a standard non-compete covenant that prohibits such employee from competing with us, directly or indirectly, during his or her employment and for a certain period after termination of his or her employment. We maintain a good working relationship with our employees, and we have not experienced any material labor disputes.

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

Future Investment Plans and Expected Funding

As of December 31, 2024, we did not have other plans for material investments and capital assets.

SUBSEQUENT EVENTS AFTER THE REPORTING PERIOD

Repurchase of Shares

Subsequent to the Reporting Period, the Company repurchased a total of 3,810,600 Shares with an aggregate consideration of approximately HK\$18,942,460 on the Stock Exchange and held as treasury Shares. Particulars of the Shares repurchased are as follows:

Month of Repurchase	No. of Shares Repurchased	Price Paid per Share		Aggregate Consideration <i>(HK\$)</i>
		Highest <i>(HK\$)</i>	Lowest <i>(HK\$)</i>	
January 2025	1,329,400	5.28	4.62	6,540,142
February 2025	2,481,200	5.14	4.67	12,402,318
Total	3,810,600			18,942,460

Subscription of Wealth Management Product from The Hongkong and Shanghai Banking Corporation (“HSBC”)

On February 24, 2025, the Company had subscribed for a wealth management product offered by HSBC with the principal amount of US\$49,500,000. As of the date of this annual results announcement, save as disclosed above, the aggregate amount of outstanding wealth management products subscribed from HSBC was US\$5,945,222.03. For details, please refer to the announcement of the Company dated February 24, 2025.

Save as disclosed above, as at the date of this annual results announcement, the Group has no significant events occurred after the Reporting Period that require additional disclosure or adjustments.

USE OF NET PROCEEDS FROM LISTING

The Shares of the Company commenced listing on the Main Board of the Stock Exchange on December 23, 2022 by way of Global Offering, and the total net proceeds (the “Net Proceeds”) received by the Company from the Global Offering amounted to approximately HK\$120.4 million after deducting professional fees, underwriting commissions and other related listing expenses.

The intended uses and the balance of the Net Proceeds as at December 31, 2024 are set out below:

	Percentage to total amount %	Net proceeds HK\$'000	Utilized amount during the year ended 31 December 2023 HK\$'000	Utilized amount during the Reporting Period HK\$'000	Utilized amount as at December 31, 2024 HK\$'000	Unutilized amount as at December 31, 2024 HK\$'000	Expected timeline for unutilized amount
(a) Business expansion:	87	104,800	41,939	62,861	104,800	–	–
(i) Further expansion of Specialty Pharmacy Business	35	42,200	15,813	26,387	42,200	–	–
(ii) Further expansion of Physician Research Assistance Business	28	33,700	15,122	18,578	33,700	–	–
(iii) Further expansion of Health Insurance Services business	24	28,900	11,004	17,896	28,900	–	–
(b) Technology research and development	13	15,600	4,367	11,233	15,600	–	–
(i) Improvement of the capability of system/ application development team	10	12,000	3,431	8,569	12,000	–	–
(ii) Further investment in research and development of improving technology infrastructure and new solutions	3	3,600	936	2,664	3,600	–	–

The Group has fully utilized the Net Proceeds raised from the Global Offering by the end of the Reporting Period in accordance with the planned schedule.

DIVIDEND

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

CLOSURE OF THE REGISTER OF MEMBERS

The Company will hold the AGM on Friday, June 20, 2025. The register of members of the Company will be closed from Tuesday, June 17, 2025 to Friday, June 20, 2025, both days inclusive, in order to determine the identity of the Shareholders who are entitled to attend the AGM, during which period no share transfers will be registered. To be eligible to attend the AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar in Hong Kong, MUFG Corporate Markets Pty Limited (formerly known as Link Market Services (Hong Kong) Pty Limited), at Suite 1601, 16/F, Central Tower, 28 Queen's Road Central, Hong Kong no later than 4:30 p.m. on Monday, June 16, 2025.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2024

