You should read the following discussion and analysis in conjunction with our audited consolidated financial information, included in the Accountants' Report in Appendix I to this prospectus, together with the respective accompanying notes. Our consolidated financial information has been prepared in accordance with IFRSs.

The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance that involve risks and uncertainties. These statements are based on our assumptions and analysis made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, our actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors. In evaluating our business, you should carefully consider the information provided in "Risk Factors" in this prospectus.

OVERVIEW

We connect and deliver clear values to patients, doctors, medical institutions, pharmaceutical companies and payers across China's healthcare system through our robust technology platform and data-enabled operational capabilities. We currently run three business lines, including Specialty Pharmacy Business, Physician Research Assistance and Health Insurance Services.

- *Specialty Pharmacy Business*. Our Specialty Pharmacy Business line contains specialty pharmacy and globally professional pharmacist services. Patients are not only able to obtain advanced specialty medicines from us, they can also receive services from medicine guidance, follow-up assessment and monitoring, to AE consulting.
- *Physician Research Assistance.* Our Physician Research Assistance business line comprises of SMO and real-world study service. Through those services, we facilitate pharmaceutical companies on their medicine R&D in clinical development.
- *Health Insurance Services*. Our Health Insurance Services business line provides our members access to a national network of medical institutions and doctors for full-spectrum medical and health management services. In addition we also partner with major insurance carriers, and co-developed and offered specialized insurance products to our members.

Our total revenue increased by 159.8% from RMB1,039.0 million in 2019 to RMB2,699.6 million in 2020, and further increased by 28.7% to RMB3,473.9 million in 2021. For the six months ended June 30, 2022, we generated revenue of RMB1,887.7 million, representing increase of 21.8% from RMB1,550.0 million for the six months ended June 30, 2021. In 2019, 2020, 2021 and the six months ended June 30, 2022, our loss before tax for the year/period was RMB596.0 million, RMB1,040.9 million, RMB3,747.7 million, and RMB344.4 million, respectively. Excluding the impact of (i) fair value changes of convertible redeemable preferred shares, (ii) share-based payment compensation, (iii) listing expenses; and (iv) transaction cost for the issue of the Company's convertible redeemable preferred shares, our adjusted loss (non-IFRS measure) was RMB254.2 million, RMB258.6 million, RMB365.1 million and RMB143.1 million in 2019, 2020, 2021 and the six months ended June 30, 2022, respectively.

MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Favorable Policy Tailwind on Innovative Drugs and Development of Health Insurance Products

Favorable policies have been driving the rapid growth of innovative drug development in recent years. For example, one plan announced by the same agency in October 2019 pledged to further open up priority review channels and accelerate the speed of review and approval of new drugs. These policies fueled the development of innovative drugs and consequently the demand of SMO services in clinical trials. In the same time, diversified payment solutions combined with health management services were also promoted by Chinese government. The *Health Insurance Management Measures* promulgated in 2019 explicitly affirms that insurance carriers can combine health insurance products with health management services to provide health risk assessment and intervention, disease prevention, medical examination, health consultation, chronic disease management, healthcare and other services. We expect this favorable industry policy tailwind to continue in near future, and we, as the operator of an integrated health management network in China, the largest oncology SMO and the largest privately owned specialty pharmacy, are well positioned to catch these rapid growth opportunities.

Continuously Understand and Serve the Demand of Key Healthcare Industry Participants

We serve a variety of healthcare industry participants, who normally have complex demand and require tailored services. For example an employer intends to provide premium protection to its employees, but also needs to cap the service under a budget. It might also wish onsite general practitioners' support to reduce absences. Doctors in China, overwhelmed by the volume of patient visits, wish to improve the efficiency of clinical care and research. A proper referral system supported by primary care that precisely documents patients' symptoms and demands, as well as a competent site management organization that supports clinical trial and research needs, significantly alleviate doctors' burden in both areas. We prospered exactly because our founding team carry a deep root and understanding of healthcare industry and key participants' need, and we will endeavor to continuously understand and serve their demands going forward.

Trust and Confidence from Our Plan Members and Patients

Our plan members and patients coming to our specialty pharmacy all have clear demand to fill. Plan members wish to receive the best protection, and patients want to ensure the medicines to cure their critical diseases are supplied stably and with a reasonable price tag. Plan members stay on our platform because of the professional services our network delivers. They choose to continue their purchases, some on a long-term and regular basis, our professional pharmacist service could give caring medication guidance and follow-up assessment so as to let them feel assured that their critical needs are taken cared by true professionals. More importantly, maintaining the trust and confidence of these plan members and patients and keeping all of their healthcare actions in our network is critical to build deep data insights, and drive our future growth.

Capability to Strengthen Data Insights

Data insights is our core competitive advantage. From day one, we see data insights as a potential disruptive force of healthcare industry in the future. It can help develop insurance plans appealing to vast population and build tailored health management for people with varying demand and budget, representing great market opportunity. We endeavor to develop data insights from our practice, which now covers the full cycle of health management from preventive care, visits to general practitioners, referrals to specialist network, and medication services. We believe this data insights will ultimately create value and transform the industry landscape.

Expansion of Service Offerings

We will continue to ride on the industry policy tailwind and capitalize on our competitive positions to grow our business. In the same time, we also endeavor to diversify our income sources. We originally started with SMO services, and later tapped into specialty pharmacy. Our Health Insurance Services business line started to generate meaningful revenue in 2020. As we frontload the effort to build the network of medical examination institutions, general practitioners, specialists for the Health Insurance Services business line, we also expect the increasing revenue generation can also lead to better profitability.

SIGNIFICANT ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES

Our discussion and analysis of our financial condition and results of operations is based on our financial statements, which have been prepared in accordance with accounting principles that conform with IFRSs issued by the IASB. The preparation of these financial statements requires us to make estimates, assumptions and judgments that affect the reported amounts of assets, liabilities, revenues, costs and expenses. We evaluate our estimates and judgments on an ongoing basis, and our actual results may differ from these estimates. We base our estimates on historical experience, known trends and events, contractual milestones and other various factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources.

Our most critical accounting policies, judgments and estimates are summarized below. See Note 2.3 and Note 3 to the Accountants' Report in Appendix I to this prospectus for a description of our significant accounting policies, judgments, and estimates.

Revenue Recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognized when control of goods or services is transferred to the customers at an amount that reflects the consideration to which we expect to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which we will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between us and the customer at contract inception. When the contract contains a financing component which provides us with a significant financial benefit for more than one year, revenue recognized under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

(a) Specialty Pharmacy Business

The primary source of the revenue from the Specialty Pharmacy Business is generated from the operation of offline specialty pharmacies and distribution of pharmaceutical products to pharmaceutical companies and other distributors.

Revenue from the Specialty Pharmacy Business is recognized at the point in time when control of goods is transferred to the customer, generally on delivery of the medicines and pharmaceutical products.

We evaluate whether it is appropriate to record the gross amount of sales of pharmaceutical products and related costs or the net amount earned as commissions for its distribution of pharmaceutical products under the Specialty Pharmacy Business. When we act aps a principal, that we obtain control of the specified goods or services before they are transferred to the customers, the revenues should be recognized in the gross amount of consideration to which it expects to be entitled in exchange for the specified goods or services transferred. When we act as an agent and its obligation is to facilitate third parties in fulfilling their performance obligation for specified goods or services, the revenues should be recognized in the net amount for the amount of commission which we earn in exchange for arranging for the specified goods or services to be provided by other parties.

(b) Physician Research Assistance Business

The primary source of revenue from the Physician Research Assistance business is generated from SMO services, providing integrated services to pharmaceutical companies to assist them in producing clinical trial data that meets the relevant regulatory standards for the pharmaceutical companies to advance to the next phase of clinical or solicit approval of a treatment by the applicable regulatory body .

We recognize the revenue when the performance obligation is satisfied over time as the service output is captured in clinical data and documentation that is available for pharmaceutical companies over the progress of the clinical trials.

(c) Health Insurance Services Business

The primary source of revenue from the Health Insurance Services business is commissions from insurance brokerage services. We provide insurance brokerage services including distribution of various health and life insurance products on behalf of insurance carriers. As an agent of the insurance carriers, we sell insurance policies on behalf of the insurance carriers and earn brokerage commissions determined as a percentage of premiums paid by insured.

We determine that an insurance carrier or the insurer is our customers in this agreement. Insurance brokerage services revenue is recognized when the signed insurance policy becomes effective since we have fulfilled our performance obligation.

We also generate revenue from health management services, typically charging insurance carriers and enterprise clients a fixed fee per policy and the revenue is recognized over time during the service period as we fulfill our performance obligation.

Other income

Interest income is recognized on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Contract Assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If we perform by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets.

Contract Liabilities

A contract liability is recognized when a payment is received or a payment is due (whichever is earlier) from a customer before we transfer the related goods or services. Contract liabilities are recognized as revenue when we perform under the contract (i.e., transfers control of the related goods or services to the customer).

Impairment of Non-financial Assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, contract assets, financial assets and other non-current assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognized only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each of the Relevant Periods as to whether there is an indication that previously recognized impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognized impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortization) had no impairment loss been recognized for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Leases

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

Group as a Lessee

We apply a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. We recognize lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

At inception or on reassessment of a contract that contains a lease component and non-lease components, we adopt the practical expedient not to separate non-lease components and to account for the lease component and the associated non-lease components (e.g., property management services for leases of properties) as a single lease component.

(a) Right-of-use assets

Right-of-use assets are recognized at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Buildings	1-10 years

If ownership of the leased asset transfers to us by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) Lease liabilities

Lease liabilities are recognized at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by us and payments of penalties for termination of a lease, if the lease term reflects we exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognized as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, we use our incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) Short-term leases and leases of low-value assets

We apply the short-term lease recognition exemption to its short-term leases of buildings (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of motor vehicles that are considered to be of low value. Lease payments on short-term leases and leases of low-value assets are recognized as an expense on a straight-line basis over the lease term.

Financial liabilities

Initial Recognition and Measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss ("FVTPL"), loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Our financial liabilities include trade payables, other payables, and convertible redeemable preferred shares.

Subsequent Measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at FVTPL include financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities designated upon initial recognition as at FVTPL are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. Gains or losses on liabilities designated at FVTPL are recognized in profit or loss, except for the gains or losses arising from our own credit risk which are presented in other comprehensive income with no subsequent reclassification to profit or loss. The net fair value gain or loss recognized in profit or loss does not include any interest charged on these financial liabilities

Work performed by the Directors, the Sponsors and the Reporting Accountants for the valuation of our financial liabilities measured within level 3 fair value measurement

During the Track Record Period, our financial liabilities at FVTPL categorized within level 3 included convertible redeemable preferred shares and contingent consideration payables. Our Directors have implemented internal procedures to ensure the reasonableness of fair value measurement on the level 3 financial liabilities. Our finance personnel is responsible for managing the valuation of level 3 instruments for financial reporting purposes. The valuation of the financial liabilities is exercised on a case-by-case basis. We apply valuation techniques to determine the fair value of financial liabilities at FVTPL and contingent consideration payables categorized within level 3 fair value measurement. These valuation techniques, particularly those requiring significant unobservable inputs, usually involved subjective judgment and assumptions. Our Directors review the specific terms of preferred shares agreements or share purchase agreements; engage the independent valuer, provide necessary financial and non-financial information so as to enable the independent valuer to perform valuation procedures and discuss with the independent valuer on relevant assumptions. We also carefully consider non-market related information input and possibilities under different scenarios, review the valuation working papers, valuation model and results prepared by the independent valuer. The Reporting Accountant's opinion on the historical financial information of the Group for the Track Record Period is set out in Appendix I to this Prospectus.

The Reporting Accountants' work related to fair value measurement of convertible redeemable preferred shares and contingent consideration payables included the following procedures: (i) understanding the Company's relevant internal controls over the fair value measurement of convertible redeemable preferred shares and contingent consideration payables; (ii) assessing the objectivity, independence and competence of the valuer engaged by management to prepare the valuation model for measuring the instruments; and (iii) reviewing of the valuation work of the valuer, with the assistance from the internal valuation specialists in relation to the methodology, assumptions and sources of data used by management. Details of the fair value measurement of financial liabilities within level 3, particularly the fair value hierarchy, the valuation techniques and key inputs, including significant unobservable inputs, together with a quantitative sensitivity analysis are set out in note 42 of Appendix I issued by the Reporting Accountants in accordance with Hong Kong Standard on Investment Circular Reporting Engagement 200 "Accountants' Report on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants to this Prospectus. The Reporting Accountants' opinion on the historical financial information of the Group for the Track Record Period as a whole is set out on I-2 of Appendix I to this Prospectus.

The Joint Sponsors have conducted independent due diligence work in relation to the valuation of the Group's financial liabilities measured within level 3 fair value measurement, including: (i) reviewing the relevant notes included in the Accountants' Report as set out in Appendix I to this prospectus; (ii) reviewing the valuation reports provided by the independent valuer engaged by the Group in respect of the convertible redeemable preferred shares and contingent consideration payables, including the assumptions, methodologies and procedures of the valuation stated therein; (iii) conducting due diligence with such independent valuer to understand the scope of review, valuation methodologies and methods of classification of financial instruments of the Company; (iv) discussing with the Company to understand the Company's financial reporting system, specific items in the Accountants' Report, and the accounting policies applied for the convertible redeemable preferred shares and contingent consideration payables; and (v) discussing with the Reporting Accountants in respect of the accounting policies applied for the convertible redeemable preferred shares and contingent consideration payables. Having considered the work done by the Directors and the Reporting Accountants as disclosed above and based on the due diligence work conducted by the Joint Sponsors, nothing has come to the attention of the Joint Sponsors that would cause them to cast doubt on the reasonableness of the explanations of the Directors and the Reporting Accountants above.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined on the first-in, first-out basis. Net realizable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Share-based Payment

We operate a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of our operations. Our employees (including directors) receive remuneration and rewards in the form of share-based payment, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in the Note 34 to the Accountants' Report in Appendix I to this Prospectus for details of the Historical Financial Information.

The cost of equity-settled transactions is recognized in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognized for equity-settled transactions at the end of each of the Relevant Periods until the vesting date reflects the extent to which the vesting period has expired and our best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognized as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of options, but the likelihood of the conditions being met is assessed as part of our best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an option unless there are also service and/or performance conditions.

For options that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognized. Where options include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled option are modified, as a minimum an expense is recognized as if the terms had not been modified, if the original terms of the option are met. In addition, an expense is recognized for any modification that increases the total fair value of the share-based payment, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled option is canceled, it is treated as if it had vested on the date of cancelation, and any expense not yet recognized for the option is recognized immediately. This includes any option where non-vesting conditions within the control of either we or the employee are not met. However, if a new option is substituted for the canceled option, and is designated as a replacement option on the date that it is granted, the canceled and new options are treated as if they were a modification of the original option, as described in the previous paragraph.

Acquisition of Subsidiaries That are not a Business

IFRS 3 requires an entity to determine whether a transaction or event is a business combination which requires that the assets acquired and liabilities assumed constitute a business. During the relevant periods, we acquired certain equity interests of companies from independent third parties. See Note 36 to the Accountant's Report set out in Appendix I to this prospectus for details. We determined that those activities and assets of acquired equity interests of companies didn't constitute business on the acquisition date acquired. The transaction was then accounted for as an asset acquisition.

During the Track Record Period, the transactions that were accounted for as asset acquisitions included our acquisition of equity interests in Sipai (Beijing) Insurance Brokerage Co., Ltd. (思派（北京）保險經紀有限公司), Guangdong Dahui Medical Co., Ltd. (廣東達慧醫藥有限公司) and Weihai Renji Medical Sales Co., Ltd. (威海仁濟醫藥銷售有限公司) in 2019, Guangzhou Sipai Medical Clinic Co., Ltd. (廣州思派醫療門診部有限責任公司) (formerly known as 廣州市康祺門診部有限責任公司), Taizhou Quannuo Pharmacy Co., Ltd. (臺州市全諾大藥房有限公司), Beijing Hengrenfukang Pharmaceutical Co., Ltd. (北京恒仁福康醫藥有限公司), Guangzhou Sipai Pharmaceuticals Chain Co. Ltd. (廣州市思派藥業連鎖有限公司) (formerly known as 廣州市柏中藥業連鎖有限公司) and Shenzhen Sipai medical Co., Ltd. (深圳思派診所) (formerly known as 深圳市愛丁婦科門診部有限公司) in 2020, as well as Shenzhen Nanshan Sipai clinic Co., Ltd (深圳南山思派門診部) (formerly known as 深圳全康科興門診

部), Suzhou Sipai Pharmacy Co., Ltd (蘇州思派大藥房有限公司) (formerly known as 蘇州市相城區陽澄湖鎮老利安藥店有限公司), Hangzhou Sipai Dongyuan Pharmacy Co., Ltd (杭州思派東苑大藥房有限公司) (formerly known as 杭州余杭金訶堂大藥房有限公司), Guangxi Nanning Tongjuntang Pharmacy Co. Ltd (廣西南寧桐君堂大藥房有限公司), Yantai Runyao Pharmacy Co., Ltd. (煙台潤藥大藥房有限公司), Tianjin Kangzhong Pharmacy Co., Ltd. (天津市康眾大藥房有限公司 "Tianjin Kangzhong"), Ningbo Haishu Benqitang Pharmacy Retail Co., Ltd. (寧波市海曙本氣堂醫藥零售有限公司), Linyi Yixin Pharmacy Co., Ltd. (臨沂市宜心大藥房有限公司) and Changzhi Sipai Pharmacy Co., Ltd. (長治思派大藥房有限公司) (formerly known as 長治九康大藥房有限公司) in 2021. All these assets were acquired from independent third parties. For details, see Note 36 to the Accountant's Report set out in Appendix I to this prospectus.