	<i>Notes</i>	2024 RMB'000	2023 RMB'000
REVENUE	4	4,565,434	4,712,107
Cost of sales		<u>(4,179,001)</u>	<u>(4,297,409)</u>
Gross profit		386,433	414,698
Other income and gains		37,541	76,469
Selling and marketing expenses		(278,350)	(292,320)
Administrative expenses		(323,967)	(347,788)
Research and development expenses		(22,262)	(45,947)
Impairment losses on financial assets and contract assets under expected credit loss model (“ECL”), net		(35,299)	(9,965)
Other expenses	6	(99,186)	(36,912)
Restructuring cost	7	(22,295)	–
Finance costs		(3,069)	(3,489)
Share of profits and losses of an associate		<u>(187)</u>	<u>(412)</u>
LOSS BEFORE TAX	5	<u>(360,641)</u>	<u>(245,666)</u>
Income tax expense	8	(1,191)	(1,041)
LOSS FOR THE YEAR		<u>(361,832)</u>	<u>(246,707)</u>
Attributable to:			
Owners of the parent		(323,736)	(255,768)
Non-controlling interests		<u>(38,096)</u>	<u>9,061</u>
Total		<u>(361,832)</u>	<u>(246,707)</u>

	2024	2023
<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
OTHER COMPREHENSIVE INCOME/(EXPENSE)		
<i>Items that may be reclassified to profit or loss in subsequent periods:</i>		
Exchange differences on translation of foreign operations	1,624	(117)
<i>Items that will not be reclassified to profit or loss in subsequent periods:</i>		
Exchange differences on translation of the Company	<u>—</u>	<u>14,970</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR	<u>1,624</u>	<u>14,853</u>
TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR	<u>(360,208)</u>	<u>(231,854)</u>
Attributable to:		
Owners of the parent	(322,112)	(240,915)
Non-controlling interests	<u>(38,096)</u>	<u>9,061</u>
	<u>(360,208)</u>	<u>(231,854)</u>
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT		
	<i>10</i>	
Basic and diluted		
For loss for the year (RMB)	<u>(0.51)</u>	<u>(0.40)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2024

	<i>Notes</i>	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		10,301	13,495
Other intangible assets		27,337	48,191
Prepayments, other receivables and other assets		7,413	7,475
Right-of-use assets		47,440	67,611
Investments in an associate		8,326	8,513
Goodwill		16,555	50,653
Deferred tax assets		1,059	1,055
Time deposits		106,471	175,573
Financial assets at fair value through profit or loss ("FVTPL")-non current		<u>60,263</u>	<u>—</u>
Total non-current assets		<u>285,165</u>	<u>372,566</u>
CURRENT ASSETS			
Inventories	<i>11</i>	193,525	246,058
Contract cost		164	1,660
Trade and bills receivables	<i>12</i>	276,048	329,955
Contract assets		180,116	130,087
Prepayments, other receivables and other assets		154,621	150,516
Amounts due from related parties		1,755	7,701
Financial assets at fair value through profit or loss ("FVTPL")		571,518	478,348
Time deposits		95,336	155,854
Pledged deposits		105,439	147,115
Cash held on behalf of clients		148,688	299,755
Cash and cash equivalents		<u>252,917</u>	<u>495,425</u>
Total current assets		<u>1,980,127</u>	<u>2,442,474</u>
CURRENT LIABILITIES			
Trade and bills payables	<i>13</i>	412,803	464,269
Other payables and accruals		413,713	466,998
Bank and other borrowings		—	2,000
Amounts due to related parties		126	477
Contract liabilities		188,746	181,898
Lease liabilities		19,730	26,218
Income tax payable		<u>1,495</u>	<u>74</u>
Total current liabilities		<u>1,036,613</u>	<u>1,141,934</u>
NET CURRENT ASSETS		<u>943,514</u>	<u>1,300,540</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,228,679</u>	<u>1,673,106</u>

	<i>Notes</i>	2024 RMB'000	2023 RMB'000
NON-CURRENT LIABILITIES			
Lease liabilities		25,762	39,339
Deferred tax liabilities		1,331	2,616
		<hr/>	<hr/>
Total non-current liabilities		27,093	41,955
		<hr/>	<hr/>
Net assets		1,201,586	1,631,151
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Equity attributable to owners of the parent			
Share capital	<i>14</i>	518	516
Reserves		1,225,359	1,618,343
		<hr/>	<hr/>
Non-controlling interests		1,225,877	1,618,859
		(24,291)	12,292
		<hr/>	<hr/>
Total equity		1,201,586	1,631,151
		<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2024

1. CORPORATE INFORMATION

SIPAI HEALTH TECHNOLOGY CO., LTD. (the “**Company**”) is a limited liability company incorporated in the Cayman Islands (“**Cayman**”) under the laws of the Cayman Islands. The registered office of the Company is located at Floor 4, Willow House, Cricket Square, Grand Cayman KY1-9010, Cayman Islands.