Business Combination

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by us, liabilities assumed by us to the former owners of the acquiree and the equity interests issued by us in exchange for control of the acquiree. For each business combination, we select whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

We determine to have acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When we acquire a business, we assess the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognized in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

During the Track Record Period, we acquired 51% equity interest of Taiyuan Taikang Xinte Pharmacy Co., Ltd. (太原泰康新特大藥房有限公司) ("Taiyuan Taikang") from third party shareholders at a consideration of RMB13.8 million in July 2019. The remaining 49% equity interests are held by another third party shareholder. We acquired 51% equity interest of Shenyang Sanheyuan Pharmacy Co., Ltd. (瀋陽三合緣藥房有限公司) ("Shenyang Sanheyuan") from third party shareholders at a consideration of RMB32.6 million in November 2019. The remaining 49% equity interests are held by another third party shareholder. We acquired 70.0% equity interest of Beijing Renbo Pharmacy Co., Ltd. (北京仁博大藥房有限責任公司) ("Beijing Renbo") from a third party shareholder at a total cash consideration of RMB14.7 million and estimated contingent consideration of approximately RMB24.5 million in December 2021. The remaining 30% equity interests are held by the third party shareholder. Taiyuan Taikang, Shenyang Sanheyuan and Beijing Renbo are mainly engaged in operation of retail pharmacy. The acquisitions were made as part of our strategy to establish a network of retail DTP drug stores in major cities of China. For details, see Note 35 to the Accountant's Report set out in Appendix I to this prospectus.

DESCRIPTION OF MAJOR COMPONENTS OF THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

The following table sets forth the components of our consolidated statements of profit or loss for the years/periods indicated:

	Year Ended December 31,						Six Months Ended June 30,			
	2019		2020		2021		2021		2022	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* *(unaudited)*	*%*	*RMB'000*	*%*
Revenue	**1,039,011**	**100.0**	**2,699,647**	**100.0**	**3,473,930**	**100.0**	**1,550,044**	**100.0**	**1,887,652**	**100.0**
Cost of sales	(957,207)	(92.1)	(2,512,787)	(93.1)	(3,190,481)	(91.8)	(1,431,562)	(92.4)	(1,710,708)	(90.6)
Gross profit	**81,804**	**7.9**	**186,860**	**6.9**	**283,449**	**8.2**	**118,482**	**7.6**	**176,944**	**9.4**
Other income and gains	7,004	0.7	34,808	1.3	51,069	1.5	19,538	1.3	22,351	1.2
Selling and marketing expenses	(116,032)	(11.2)	(183,450)	(6.8)	(291,461)	(8.4)	(139,266)	(9.0)	(160,614)	(8.5)
Administrative expenses	(219,462)	(21.1)	(361,242)	(13.4)	(670,021)	(19.3)	(311,538)	(20.1)	(252,329)	(13.4)
Research and development expenses	(24,850)	(2.4)	(45,743)	(1.7)	(59,207)	(1.7)	(29,305)	(1.9)	(34,286)	(1.8)
Impairment losses under expected credit loss model, net	(1,845)	(0.2)	(5,331)	(0.2)	(6,407)	(0.2)	(2,755)	(0.2)	(5,003)	(0.3)
Other expenses	(256)	(0.0)	(5,816)	(0.2)	(3,121)	(0.1)	(1,676)	(0.1)	(4,528)	(0.2)
Finance costs	(2,877)	(0.3)	(3,527)	(0.1)	(3,688)	(0.1)	(1,879)	(0.1)	(1,956)	(0.1)
Share of profits and losses of an associate	586	0.1	(65)	(0.0)	137	0.0	(342)	(0.0)	81	0.0
Loss before fair value losses on convertible redeemable preferred shares	**(275,928)**	**(26.5)**	**(383,506)**	**(14.2)**	**(699,250)**	**(20.1)**	**(348,741)**	**(22.5)**	**(259,340)**	**(13.7)**
Change in fair value of convertible redeemable preferred shares	(320,092)	(30.8)	(657,344)	(24.3)	(3,048,428)	(87.8)	(2,168,069)	(139.9)	(85,101)	(4.5)
Loss before tax	**(596,020)**	**(57.3)**	**(1,040,850)**	**(38.5)**	**(3,747,678)**	**(107.9)**	**(2,516,810)**	**(162.4)**	**(344,441)**	**(18.2)**
Income tax (expense)/ credit	(51)	(0.0)	(1,179)	(0.0)	(825)	(0.0)	38	0.0	(1,546)	(0.1)
Loss for the year/period	**(596,071)**	**(57.3)**	**(1,042,029)**	**(38.5)**	**(3,748,503)**	**(107.9)**	**(2,516,772)**	**(162.4)**	**(345,987)**	**(18.3)**
Attributable to:										
Owners of the parent	(594,595)	(57.2)	(1,042,781)	(38.5)	(3,740,455)	(107.7)	(2,510,065)	(161.9)	(346,327)	(18.3)
Non-controlling interests	(1,476)	(0.1)	752	0.0	(8,048)	(0.2)	(6,707)	(0.4)	340	0.0
	(596,071)	**(57.3)**	**(1,042,029)**	**(38.5)**	**(3,748,503)**	**(107.9)**	**(2,516,772)**	**(162.4)**	**(345,987)**	**(18.3)**

NON-IFRS MEASURES

To supplement our consolidated financial statements, which are presented in accordance with IFRSs, we also use adjusted loss (non-IFRS measure) as an additional financial measure, which is not required by, or presented in accordance with, IFRSs. We believe adjusted loss (non-IFRS measure) facilitates comparisons of company to company by eliminating potential impacts of items.

We believe adjusted loss (non-IFRS measure) provides useful information to investors and others in understanding and evaluating our combined results of operations in the same manner as they help our management. However, our presentation of adjusted loss (non-IFRS measure) may not be comparable to similarly titled measures presented by other companies. The use of adjusted loss (non-IFRS measure) 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.

We define adjusted loss (non-IFRS measure) as profit/(loss) for the year/period, excluding (i) fair value changes of convertible redeemable preferred shares; (ii) share-based payment compensation; (iii) listing expenses; and (iv) transaction cost for the issue of convertible redeemable preferred shares.

The convertible preferred shares will automatically convert into ordinary shares upon the completion of the Global Offering, and no further loss or gain on fair value changes is expected to be recognized afterwards.

The following table reconciles our adjusted loss (non-IFRS measure) for the years/periods presented to the most directly comparable financial measure calculated and presented in accordance with IFRSs, which is loss for the years/periods indicated:

	Year Ended December 31,			Six Months Ended June 30,	
	2019	2020	2021	2021	2022
				(unaudited)	
	(RMB in thousands)				
Reconciliation of loss to adjusted loss (non-IFRS measure)					
Loss for the year/period	(596,071)	(1,042,029)	(3,748,503)	(2,516,772)	(345,987)
Add:					
Fair value loss on convertible redeemable preferred shares (a)	320,092	657,344	3,048,428	2,168,069	85,101
Share-based payment compensation (b)	21,738	113,995	298,682	143,967	105,662
Listing expense (c)	—	—	28,783	8,761	12,114
Transaction cost for the issue of the Company's convertible redeemable preferred shares (d)	—	12,127	7,526	3,661	—
Adjusted loss (non-IFRS measure) for the year/period	**(254,241)**	**(258,563)**	**(365,084)**	**(192,314)**	**(143,110)**

Notes:

(a) Fair value changes of convertible redeemable preferred shares represent the gains or losses arising from change in fair value of our issued Series A, Series A-1, Series B, Series C, Series D, Series E and Series F convertible redeemable preferred shares, which was recognized as a financial liability at fair value through profit or loss. Such changes are non-cash in nature. The convertible preferred shares will automatically convert into ordinary shares upon the completion of the Global Offering, and no further loss or gain on fair value changes is expected to be recognized afterwards.

(b) Share-based compensation expenses relate to the share awards we offered to our employees, consultants and directors under 2017 Share Option Plans, which are primarily non-cash in nature and do not result in cash outflow.

(c) Listing expenses are expenses in relation to the Listing and the Global Offering.

(d) Transaction cost for the issue of the Company's convertible redeemable preferred shares are expenses in relation to the share issuance.

Revenues

During the Track Record Period, our revenue was primarily generated from our Specialty Pharmacy Business , Physician Research Assistance and Health Insurance Services. The following table sets forth a breakdown of our revenue by segments and as percentages of our total revenues for the years/periods indicated:

	Year Ended December 31,						Six Months Ended June 30,			
	2019		2020		2021		2021		2022	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* *(unaudited)*	*%*	*RMB'000*	*%*
Specialty Pharmacy Business	863,600	83.1	2,482,006	91.9	3,136,484	90.3	1,407,134	90.8	1,646,388	87.2
Physician Research Assistance	173,195	16.7	185,652	6.9	244,857	7.0	102,133	6.6	149,154	7.9
Health Insurance Services	2,216	0.2	31,989	1.2	92,589	2.7	40,777	2.6	92,110	4.9
Total	**1,039,011**	**100.0**	**2,699,647**	**100.0**	**3,473,930**	**100.0**	**1,550,044**	**100.0**	**1,887,652**	**100.0**

Specialty Pharmacy Business

Our Specialty Pharmacy Business line includes specialty pharmacy and pharmacist service. Our revenue generated from Specialty Pharmacy Business services is primarily from sales of prescription medicines and pharmaceutical products.

Physician Research Assistance

We generate service fee revenue in the Physician Research Assistance business line primarily by providing SMO service to pharmaceutical companies and medical institutions to manage clinical trials and facilitate research and development activities.

Health Insurance Services

The primary source of revenue from the Health Insurance Services business is commissions from insurance brokerage services. Additionally we also generate revenue from health management and claim management services provided to insurance carriers.

Cost of Sales

Our cost of revenues primarily consists of (i) procurement cost for specialty medicines; (ii) labor cost; and (iii) promotion fees relating to our insurance brokage services. The table below sets forth a breakdown of our cost of sales by segments in absolute amount and as percentages of our total cost of sales for the years/periods indicated:

	Year Ended December 31,						Six Months Ended June 30,			
	2019		2020		2021		2021		2022	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* *(unaudited)*	*%*	*RMB'000*	*%*
Specialty Pharmacy Business	815,668	85.2	2,346,231	93.4	2,951,040	92.5	1,322,415	92.4	1,557,639	91.0
Physician Research Assistance	140,199	14.7	146,253	5.8	199,998	6.3	88,497	6.2	122,691	7.2
Health Insurance Services	1,340	0.1	20,303	0.8	39,443	1.2	20,650	1.4	30,378	1.8
Total	**957,207**	**100.0**	**2,512,787**	**100.0**	**3,190,481**	**100.0**	**1,431,562**	**100.0**	**1,710,708**	**100.0**

The following table sets forth a breakdown of our cost of sales by nature and as percentages of total cost of sales for the years/periods indicated:

	Year Ended December 31,						Six Months Ended June 30,			
	2019		2020		2021		2021		2022	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* *(unaudited)*	*%*	*RMB'000*	*%*
Procurement cost for medicines	814,045	85.0	2,342,212	93.2	2,942,987	92.3	1,319,118	92.2	1,554,997	90.9
Labor cost	133,611	14.0	142,594	5.7	189,195	5.9	86,785	6.1	116,292	6.7
Promotion fees relating to insurance brokage services	—	—	17,981	0.7	38,577	1.2	20,456	1.4	30,042	1.8
Taxes and surcharges	2,580	0.3	4,532	0.2	10,051	0.3	3,538	0.2	3,305	0.2
Others	6,971	0.7	5,468	0.2	9,671	0.3	1,665	0.1	6,072	0.4
Total	**957,207**	**100.0**	**2,512,787**	**100.0**	**3,190,481**	**100.0**	**1,431,562**	**100.0**	**1,710,708**	**100.0**

Gross Profit and Gross margin

The following table sets forth our gross profit by segments and as percentages of total revenues, or gross margin, for the years/periods indicated:

	Year Ended December 31,						Six Months Ended June 30,			
	2019		2020		2021		2021		2022	
	Gross profit	Gross margin	Gross profit	Gross margin	Gross profit	Gross margin	Gross profit	Gross margin	Gross profit	Gross margin
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* *(unaudited)*	*%*	*RMB'000*	*%*
Specialty Pharmacy Business	47,932	5.6	135,775	5.5	185,444	5.9	84,719	6.0	88,749	5.4
Physician Research Assistance	32,996	19.1	39,399	21.2	44,859	18.3	13,636	13.4	26,463	17.7
Health Insurance Services	876	39.5	11,686	36.5	53,146	57.4	20,127	49.4	61,732	67.0
Total	**81,804**	**7.9**	**186,860**	**6.9**	**283,449**	**8.2**	**118,482**	**7.6**	**176,944**	**9.4**

Other Income and Gains

During the Track Record Period, our other income and gains mainly consisted of (i) bank interest income, (ii) net foreign exchange differences, (iii) government grants, and (iv) gains on financial assets at FVTPL. The following table sets forth a breakdown of our other income and gains for the years/periods indicated:

	Year Ended December 31,			Six Months Ended June 30,	
	2019	2020	2021	2021	2022
				(unaudited)	
	(RMB in thousands)				
Other income					
Government grants(1)	55	24,236	9,219	1,650	2,472
Bank interest income	1,259	1,136	10,370	7,231	8,206
Gains					
Foreign exchange differences, net(2)	600	—	3,952	4,004	8
Gains on financial assets at FVTPL(3)	4,356	8,779	25,658	5,600	10,260
Gains on disposal of property, plant and equipment, net	—	23	—	—	—
Gains on lease termination, net	43	—	365	159	331
Others	691	634	1,505	894	1,074
Total	**7,004**	**34,808**	**51,069**	**19,538**	**22,351**

Notes:

(1) Government grants mainly consist of reward to newly-found enterprises, subsidies for stabilizing employment, value-added tax refunds and others. The government grant in 2020 was significantly higher than those in 2019 and 2021 since the RMB24.2 million was a one-off subsidy granting to newly-founded enterprises. The government grant for the six months ended June 30, 2022 comprised the individual income tax and value-added tax refunds.

(2) Foreign exchange differences result from conversions of foreign currency denominated in Renminbi by our offshore subsidiaries and foreign currency denominated in US dollars by our subsidiaries in the PRC. We recorded a significantly higher net foreign exchange gains in 2021, which was attributable to the appreciation of the short-term deposits held by our offshore subsidiaries that was denominated in RMB as a result of the currency fluctuation of USD against RMB during the first quarter of 2021.

(3) The gains on financial assets at FVTPL represents the gains on the money market fund investment and wealth management products we purchased, comprising short-term or low-risk financial products. The expected rate of return ranged from 1.40% to 4.90% per annum. The gains on financial assets at FVTPL increased during the Track Record period, which was in line with our investment increase in the wealth management products.

Selling and Marketing Expenses

Our selling and marketing expenses consist of staff costs, marketing and promotion fees, depreciation and amortization expenses, travel and business related expense and others. Staff costs mainly include salaries, bonus, social security costs and share-based compensation for our sales and marketing staff. The table below sets forth a breakdown of our selling and marketing expenses for the years/periods indicated:

	Year Ended December 31,			Six Months Ended June 30,	
	2019	2020	2021	2021	2022
				(unaudited)	
	(RMB in thousands)				
Staff costs	46,421	60,399	135,075	59,611	103,179
Depreciation and amortization expenses	26,628	39,342	39,900	21,463	18,216
Marketing and promotion fee	27,942	50,274	67,566	34,421	15,000
Travel and business related expense	9,110	13,950	17,632	9,868	8,044
Others(1)	5,931	19,485	31,288	13,903	16,175
Total	**116,032**	**183,450**	**291,461**	**139,266**	**160,614**

Note:

(1) Others mainly consist of storage, packing and transportation expenses relating to our Specialty Pharmacy Business, bank transaction fees related to sales of drugs in the specialty pharmacies, short-term lease expenses relating to our lease of pharmacy stores and others.

Administrative Expenses

Our administrative expenses consist of staff costs, consulting and service fees, travel and business related expense, depreciation and amortization expenses, listing expense and others. Staff costs mainly include salaries, bonus, social security costs and share-based compensation for our administrative staff. The table below sets forth a breakdown of our administrative expenses for the years/periods indicated:

	Year Ended December 31,			Six Months Ended June 30,	
	2019	2020	2021	2021	2022
				(unaudited)	
			(RMB in thousands)		
Staff Costs	164,079	288,323	545,978	261,366	201,816
Consulting and service fees(1)	18,574	31,032	32,720	16,137	14,634
Travel and business related expense	22,575	21,924	32,644	14,243	9,773
Depreciation and amortization expenses	3,381	8,369	13,982	5,991	8,254
Listing expense	—	—	28,783	8,761	12,114
Others(2)	10,853	11,594	15,914	5,040	5,738
Total	**219,462**	**361,242**	**670,021**	**311,538**	**252,329**

Notes:

(1) Consulting and service fees mainly consist of consulting fees we paid to professional parties, including legal advisors, accountants and other industry specialists, service fees incurred from our financing activities, audit fees, and other related expenses. Our consulting and service fees increased 67.1% to RMB31.0 million in 2020 as compared with RMB18.6 million in 2019, primarily because we incurred financial advisor fees of RMB12 million for the series E financing. Our consulting and service fees increased to RMB32.7 million in 2021, primarily because we incurred financial advisor fees of RMB7.5 million for the series E and series F financing activities, and the rest includes service fees for upgrading financial and human resource systems as well as accounting fees and legal consulting fees, which were for preparation of IPO and were not recorded as listing expenses.