During the year, the Company and its subsidiaries (together, the “**Group**”) were principally engaged in (i) the business of specialty pharmacy (the “**Specialty Pharmacy Business**”, including specialty pharmacy network and the provision of pharmacist service), (ii) the business of physician research assistance (the “**Physician Research Assistance Business**”, including the provision of site management organisation services and services for image management in clinical trials) and (iii) the provision of health insurance services (the “**Health Insurance Services Business**”, including health management services). The Group’s principal place of operations and geographical markets are in the People’s Republic of China (the “**PRC**”).

The Company was listed on the Main Board of the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on December 23, 2022. The company has no controlling shareholder.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards (“**IFRSs**”) (which include all IFRSs, International Accounting Standards (“**IASs**”) and Interpretations) issued by the International Accounting Standards Board (the “**IASB**”) and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss, convertible redeemable preferred shares and contingent consideration payables which have been measured at fair value. These financial statements are presented in Renminbi (“**RMB**”) and all values are rounded to the nearest thousand (RMB’000) except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended December 31, 2024. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

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

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

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

If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, any non-controlling interest and the exchange fluctuation reserve; and recognizes the fair value of any investment retained and any resulting surplus or deficit in profit or loss. The Group's share of components previously recognized in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

The amended IFRSs that are effective from January 1, 2024 did not have any significant impact on the Group's accounting policies.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

IFRS 18	<i>Presentation and Disclosure in Financial Statements</i> ³
IFRS 19	<i>Subsidiaries without Public Accountability: Disclosures</i> ³
Amendments to IFRS 9 and IFRS 7	<i>Amendments to the Classification and Measurement of Financial Instruments</i> ²
Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ⁴
Amendments to IAS 21	<i>Lack of Exchangeability</i> ¹
Annual Improvements to IFRS Accounting Standards – Volume 11	<i>Amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7</i> ²

¹ Effective for annual periods beginning on or after 1 January 2025

² Effective for annual periods beginning on or after 1 January 2026

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

⁴ No mandatory effective date yet determined but available for adoption

These issued but not yet effective IFRSs are not expected to have any significant impact on the Group's financial statements.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organized into business units based on their products and services and has three reportable operating segments as follows:

Specialty Pharmacy Business	Operation of specialty pharmacy stores and distribution of pharmaceutical products to pharmaceutical companies and other distributors.
Physician Research Assistance Business	Offering pharmaceutical companies and other clinical trial institutions site management organization services, including site feasibility, site initiation, patient recruitment, patient management, data entry and document management, on-site drug management and bio-sample management, site closure and others; and offering services for image management in clinical trials.
Health Insurance Services Business	Providing insurance brokerage services to insurance companies and health management services to insurance carriers and enterprise clients.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment gross profit. No analysis of segment assets and liabilities is presented as management does not regularly review such information for the purposes of resource allocation and performance assessment. Therefore, only segment revenue and segment results are presented.

For the year ended December 31, 2024

	Specialty Pharmacy Business <i>RMB'000</i>	Physician Research Assistance Business <i>RMB'000</i>	Health Insurance Services Business <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue	3,974,866	397,610	192,958	4,565,434
Segment results	142,643	121,519	122,271	386,433

Reconciliation:

Other income and gains	37,541
Selling and marketing expenses	(278,350)
Administrative expenses	(323,967)
Research and development expenses	(22,262)
Impairment losses under ECL model	(35,299)
Other expenses	(99,186)
Restructuring cost	(22,295)
Finance costs	(3,069)
Share of profits and losses of an associate	(187)
Group's loss before tax	<u>(360,641)</u>

For the year ended December 31, 2023

	Specialty Pharmacy Business	Physician Research Assistance Business	Health Insurance Services Business	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Segment revenue	4,188,080	361,781	162,246	4,712,107
Segment results	<u>195,958</u>	<u>114,617</u>	<u>104,123</u>	<u>414,698</u>
Reconciliation:				
Other income and gains				76,469
Selling and marketing expenses				(292,320)
Administrative expenses				(347,788)
Research and development expenses				(45,947)
Impairment losses under ECL model				(9,965)
Other expenses				(36,912)
Finance costs				(3,489)
Share of profits and losses of an associate				<u>(412)</u>
Group's loss before tax				<u><u>(245,666)</u></u>

Geographical information

During the reporting period, almost all of the Group's revenues were derived from operations in the PRC and nearly all of the Group's non-current assets were located in Mainland China. No geographical segment information is presented in accordance with IFRS 8 Operating Segments.