(2) Others mainly consist of short-term and low-value lease expenses relating to our lease of administration offices, property fees, utility fees, software royalties, bank transaction fees, and others.

Research and Development Expenses

During the Track Record Period, our research and development expenses consisted of staff costs and outsourcing cost and others. The table below sets forth a breakdown of our research and development expenses for the years/periods indicated:

	Year Ended December 31,			Six Months Ended June 30,	
	2019	2020	2021	2021	2022
				(unaudited)	
			(RMB in thousands)		
Staff Costs	23,812	41,666	56,642	27,619	33,088
Outsourcing cost(1)	—	2,942	226	10	663
Others(2)	1,038	1,135	2,339	1,676	535
Total	**24,850**	**45,743**	**59,207**	**29,305**	**34,286**

Notes:

(1) Outsourcing cost was mainly incurred in 2020 when we outsourced the development and upgrades of our operational systems for our business lines.

(2) Others mainly consist of the rent on cloud servers. Other research and development expenses increased to RMB2.3 million in 2021 from RMB1.1 million in 2020, primarily because of an increase in the cloud server rental payments and the Statistical Analysis System royalties.

Impairment Losses Under Expected Credit Loss Model

During the Track Record Period, our impairment losses under expected credit loss model ("ECL") were mainly allowance for expected credit losses of trade receivables and contract assets. During the Track Record Period, we had recorded impairment losses under ECL model of RMB1.8 million in 2019, RMB5.3 million in 2020, RMB6.4 million in 2021 and RMB5.0 million for the six months ended June 30, 2022.

Other Expenses

During the Track Record Period, our other expenses mainly consisted of impairment losses of inventories. The following table sets forth a breakdown of our other expenses in absolute amounts for the years/periods indicated:

	Year Ended December 31,			Six Months Ended June 30,	
	2019	2020	2021	2021	2022
				(unaudited)	
			(RMB in thousands)		
Impairment losses of inventories[(1)]	61	3,279	2,389	1,447	2,699
Loss on disposal of property, plant and equipment	19	—	77	18	7
Donations to not-for-profit organizations	50	2,122	—	—	500
Foreign exchange difference, net	—	12	—	—	—
Others	126	403	655	211	1,322
Total	**256**	**5,816**	**3,121**	**1,676**	**4,528**

Note:

(1) Inventory is impaired when selling price less costs to complete and sell is lower than carrying value. The aging and expiry dates of our inventories are reviewed at the end of each year, according to which the provision will be determined on obsolete and slow-moving inventory items. The increase in the impairment losses of inventories in 2020 was in line with our increased volume of medicine procurement as a result of expansion of our Specialty Pharmacy Business and our increased specialty pharmacies. The decrease in the impairment losses of inventories from 2020 to 2021 was primarily because of more efficient inventory management and write-off of impairment. The increase in the impairment losses in the six months ended June 30, 2022 was mainly due to the increase of inventories aged over one year and the relevant depreciation.

Finance Costs

During the Track Record Period, our finance costs mainly consisted of interest on lease liabilities. During the Track Record Period, we had recorded interest on lease liabilities of RMB2.9 million in 2019, RMB3.5 million in 2020, RMB3.7 million in 2021 and RMB2.0 million for the six months ended June 30, 2022.

Share of Profits and Losses of an Associate

Share of profits and losses of an associate represents our share of profits and losses resulting from Sinopharm Holdings Smart Pharmacy (Hubei) Co., Ltd (國藥控股思維特大藥房（湖北）有限公司). During the Track Record Period, we recorded share of profits of RMB586,000 in 2019, share of losses of RMB65,000 in 2020, share of profits of RMB137,000 in 2021 and share of profits of RMB81,000 for the six months ended June 30, 2022.

Fair Value Loss on Convertible Redeemable Preferred Shares

We adopted option-pricing method and equity allocation model to determine the fair value of the convertible preferred shares issued by us. Please see Note 31 to the Accountants' Report in Appendix I to this prospectus for the key assumptions in determining the fair value of the convertible preferred shares.

Upon the completion of the Global Offering, the preferred shares will be automatically converted to our ordinary shares.

Taxation

We had income tax expenses of RMB51,000, RMB1,179,000, RMB825,000 and RMB1,546,000 in 2019, 2020, 2021 and the six months ended June 30, 2022, respectively. We are subject to various rates of income tax under different jurisdictions. The following summarizes major factors affecting our applicable tax rates in the Cayman Islands, Hong Kong and Mainland China.

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 which introduces the two-tiered profits tax rates regime. This 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 our Hong Kong subsidiaries with estimated assessable profits for its annual reporting periods 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 is 25% during the reporting period unless subject to tax concession set out below.

According to the normal statutory PRC corporate income tax and relevant rules, certain subsidiaries of the Company have been qualified as small low-profit enterprises which can enjoy 5% to 20% preferential tax rates for the Track Record Period.

During the Track Record Period, our effective tax rate was negative 0.01%, negative 0.11%, negative 0.02% and negative 0.45% in 2019, 2020, 2021 and the six months ended June 30, 2022, respectively. We recorded negative effective tax rate during the Track Record Period because we incurred tax expenses in the corresponding year/period while we recorded loss before tax, which was the result of a reconciliation of the tax credits applicable to loss before tax at the statutory rate, the non-deductible tax expenses, tax expenses imposed by local authority, and others. The table below sets for the components of tax expenses and their reconciliation for the years/periods indicated. For details, see Note 12 to the to the Accountants' Report in Appendix I to this prospectus.

	Year ended December 31,			Six Months Ended June 30,	
	2019	2020	2021	2021	2022
				(unaudited)	
			(RMB in thousands)		
Loss before tax	(596,020)	(1,040,850)	(3,747,678)	(2,516,810)	(344,441)
Tax at the applicable tax rate of 25%	(149,005)	(260,213)	(936,920)	(629,203)	(86,110)
Expenses not deductible for tax	18,337	38,365	89,339	34,598	31,805
Different tax rates enacted by local authority	73,314	151,197	762,107	543,438	21,275
Deductible temporary differences and tax losses not recognized or utilized	57,405	71,830	86,299	51,129	34,576
Tax charge at the Group's effective tax rate for the year/period	51	1,179	825	(38)	1,546

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Six Months Ended June 30, 2022 Compared with Six Months Ended June 30, 2021

Revenue

Our revenue increased by 21.8% from RMB1,550.0 million for the six months ended June 30, 2021 to RMB1,887.7 million for the six months ended June 30, 2022 due to our business expansion.

Specialty Pharmacy Business

Revenue from our Specialty Pharmacy Business increased by 17.0% from RMB1,407.1 million for the six months ended June 30, 2021 to RMB1,646.4 million for the six months ended June 30, 2022, which was mainly attributable to the expansion of our pharmacy storefronts from 81 as of June 30, 2021 to 103 as of June 30, 2022.

Physician Research Assistance

Revenue from our Physician Research Assistance business increased by 46.0% from RMB102.1 million for the six months ended June 30, 2021 to RMB149.2 million for the six months ended June 30, 2022, which was mainly attributable to an increase in our business volume as 936 SMO projects were on-going as of June 30, 2022, as compared to 814 as of June 30, 2021.

Health Insurance Services

Revenue from Health Insurance Services business increased by 125.9% from RMB40.8 million for the six months ended June 30, 2021 to RMB92.1 million for the six months ended June 30, 2022, as we served approximately 23.9 million individual members and 876 enterprise clients as of June 30, 2022, compared with approximately 9.8 million individual members and 500 enterprise clients as of June 30, 2021.

Cost of Sales and Gross Margin

Our cost of sales increased by 19.5% from RMB1,431.6 million for the six months ended June 30, 2021 to RMB1,710.7 million for the six months ended June 30, 2022, primarily due to (i) an increase of RMB235.9 million in procurement cost for purchasing medicines relating to our Specialty Pharmacy Business; and (ii) an increase of RMB29.5 million in labor costs relating to Physician Research Assistance business. As a result of the foregoing, our gross profit for the six months ended June 30, 2021 and 2022 were RMB118.5 million and RMB176.9 million, respectively, and our gross margin was 7.6% and 9.4%, respectively. The increase in our gross margin was mainly attributable to the rapid development of our Health Insurance Services business which generated significantly higher gross margin as compared to the other two business lines.

Specialty Pharmacy Business

Our cost of sales of Specialty Pharmacy Business increased by 17.8% from RMB1,322.4 million for the six months ended June 30, 2021 to RMB1,557.6 million for the six months ended June 30, 2022, which was largely in line with our expansion of Specialty Pharmacy Business. The gross margin decreased from 6.0% for the six months ended June 30, 2021 to 5.4% for the six months ended June 30, 2022, mainly because the change of product structure.