Information about major customers

No further information about major customers is presented as there was no single customer from which over 10% or more of the Group's revenue was derived during the reporting period.

4. REVENUE

An analysis of revenue is as follows:

Revenue from contracts with customers

Disaggregated revenue information

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Types of segmentation of business		
Specialty Pharmacy Business	3,974,866	4,188,080
Physician Research Assistance Business	397,610	361,781
Health Insurance Services Business	192,958	162,246
	<hr/>	<hr/>
Total	4,565,434	4,712,107
	<hr/>	<hr/>
Timing of revenue recognition		
Recognised at a point in time	4,157,479	4,350,326
Recognised over time	407,955	361,781
	<hr/>	<hr/>
Total revenue from contracts with customers	4,565,434	4,712,107
	<hr/> <hr/>	<hr/> <hr/>

The following table shows the amounts of revenue recognized during the reporting period that were included in the contract liabilities at the beginning of each reporting period and recognized from performance obligations satisfied in previous periods:

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Specialty Pharmacy Business	5,900	14,375
Physician Research Assistance Business	103,393	107,632
Health Insurance Services Business	1,135	—
	<hr/>	<hr/>
Total	110,428	122,007
	<hr/> <hr/>	<hr/> <hr/>

5. LOSS BEFORE TAX

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

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Cost of inventories sold	3,832,224	3,992,122
Cost of services provided	346,777	305,287
Depreciation of property, plant and equipment	7,270	9,441
Depreciation of right-of-use assets	31,376	34,800
Amortization of other intangible assets	10,129	8,727
Government grants	(2,943)	(25,326)
Interest income	(15,821)	(31,340)
Foreign exchange difference, net	–	30
Impairment losses under ECL model	35,299	9,965
Impairment losses on goodwill	34,098	31,281
Impairment losses on other intangible assets	5,026	–
Auditor's remuneration	3,140	3,300
Expense relating to short-term and low-value assets leases	9,132	6,366
Gains on financial assets at FVTPL	(17,515)	(17,357)
Loss on disposal of property, plant and equipment	919	996
Loss on disposal of other intangible assets	23	4
Provision	44,385	–
Gains on remeasurement of the Group's previously held equity interest at the acquisition date	–	(97)
Restructuring Cost	22,295	–
	<u>4,345,814</u>	<u>4,328,199</u>
Staff cost (excluding directors' and chief executive's remuneration):		
– Wages and salaries	570,680	566,428
– Pension scheme contributions	40,104	44,654
– Share-based payment compensation	67,624	96,612
	<u>678,408</u>	<u>707,694</u>

* The depreciation of plant and equipment, depreciation of right-of-use assets and amortization of other intangible assets for each reporting period are set out in “Administrative expenses”, “Selling and marketing expenses” and “Research and development expenses” in the consolidated statement of profit or loss and other comprehensive income.

6. OTHER EXPENSES

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Impairment losses on goodwill	34,098	31,281
Impairment losses of other intangible assets	5,026	–
Impairment losses of inventories	908	2,246
Donations to not-for-profit organizations	3,104	1,332
Loss on disposal of property, plant and equipment	919	996
Foreign exchange differences, net	–	30
Fair value loss on contingent consideration payables	–	523
Loss on disposal of other intangible assets	23	4
Loss on disposal of subsidiaries	825	–
Provision (<i>note a</i>)	44,385	–
Others	9,898	500
	<hr/>	<hr/>
Total	99,186	36,912

Note a: The provision pertains to potential fine and penalty in connection with national basic health insurance schemes investigations by regulatory authorities in 2024.

7. RESTRUCTURING COST

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Employee-related expenses	10,480	–
Impairment losses on licenses	8,387	–
Other losses	3,428	–
	<hr/>	<hr/>
Total	22,295	–

During 2024, the management has decided, after profound study, to reorganize its resources and organizational structure to restructure and upgrade the Specialty Pharmacy Business in order to further enhance business synergies and operation efficiency. The Company has initiated the restructuring process of the Specialty Pharmacy Business by ceasing operations of certain specialty pharmacy stores since the third quarter of 2024 and expects to complete the restructuring in 2025. The Group incurred restructuring cost of RMB22,295,000, mainly including employee-related expenses, impairment losses on licenses and other losses from disposal of properties and penalty for early termination of leases as a result of closing specialty pharmacy stores.

8. INCOME TAX

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 operate.

Cayman Islands

Under the current laws of the Cayman Islands, the Company is not subject to tax on income or capital gains.

Hong Kong

On March 21, 2018, the Hong Kong Legislative Council passed the Inland Revenue (Amendment) (No. 7) Bill 2017 (the “**Bill**”), which introduces the two-tiered profits tax rates regime. The Bill was signed into law on March 28, 2018 and was gazette on the following day.

Under the two-tiered profits tax rates regime, the first HK\$2,000,000 of profits of qualifying corporations will be taxed at 8.25%, and profits above HK\$2,000,000 will be taxed at 16.5%. The two-tiered profits tax rates regime is applicable to the Group’s Hong Kong subsidiaries with estimated assessable profits for its annual reporting period ended on or after April 1, 2018.

Mainland China

Under the Law of the PRC on Enterprise Income Tax (the “**EIT Law**”) and Implementation Regulation of the EIT Law, the EIT rate of the PRC subsidiaries was 25% during the reporting period unless subject to tax concession set out below.

A reconciliation of the tax expense applicable to loss before tax at the statutory tax rates to the tax expense at the effective tax rate is as follows:

	2024 <i>RMB’000</i>	2023 <i>RMB’000</i>
Loss before tax	<u>(360,641)</u>	<u>(245,666)</u>
Tax at the applicable tax rate of 25%	(90,160)	(61,416)
Expenses not deductible for tax	35,936	13,349
Different tax rates enacted by local authority	36,785	31,059
Deductible temporary differences and tax losses not recognized or utilized	<u>18,630</u>	<u>18,049</u>
Tax charge at the Group’s effective tax rate for the year	<u>1,191</u>	<u>1,041</u>

9. DIVIDEND

No dividend has been paid or declared by the Company during the year (2023: Nil).

10. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic loss per share amount is based on the loss for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 639,031,588 (2023: 644,081,816) outstanding during the year. The weighted average number of ordinary shares used in the calculation has excluded the treasury shares held in trust of the Company.

No adjustment has been made to the basic loss per share amount presented for the years ended December 31, 2024 and 2023 in respect of a dilution as the impact of the share option scheme and the conversion of preferred shares had an anti-dilutive effect on the basic loss per share amount presented.

The calculation of basic loss per share is based on:

	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Loss		
Loss attributable to ordinary equity holders of the parent (RMB'000)	<u>(323,736)</u>	<u>(255,768)</u>
Ordinary shares		
Weighted average number of ordinary shares outstanding during the year used in the basic loss per share calculation	<u>639,031,588</u>	<u>644,081,816</u>
Loss per share (RMB per share)	<u>(0.51)</u>	<u>(0.40)</u>

11. INVENTORIES

	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Trading merchandise	194,473	248,539
Less: Provision for impairment	<u>(948)</u>	<u>(2,481)</u>
Net carrying amount	<u>193,525</u>	<u>246,058</u>

Movements in provision for impairment of inventories are as follows:

	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
At beginning of year	2,481	3,557
Provision for the year	908	2,246
Write-off for the year	<u>(2,441)</u>	<u>(3,322)</u>
At end of year	<u>948</u>	<u>2,481</u>

12. TRADE AND BILLS RECEIVABLES

	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Bills receivables	14,729	429
Trade receivables	294,254	344,719
Less: Allowance for credit losses	<u>(32,935)</u>	<u>(15,193)</u>
Net carrying amount	<u>276,048</u>	<u>329,955</u>

The Group's trading terms with its customers are mainly on credit, except for individual customers, where payment in advance is normally required. The credit period is generally from one month to two months. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade and bills receivables balances. The balances of trade and bills receivables are non-interest-bearing.

An ageing analysis of the trade and bills receivables as at the end of each reporting period, based on the invoice date and net of allowance for expected credit losses, is as follows:

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Within 6 months	249,638	311,170
6 to 12 months	26,410	18,751
Over 12 months	—	34
	<hr/>	<hr/>
Total	276,048	329,955
	<hr/> <hr/>	<hr/> <hr/>

13. TRADE AND BILLS PAYABLES

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Trade and bills payables	412,803	464,269
	<hr/> <hr/>	<hr/> <hr/>

An ageing analysis of the trade and bills payables as at the end of each reporting period, based on the invoice date, is as follows:

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Within 1 month	216,625	329,511
1 to 3 months	98,870	124,903
3 to 6 months	64,077	5,834
Over 6 months	33,231	4,021
	<hr/>	<hr/>
Total	412,803	464,269
	<hr/> <hr/>	<hr/> <hr/>

Trade and bills payables are non-interest-bearing and are normally settled within three months.