Physician Research Assistance

Our cost of sales of Physician Research Assistance business increased by 38.6% from RMB88.5 million for the six months ended June 30, 2021 to RMB122.7 million for the six months ended June 30, 2022, which was mainly due to the increase of labor costs as a result of our increasing on-going clinical trials.

The gross margin changed from 13.4% for the six months ended June 30, 2021 to 17.7% for the six months ended June 30, 2022, mainly attributable to our enhanced capability to secure studies with higher gross margin and improved operational efficiency benefiting from our know-how amassed with the development of business.

Health Insurance Services

Our cost of sales of Health Insurance Services business increased by 47.1% from RMB20.7 million for the six months ended June 30, 2021 to RMB30.4 million for the six months ended June 30, 2022, which was largely in line with our expansion of Health Insurance Services business as the types of our insurance plans increased from 15 as of June 30, 2021 to 24 as of June 30, 2022. The gross margin changed from 49.4% for the six months ended June 30, 2021 to 67.0% for the six months ended June 30, 2022, which is the result of our increased revenue and reduced marginal cost.

Other Income and Gains

Our net other income and gains increased by 14.4% from RMB19.5 million for the six months ended June 30, 2021 to RMB22.4 million for the six months ended June 30, 2022, primarily due to (i) a RMB4.7 million increase in gains on financial assets at FVTPL; (ii) a RMB1.0 million increase in the bank interest income; and (iii) a RMB0.8 million increase in the government grants which were mainly refunds of the individual income tax and the value-added tax; partially offset by a RMB4.0 million decrease in the net foreign exchange differences.

Selling and Marketing Expenses

Our selling and marketing expenses increased by 15.3% from RMB139.3 million for the six months ended June 30, 2021 to RMB160.6 million for the six months ended June 30, 2022, mainly due to a RMB43.6 million increase in staff costs mainly for our Specialty Pharmacy Business; partially offset by a RMB19.4 million decrease in marketing and promotion fees as a result of our improved sales efficiency.

Administrative Expenses

Our administrative expenses decreased by 19.0% from RMB311.5 million for the six months ended June 30, 2021 to RMB252.3 million for the six months ended June 30, 2022, mainly resulting from a decrease in the staff costs, which is primarily due to the functional adjustment of the administrative team and the improvement of administrative efficiency.

Research and Development Expenses

Our research and development expenses increased by 17.0% from RMB29.3 million for the six months ended June 30, 2021 to RMB34.3 million for the six months ended June 30, 2022, mainly due to an increase in staff costs as a result of expansion of our research and development function.

Impairment losses under ECL

Our impairment losses under ECL increased by 81.6% from RMB2.8 million for the six months ended June 30, 2021 to RMB5.0 million for the six months ended June 30, 2022, as the result of an increase in the trade receivables, and such increase was in line with the increase in the ongoing service of Physician Research Assistance business.

Other Expenses

Our other expenses increased significantly from RMB1.7 million for the six months ended June 30, 2021 to RMB4.5 million for the six months ended June 30, 2022, primarily resulting from a RMB1.3 million increase in impairment losses of inventories mainly due to the increase of inventories aged over one year and the relevant depreciation, and a RMB1.1 million increase in other expenses mainly for staff accident compensation.

Change in Convertible Redeemable Preferred Shares

Our fair value loss on convertible redeemable preferred shares decreased by 96.1% from RMB2,168.1 million for the six months ended June 30, 2021 to RMB85.1 million for the six months ended June 30, 2022, reflecting our stable valuation status since 2022.

Loss Before Tax for the Period

For the reasons described above, our loss before tax for the period decreased by 86.3% from RMB2,516.8 million for the six months ended June 30, 2021 to RMB344.4 million for the six months ended June 30, 2022. Our non-IFRS loss for the period decreased by 25.6%, from RMB192.3 million for the six months ended June 30, 2021 to RMB143.1 million for the six months ended June 30, 2022 mainly due to an RMB58.5 million increase of gross profit.

Year Ended December 31, 2021 Compared with Year Ended December 31, 2020

Revenue

Our revenue increased by 28.7% from RMB2,699.6 million in 2020 to RMB3,473.9 million in 2021 due to our business expansion.

Specialty Pharmacy Business

Revenue from our Specialty Pharmacy Business increased by 26.4% from RMB2,482.0 million in 2020 to RMB3,136.5 million in 2021, which was mainly attributable to an increase in the average monthly sales revenue per store to RMB2.9 million in 2021 from RMB2.7 million in 2020, as well as the expansion of our pharmacy storefronts from 76 as of December 31, 2020 to 91 as of December 31, 2021.

Physician Research Assistance

Revenue from our Physician Research Assistance business increased by 31.9% from RMB185.7 million in 2020 to RMB244.9 million in 2021, which was mainly attributable to an increase in our business volume as 926 SMO projects were on-going as of December 31, 2021, as compared to 681 as of December 31, 2020. Our Physician Research Assistance business was affected by the COVID-19 pandemic in early 2020 as many clinical trials were restricted or suspended during the peak of pandemic.

Health Insurance Services

Revenue from Health Insurance Services business increased significantly from RMB32.0 million in 2020 to RMB92.6 million in 2021, primarily because the number of our monthly active members increased from approximately 5.3 million as of December 31, 2020 to approximately 8.3 million as of December 31, 2021 since we developed and launched more insurance plans. The types of our insurance plans increased from 12 as of December 31, 2020 to 17 as of December 31, 2021.

Cost of Sales and Gross Margin

Our cost of sales increased by 27.0% from RMB2,512.8 million in 2020 to RMB3,190.5 million in 2021, primarily due to (i) an increase in procurement cost for purchasing medicines relating to our Specialty Pharmacy Business; and (ii) an increases in staff costs relating to Physician Research Assistance business. Our gross profit in 2020 and 2021 were RMB186.9 million and RMB283.4 million, respectively, and our gross margin was 6.9% and 8.2%, respectively. The increase in our gross margin was mainly attributable to the rapid development of our Health Insurance Services business which generated significantly higher gross margin to the other two business lines.

Specialty Pharmacy Business

Our cost of sales of Specialty Pharmacy Business increased by 25.8% from RMB2,346.2 million in 2020 to RMB2,951.0 million in 2021, which was in line with our expansion of pharmacy storefronts. Accordingly, gross margin remained relatively stable, being 5.5% in 2020 and 5.9% in 2021.

Physician Research Assistance

Our cost of sales of Physician Research Assistance business increased by 36.7% from RMB146.3 million in 2020 to RMB200.0 million in 2021 mainly due to the increase of labor costs as a result of our increasing on-going SMO projects. As a result, the gross margin slightly decreased from 21.2% in 2020 to 18.3% in 2021.

Health Insurance Services

Our cost of sales of Health Insurance Services business increased by 94.3% from RMB20.3 million in 2020 to RMB39.4 million in 2021, which was largely in line with our expansion of Health Insurance

Services business as the types of our insurance plans increased from 12 as of December 31, 2020 to 17 as of December 31, 2021. In addition to health management services, we started to co-develop differentiated health insurance plans with major insurance carriers and launched our first insurance plan, Hui Min Insurance, in December 2019, resulting in high up-front costs to market our new products in the first half of 2020. Our gross profit margin increased from 36.5% in 2020 to 57.4% in 2021, which is the result of our increased revenue and reduced marginal cost.

Other Income and Gains

Our other income and gains increased from RMB34.8 million in 2020 to RMB51.1 million in 2021, primarily due to (i) a RMB16.9 million increase in the gains on financial assets at FVTPL which are financial products with low risks; (ii) a RMB9.2 million increase in the bank interest income; and (iii) a RMB4.0 million increase in the net foreign exchange differences attributable to the appreciation of the short-term deposits held by our offshore subsidiaries that was denominated in RMB as a result of the currency fluctuation of USD against RMB during the first quarter of 2021.

Selling and Marketing Expenses

Our selling and marketing expenses increased by 58.9% from RMB183.5 million in 2020 to RMB291.5 million in 2021, mainly due to (i) a RMB74.7 million increase in staff costs incurred from staff recruitment for our Specialty Pharmacy Business and Health Insurance Services business; and (ii) a RMB17.3 million increase in marketing and promotion fee for each of our business lines. For our Specialty Pharmacy Business, the average number of sales employees who received the monthly payroll increased from 367 in 2020 to 474 in 2021. For our Health Insurance Services business, the average number of sales employees who received the monthly payroll increased from 73 in 2020 to 192 in 2021.

Administrative Expenses

Our administrative expenses increased 85.5% from RMB361.2 million in 2020 to RMB670.0 million in 2021, mainly due to (i) an increase of RMB257.7 million in staff costs including a RMB175.7 million increase in share-based compensation, and a RMB82.0 million increase in salaries, allowances and bonuses as a result of business expansion; and (ii) a RMB28.8 million listing expenses was incurred in 2021.

Research and Development Expenses

Our research and development expenses increased by 29.4% from RMB45.7 million in 2020 to RMB59.2 million in 2021, mainly due to an increase in staff costs as a result of expansion of our research and development function.