14. SHARE CAPITAL

The Company was incorporated in May 2015 with an authorised share capital of USD200,000 divided into 2,000,000,000 ordinary shares (“ordinary shares”) with a par value of USD0.0001 each.

Shares

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Issued and fully paid: 764,182,114 (2023: 761,500,114) ordinary shares of USD0.0001 each	518	516

A summary of movements in the share capital is as follows:

	Number of shares in issue	Share capital <i>RMB'000</i>
At January 1, 2023	763,025,314	517
Repurchase of ordinary shares (<i>note a</i>)	(1,525,200)	(1)
At December 31, 2023 and January 1, 2024	761,500,114	516
Exercise of share options (<i>note b</i>)	2,682,000	2
At December 31, 2024	764,182,114	518

Note a: In 2023, the Company repurchased and cancelled 1,525,200 ordinary shares with a par value of USD0.0001 at total consideration of RMB10,117,000.

Note b: In 2024, 2,682,000 ordinary shares with a par value of USD0.0001 were issued upon exercise of share options at total consideration of RMB1,455,000.

OTHER EVENTS

2023 Share Award Scheme

The Company adopted the 2023 Share Award Scheme (“**2023 Scheme**”) on August 30, 2023.

The purpose of the 2023 Scheme is to recognize the contributions by certain eligible participants and to provide them with incentives in order to retain them for the continual operation and development of the Group and to attract suitable personnel for further development of the Group.

Eligible participants under the 2023 Scheme include (i) directors and employees (including full-time employees and part-time employees) of the Company or any of its Subsidiaries (including persons who are granted awards under the 2023 Scheme as an inducement to enter into employment contracts with these companies); (ii) directors and employees of the holding companies, fellow Subsidiaries or associated companies of the Company; and (iii) persons who provide services to the Company and/or its Subsidiaries on a continuing or recurring basis in its ordinary and usual course of business which are in the interests of the long-term growth of the Company and/or its Subsidiaries, for the avoidance of doubt, such service provider may not include placing agents or financial advisers providing advisory services for fundraising, mergers or acquisitions, as well as professional service providers such as auditors or valuers who provide assurance, or are required to perform their services with impartiality and objectivity.

Subject to any early termination by the Board, the 2023 Scheme shall continue in effect for a term of ten years from the Adoption Date, after which no further awards will be granted.

The Administrator shall not make any further award of awarded shares which will result in the aggregate number of the shares awarded exceeding 3% of the issued share capital of the Company as at the Adoption Date. On March 19, 2024, the maximum aggregate number of the shares awarded under the 2023 Scheme was increased from 3% of the issued share capital of the Company as at the Adoption Date to 5% of the issued share capital of the Company as at the Adoption Date. On October 21, 2024, the maximum aggregate number of the shares awarded under the 2023 Scheme was further increased from 5% of the issued share capital of the Company as at the Adoption Date to 8% of the issued share capital of the Company as at the Adoption Date. The maximum number of shares which may be awarded to a selected participant under the 2023 Scheme shall not exceed 1% of the issued share capital of the Company in any 12-month period.

During the period from October 31, 2023 to December 31, 2024, the trustee has purchased 34,147,400 Shares in aggregate on the market at the total consideration of approximately HK\$221,194,294 pursuant to the 2023 Scheme.

For details, please refer to the announcements of the Company dated August 30, 2023, November 2, 2023, November 29, 2023, January 22, 2024, March 19, 2024 and October 21, 2024. Unless otherwise stated, capitalized terms used above shall have the same meanings as defined in the announcement dated August 30, 2023.

Supplemental Agreement to the Concert Party Agreement and Change in Public Float

Pursuant to the Concert Party Agreement dated August 5, 2021 entered into by Mr. Ma Xuguang, Mr. Li Ji, Wise Approach Investments Limited (“**Wise Approach**”), Creative Pioneer Investments Limited (“**Creative Pioneer**”) and Sail Far Holdings Limited (“**Sail Far**”) (together, the “**Concert Parties**”), the Concert Parties confirmed that they have been acting in concert in the management and operation of the Group since the establishment of the Company and until the termination of Concert Party Agreement.

Each of Wise Approach, Creative Pioneer and Sail Far is an employee incentive platform pursuant to the 2017 Plan and the RSU Scheme. In order to facilitate the implementation of the 2017 Plan and the RSU Scheme, Wise Approach, Creative Pioneer and Sail Far will no longer be bound by the Concert Party Agreement or acting in concert with Mr. Ma and Mr. Li, while Mr. Ma and Mr. Li will continue to be bound by the Concert Party Agreement acting in concert with each other in the management and operation of the Group upon execution of the Supplemental Agreement.

Mr. ZHOU Teng (周騰), who is a core connected person (as defined under the Listing Rules) of the Company due to his directorship in several subsidiaries of the Company, will be involved in the decision making process in relation to the exercise of voting rights of the shares held by each of Wise Approach, Creative Pioneer and Sail Far in the capacity as one of the directors of each of these platforms. As a result, the Shares held by each of Wise Approach, Creative Pioneer and Sail Far are not considered as being held in public hands pursuant to Rule 8.24 of the Listing Rules. As at the date of this annual results announcement and based on the information publicly available to the Company and to the best knowledge of the Directors, the Company has maintained the minimum public float of 25% as required under the Listing Rules.

For details, please refer to the announcement of the Company dated December 7, 2023 and the supplemental announcement on January 11, 2024. Unless otherwise stated, capitalized terms used above shall have the same meanings as defined in the announcement dated December 7, 2023.

Change of Hong Kong Branch Share Registrar and Transfer Office

The board announced that with effect from October 14, 2024, the Hong Kong branch share registrar and transfer office of the Company had been changed to MUFG Corporate Markets Pty Limited (formerly known as Link Market Services (Hong Kong) Pty Limited):

MUFG Corporate Markets Pty Limited
Suite 1601, 16/F, Central Tower
28 Queen’s Road Central
Hong Kong
Telephone: (852) 3707 2600
Fax: (852) 3707 2699

For details, please refer to the announcements of the Company dated October 7, 2024 and January 20, 2025.

Resignation of Independent Non-Executive Director

Mr. CHANG Stanley Yi (張翊, alias 張翌軒) tendered his resignation as an independent non-executive director of the Company, the chairman of the audit committee of the Company and a member of the nomination committee of the Company with the effect from May 21, 2024. For details, please refer to the announcement of the Company dated May 21, 2024.

CORPORATE GOVERNANCE

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. The Company has adopted the CG Code as set out in Appendix C1 of the Listing Rules on the Stock Exchange as its own code of corporate governance. The Company has complied with all applicable code provisions of the CG Code during the Reporting Period, save for the deviations from the code provisions C.2.1 and F.1.1 as explained below. The Company will continue to review and monitor its corporate governance practices to ensure compliance with the CG Code.

Code provision C.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be segregated and should not be performed by the same individual. According to the current structure of the Board, the positions of the Chairman and Chief Executive Officer of the Company are held by Mr. MA Xuguang.

The Board believes that this structure will not impair the balance of power and authority between the Board and the management of the Company, given that: (i) decision to be made by the Board requires approval by at least a majority of the Directors and that the Board comprises three independent non-executive Directors out of six Directors, and the Board believes there is sufficient check and balance on the Board, (ii) Mr. MA Xuguang and the other Directors are aware of and undertake to fulfil their fiduciary duties as Directors, which require, among other things, that they act for the benefit and in the best interests of the Company and will make decisions of the Group accordingly, and (iii) the balance of power and authority is ensured by the operations of the Board which comprises experienced and high caliber individuals who meet regularly to discuss issues affecting the operations of the Group. Moreover, the overall strategic and other key business, financial and operational policies of the Group are made collectively after thorough discussion at both the Board and senior management levels. Finally, as Mr. MA Xuguang is one of our co-founders, the Board believes that vesting the roles of both chairman and chief executive officer in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board will continue to review the effectiveness of the corporate governance structure of the Group in order to assess whether separation of the roles of chairman and chief executive officer is necessary.

Code provision F.1.1 of the CG Code provides that the issuer should have a policy on payment of dividends. As the Company intends to retain most, if not all, of the Company's available funds and any future earnings to fund the development and growth of the Company's business and has not yet adopted a dividend policy to declare or pay any dividends in the near future, the Board will review the Company's status periodically and consider adopting a dividend policy if and when appropriate.

A detailed Corporate Governance Report setting out the Group’s framework of governance and explanations about how the provisions of the CG Code have been applied will be included in the Company’s 2024 annual report to be published.