Impairment losses under ECL

Our impairment losses under ECL increased by 20.2% from RMB5.3 million in 2020 to RMB6.4 million in 2021 as the result of an increase in the trade receivables and contract assets, and such increase was in line with the increase in the ongoing service of Physician Research Assistance business.

Other Expenses

Our other expenses decreased by 46.3% from RMB5.8 million in 2020 to RMB3.1 million in 2021, primarily because a RMB2.1 million one-off donation was made in 2020.

Fair Value Loss on Convertible Redeemable Preferred Shares

Our fair value loss on convertible redeemable preferred shares increased significantly from RMB657.3 million in 2020 to RMB3,048.4 million in 2021, because we completed additional equity financing with higher valuation. Please see Note 31 to the Accountants' Report set out in Appendix I to this prospectus for more information about convertible redeemable preferred shares.

Loss Before Tax for the Year

For the reasons described above, our loss before tax for the year increased by RMB2,706.8 million from RMB1,040.9 million in 2020 to RMB3,747.7 million in 2021. Our adjusted loss (non-IFRS measure) for the year increased by RMB106.5 million from RMB258.6 million in 2020 to RMB365.1 million in 2021.

Year Ended December 31, 2020 Compared with Year Ended December 31, 2019

Revenue

Our revenue increased by 159.8%, from RMB1,039.0 million in 2019 to RMB2,699.6 million in 2020 due to our business expansion.

Specialty Pharmacy Business

Revenue from our Specialty Pharmacy Business increased by 187.4% from RMB863.6 million in 2019 to RMB2,482.0 million in 2020, which was mainly attributable to the increase of average monthly sales revenue per store from RMB1.3 million in 2019 to RMB2.7 million in 2020 as well as the expansion of our pharmacy storefronts from 70 as of December 31, 2019 to 76 as of December 31, 2020.

Physician Research Assistance

Revenue from our Physician Research Assistance business increased by 7.2% from RMB173.2 million in 2019 to RMB185.7 million in 2020, which was mainly attributable to a stable increase in our business volume despite the impact of COVID-19. 681 SMO projects were on-going as of December 31, 2020, as compared to 469 as of December 31, 2019.

Health Insurance Services

Revenue from Health Insurance Services business increased significantly from RMB2.2 million in 2019 to RMB32.0 million in 2020. We launched most of our health insurance plans in 2020, resulting in a significant increase of premium payment and therefore our commission fee income.

Cost of Sales and Gross Margin

Our cost of sales increased by 162.5% from RMB957.2 million in 2019 to RMB2,512.8 million in 2020, primarily due to (i) an increase in procurement cost for purchasing medicines relating to our Specialty Pharmacy Business; and (ii) an increases staff costs relating to Physician Research Assistance business. As a result of the foregoing, our overall gross profit in 2019 and 2020 were RMB81.8 million and RMB186.9 million, respectively, and our overall gross margin was 7.9% and 6.9%, respectively.

Specialty Pharmacy Business

Our cost of sales of Specialty Pharmacy Business increased by 187.6% from RMB815.7 million in 2019 to RMB2,346.2 million in 2020, which was in line with the rapid expansion of Specialty Pharmacy Business. Our gross margin in Specialty Pharmacy Business remained relatively stable at 5.6% and 5.5% in 2019 and 2020, respectively.

Physician Research Assistance

Our cost of sales of Physician Research Assistance business increased by 4.3% from RMB140.2 million in 2019 to RMB146.3 million in 2020, which was largely in line with its revenue growth. The gross margin improved from 19.1% in 2019 to 21.2% in 2020 mainly because of our enhanced capability to secure studies with higher gross margin and improved operational efficiency benefiting from our know-how amassed with the development of business.

Health Insurance Services

Our cost of sales of Health Insurance Services business increased significantly from RMB1.3 million in 2019 to RMB20.3 million in 2020, primarily due to the marketing and launching expenses relating to our new insurance products. Our gross margin in Health Insurance Services business decreased from 39.5% in 2019 to 36.5% in 2020, which primarily resulted from a significant change in the business mix of our Health Insurance Services in 2019. Hui Min Insurance was introduced to the market in December 2019. Revenue and cost of Health Insurance Services thereafter mainly consisted of commission income and associated costs in selling insurance products underwritten by partner insurance carriers. Prior to that, the Health Insurance Services business line only included small amounts of revenue and costs from providing administrative services to insurance carriers.

Other Income and Gains

Our other income and gains increased from RMB7.0 million in 2019 to RMB34.8 million in 2020, primarily due to (i) a one-off government grants of RMB24.2 million in 2020 as an enterprise settlement award for newly-founded; and (ii) an increase of RMB4.4 million in gains on financial assets at FVTPL which are financial products with low risks.

Selling and Marketing Expenses

Our selling and marketing expenses increased from RMB116.0 million in 2019 to RMB183.5 million in 2020, mainly due to (i) a RMB22.3 million increase in marketing and promotion fee for each of our business lines; and (ii) a RMB14.0 million increase in staff costs as a result of our expanding Health Insurance Services and Specialty Pharmacy Business.

Administrative Expenses

Our administrative expenses increased from RMB219.5 million in 2019 to RMB361.2 million in 2020, mainly due to a RMB124.2 million increase in staff costs including (i) a RMB94.0 million increase in share-based compensation, and (ii) a RMB30.2 million increase in salaries, allowances and bonuses as a result of business expansion.

Research and Development Expenses

Our research and development expenses increased from RMB24.9 million in 2019 to RMB45.7 million in 2020, mainly due to an increase in staff costs as a result of expansion of our research and development function.

Impairment losses under ECL

Our impairment losses under ECL increased from RMB1.8 million in 2019 to RMB5.3 million in 2020, mainly due to an increase in the contract assets arising from our Physician Research Assistance business.

Other Expenses

Our other expenses increased from RMB0.3 million in 2019 to RMB5.8 million in 2020, primarily due to a donation of RMB2.1 million to a charity foundation and an increase of RMB3.2 million in impairment losses of inventories.

Fair Value Loss on Convertible Redeemable Preferred Shares

Our fair value loss on convertible redeemable preferred shares increased from RMB320.1 million in 2019 to RMB657.3 million in 2020 because we completed additional equity financing with higher valuation. Please see Note 31 to the Accountants' Report set out in Appendix I to this prospectus for more information about convertible redeemable preferred shares.

Loss Before Tax for the Year

For the reasons described above, our loss before tax for the year increased by RMB444.9 million from RMB596.0 million in 2019 to RMB1,040.9 million in 2020. Our adjusted loss (non-IFRS measure) for the year increased by RMB4.4 million from RMB254.2 million in 2019 to RMB258.6 million in 2020.

DISCUSSION OF SELECTED ASSETS AND LIABILITIES ITEMS

The table below sets forth selected information from our consolidated statements of financial position as of the dates indicated:

	As of December 31,			As of June 30,
	2019	2020	2021	2022
	(RMB in thousands)			
Total non-current assets	192,453	186,442	404,576	383,783
Total current assets	958,653	2,292,156	2,488,243	2,521,368
Total assets	**1,151,106**	**2,478,598**	**2,892,819**	**2,905,151**
Total non-current liabilities	1,820,624	3,657,000	7,492,929	7,963,513
Total current liabilities	337,419	613,245	830,800	1,004,577
Net current assets	**621,234**	**1,678,911**	**1,657,443**	**1,516,791**
Total liabilities	**2,158,043**	**4,270,245**	**8,323,729**	**8,968,090**
Net Liabilities	**(1,006,937)**	**(1,791,647)**	**(5,430,910)**	**(6,062,939)**
Equity attributable to owners of the parent:				
Share capital	61	61	138	138
Reserves	(1,010,651)	(1,796,713)	(5,429,362)	(6,062,221)
	(1,010,590)	(1,796,652)	(5,429,224)	(6,062,083)
Non-controlling interests	3,653	5,005	(1,686)	(856)
Total deficit	**(1,006,937)**	**(1,791,647)**	**(5,430,910)**	**(6,062,939)**

Other Intangible Assets

Our other intangible assets primarily consist of software and licenses. Each of the licenses and software has an estimated useful life of ten years and three to ten years, respectively. The carrying value of our other intangible assets as of December 31, 2019, 2020, 2021 and June 30, 2022 amounted to RMB45.7 million, RMB47.4 million, RMB61.5 million and RMB60.1 million, respectively. As of December 31, 2019, 2020, 2021 and June 30, 2022, the carrying value of software amounted RMB1.0 million, RMB3.1 million, RMB11.2 million and RMB12.8 million, respectively, and the carrying value of licenses amounted to RMB44.7 million, RMB44.3 million, RMB50.3 million and RMB47.3 million, respectively.