Change in Constitutional Documents

On March 19, 2024 and May 23, 2024, the Board proposed the amendment and adoption of the amended and restated Memorandum and Articles of Association in order to, among others, update and bring the Memorandum and Articles of Association in line with the amendments to the Listing Rules which mandate the electronic dissemination of corporate communications by listed issuers to their securities holders from December 31, 2023 onwards, in line with the latest regulatory requirements in relation to the holding and resale of treasury shares by listed issuers and the relevant amendments made to the Listing Rules which will take effect on June 11, 2024, as well as other housekeeping changes (the “**Amendments**”). The Amendments were approved by the shareholders and adopted at the annual general meeting of the Company held on June 20, 2024. For details, please refer to the circular of the Company dated May 29, 2024.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix C3 of the Listing Rules as its own code of conduct regarding directors’ securities transactions. Having made specific enquiries of all Directors, each of the Directors has confirmed that he/she has complied with the required standards as set out in the Model Code during the Reporting Period.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OR SALE OF TREASURY SHARES

During the Reporting Period, neither the Company nor any of its subsidiaries or consolidated affiliated entities purchased, sold or redeemed any of the Company’s listed securities or sold any treasury Shares (as defined under the Listing Rules). During the Reporting Period, the trustee of the 2023 share award scheme which was adopted by the Company on August 30, 2023 (the “**2023 Scheme**”) purchased 25,682,200 Shares in aggregate on the market at the total consideration of HK\$154,374,068 pursuant to the rules of the 2023 Scheme. None of the Shares reserved for the 2023 Scheme has been granted as at December 31, 2024. As at December 31, 2024, the Company did not hold any treasury Shares (as defined under the Listing Rules).

AUDIT COMMITTEE

The Audit Committee had, together with the Board and external auditor of the Company, reviewed the accounting standards and practices adopted by the Group and the annual results for the year ended December 31, 2024.

PUBLICATION OF THE ANNUAL RESULTS AND 2024 ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.medbankshealthtech.com), and the 2024 annual report containing all the information required by the Listing Rules will be disseminated to the Shareholders electronically (or in hard copy upon request) and published on the respective websites of the Stock Exchange and the Company in due course.

DEFINITIONS AND GLOSSARY

In this annual results announcement, unless the context otherwise requires, the following expressions shall have the following meanings.

“AGM”	the annual general meeting of the Company to be held on Friday, June 20, 2025
“Audit Committee”	the audit committee of the Board
“Board”	the board of Directors
“CG Code”	the “Corporate Governance Code” as contained in Appendix C1 to the Listing Rules
“China” or “PRC”	the People’s Republic of China, which, for the purpose of this annual results announcement and for geographical reference only, excludes Hong Kong, Macau and Taiwan
“Company”	Sipai Health Technology Co., Ltd., an exempted company with limited liability incorporated under the laws of the Cayman Islands on May 19, 2015, and its shares were listed on the Main Board of the Stock Exchange on December 23, 2022
“Director(s)”	the director(s) of the Company or any one of them
“Global Offering”	the Hong Kong Public Offering and the International Offering
“GP(s)”	the general practitioner who treat common medical conditions and refer patients to hospitals and other medical services for urgent and specialist treatment

“Group”, “our”, “we”, or “us”	the Company and all of its subsidiaries and its consolidated affiliated entities, or any one of them as the context may require or, where the context refers to any time prior to its incorporation, the business which its predecessors or the predecessors of its present subsidiaries, or any one of them as the context may require, were or was engaged in and which were subsequently assumed by it
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong dollars” or “HK dollars” or “HK\$”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
“IASB”	International Accounting Standards Board
“IFRS”	International Financial Reporting Standards, as issued from time to time by the International Accounting Standards Board
“Listing”	the listing of the Shares 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)
“Model Code”	the “Model Code for Securities Transactions by Directors of Listed Issuers” set out in Appendix C3 to the Listing Rules
“Reporting Period”	for the year ended December 31, 2024
“Prospectus”	the prospectus of the Company dated December 12, 2022
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) with nominal value of US\$0.0001 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“SMO”	site management organization, an organization that provides clinical trial related services to medical device companies having adequate infrastructure and staff to meet the requirements of the clinical trial protocol

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“United States” or “U.S.”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“US\$”	United States Dollars, the lawful currency of the United States
“%”	per cent

By order of the Board
Sipai Health Technology Co., Ltd.
Ma Xuguang
Chairman of the Board and Executive Director

Hong Kong, March 18, 2025

As at the date of this announcement, the Board comprises Mr. Ma Xuguang and Mr. Li Ji as executive directors, Mr. Yao Leiwen as non-executive director, Mr. Fan Xin, Mr. He Haijian and Ms. Huang Bei as independent non-executive directors.