The increases in our other intangible assets were mainly attributable to our business acquisitions and our purchases of licenses and software. For details of acquisition and disposal of subsidiaries, see Note 35, Note 36 and Note 37 to the Accountant's Report set out in Appendix I to this prospectus. The table below sets forth a breakdown of our other intangible assets as of the dates indicated:

	As of December 31,			As of June 30,
	2019	2020	2021	2022
		(RMB in thousands)		
Cost at January 1, net of accumulated amortization	3,108	45,695	47,371	61,525
Additions	641	2,722	9,662	2,717
Acquisition of subsidiaries	43,503	4,356	15,526	—
Disposals	—	—	(3,900)	—
Amortization during the year/period	(1,557)	(5,402)	(7,134)	(4,187)
Net carrying amount	**45,695**	**47,371**	**61,525**	**60,055**

Investment in an Associate

Our investment in an associate refers to our equity interest in Sinopharm Holdings Smart Pharmacy (Hubei) Co., Ltd (國藥控股思維特大藥房（湖北）有限公司) and amounted to RMB1.4 million, RMB1.3 million, RMB1.6 million and RMB1.7 million as of December 31, 2019, 2020, 2021 and June 30, 2022, respectively.

Goodwill

Our goodwill amounted to RMB42.1 million, RMB42.1 million, RMB79.8 million and RMB79.8 million as of December 31, 2019, 2020, 2021 and June 30, 2022, respectively, as a result of our acquisitions of Taiyuan Taikang in July 2019, Shenyang Sanheyuan in November 2019 and Beijing Renbo in December 2021. The carrying amounts of goodwill allocated to these cash-generating units (the "**CGUs**") are as follows:

	As of December 31,			As of June 30,
	2019	2020	2021	2022
		(RMB in thousands)		
Taiyuan Taikang	13,374	13,374	13,374	13,374
Shenyang Sanheyuan	28,700	28,700	28,700	28,700
Beijing Renbo	—	—	37,749	37,749
	42,074	**42,074**	**79,823**	**79,823**

Goodwill is tested by the management for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The acquisition date of Beijing Renbo was December 31, 2021, thus no further impairment assessment for Beijing Renbo was performed by the management as of December 31, 2021. The recoverable amount of the CGUs has been determined based on a value in use ("VIU") calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period. Other key assumptions for the VIU calculation relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin. Such estimation is based on management's expectations for the market development.

The recoverable amount of the CGUs exceeding their carrying amount is as follows:

	As of December 31,			As of June 30,
	2019	2020	2021	2022
	(RMB in thousand)			
Taiyuan Taikang	2,451	4,483	5,547	3,428
Shenyang Sanheyuan	6,223	11,273	5,377	5,367
Beijing Renbo	—	—	—	3,926
	8,674	**15,756**	**10,924**	**12,721**

The following describes each key assumption on which the management has based its cash flow projections to undertake impairment testing of goodwill:

	Taiyuan Taikang	Shenyang Sanheyuan	Beijing Renbo
December 31, 2019			
Pre-tax discount rate(1)	22.16%	22.19%	N/A
Revenue (% compound growth rate)(2)	18.50%	16.27%	N/A
Terminal growth rate(3)	3.00%	3.00%	N/A
December 31, 2020			
Pre-tax discount rate(1)	22.73%	22.71%	N/A
Revenue (% compound growth rate)(2)	14.23%	12.29%	N/A
Terminal growth rate(3)	3.00%	3.00%	N/A
December 31, 2021			
Pre-tax discount rate(1)	23.06%	22.50%	N/A
Revenue (% compound growth rate)(2)	14.67%	13.23%	N/A
Terminal growth rate(3)	2.30%	2.30%	N/A
June 30, 2022			
Pre-tax discount rate(1)	22.82%	22.66%	21.73%
Revenue (% compound growth rate)(2)	14.26%	13.21%	12.55%
Terminal growth rate(3)	2.30%	2.30%	2.30%

Notes:

(1) Pre-tax discount rate: The discount rate used is before tax and reflects specific risks relating to the relevant units.

(2) Revenue growth rate: The basis used to determine the budgeted revenue is based on management's expectation and also expectation of the future market.

(3) Terminal growth rate: The forecasted terminal growth rate is based on management's expectations and does not exceed the long-term average growth rate for the industry relevant to the CGUs.

Our management has performed sensitivity test by decreasing 1% of expected revenue, decreasing 1% of terminal growth rate or increasing 1% of pre-tax discount rate, with all other assumptions held constant. The impacts on the amount by which each CGU's recoverable amount above its carrying amount (headroom) are as below:

	Taiyuan Taikang	Shenyang Sanheyuan	Beijing Renbo
	(RMB in thousand)		
December 31, 2019			
Headroom	2,451	6,223	N/A
Impact by decreasing expected revenue	(297)	(672)	N/A
Impact by decreasing terminal growth rate	(1,424)	(3,205)	N/A
Impact by increasing pre-tax discount rate	(2,016)	(4,522)	N/A
December 31, 2020			
Headroom	4,483	11,273	N/A
Impact by decreasing expected revenue	(504)	(1,459)	N/A
Impact by decreasing terminal growth rate	(1,335)	(3,069)	N/A
Impact by increasing pre-tax discount rate	(1,937)	(4,430)	N/A
December 31, 2021			
Headroom	5,547	5,377	N/A
Impact by decreasing expected revenue	(496)	(1,403)	N/A
Impact by decreasing terminal growth rate	(1,292)	(3,038)	N/A
Impact by increasing pre-tax discount rate	(2,034)	(4,874)	N/A
June 30, 2022			
Headroom	3,428	5,367	3,926
Impact by decreasing expected revenue	(548)	(1,362)	(71)
Impact by decreasing terminal growth rate	(1,353)	(3,216)	(2,438)
Impact by increasing pre-tax discount rate	(2,035)	(5,048)	(3,479)

Except for these, any reasonable possible changes in the other assumptions used in the value in use calculation would not affect management's view on impairment as at the end of each of the Relevant Periods.

Based on the impairment assessment utilizing the above key assumptions, the recoverable amount of the CGUs estimated from the cash flow forecast exceeded the carrying amount of goodwill and no impairment was considered necessary. The values assigned to the key assumptions on discount rate and growth rate are consistent with external information sources.

Inventories

During the Track Record Period, our inventories consisted of prescription medicines and medical products in our Specialty Pharmacy Business, and we did not create inventory for Physician Research Assistance and Health Insurance Services businesses. We regularly monitor our inventories and endeavor to keep an optimal inventory level in line with the expected usages in the near term. The following table sets forth our inventories as of the dates indicated:

	As of December 31,			As of June 30,
	2019	2020	2021	2022
	(RMB in thousands)			
Trading merchandise	211,247	283,271	271,506	282,434
Less: provision for impairment	(61)	(3,340)	(2,471)	(3,340)
Total	**211,186**	**279,931**	**269,035**	**279,094**

The following table sets forth the aging analysis of our inventories (trading merchandise before the adjustment of provision for impairment) as of the dates indicated:

	As of December 31,			As of June 30,
	2019	2020	2021	2022
		(RMB in thousands)		
Within 1 year	211,187	280,515	269,333	279,297
1 to 2 years	60	2,696	2,086	2,987
2 to 3 years	—	60	87	122
Over 3 years	—	—	—	28
Total	**211,247**	**283,271**	**271,506**	**282,434**

Our inventory increased from RMB211.2 million as of December 31, 2019 to RMB279.9 million as of December 31, 2020, which is in line with the expansion of the Specialty Pharmacy Business. Our inventory amounted RMB269.0 million as of December 31, 2021 and RMB279.1 million as of June 30, 2022.

The aging and expiry dates of our inventories are reviewed at the end of each year, according to which the provision will be determined on obsolete and slow-moving inventory items. Our provision for impairment increased from RMB61,000 as of December 31, 2019 to RMB3.3 million as of December 31, 2020, decreased to RMB2.5 million as of December 31, 2021 and then increase to RMB3.3 million as of June 30, 2022. The increase of provision of inventories from 2019 to 2020 was in line with our increased volume of medicine procurement as a result of expansion of our Specialty Pharmacy Business and our increased specialty pharmacies. The decrease in provision of inventories from 2020 to 2021 was primarily because of more efficient inventory management and write-off of impairment. As of December 31, 2019, 2020, 2021 and June 30, 2022, our inventories aged over one year amounted to RMB60,000, RMB2.8 million, RMB2.2 million and RMB3.1 million, respectively, which was exceeded by our provision for impairment for each of the respective year. As such, our Directors are of the view that sufficient provision has been made to inventories as of December 31, 2019, 2020, 2021 and June 30, 2022.

Our inventory turnover days from Specialty Pharmacy Business decreased from 50 days in 2019 to 38 days in 2020, and further decreased to 34 days in 2021 and 32 days for the six months ended June 30, 2022, attributable to our increased sales volume and more efficient inventory management, which resulted in faster turnover of our products and shorter inventory times. Inventory turnover days for a given period are equal to average inventory balances of the beginning and the end of the period divided by cost of sales during the period and then multiplied by the number of days of the period.

As of October 31, 2022, RMB250.8 million, or 89% of our inventories as of June 30, 2022, had been utilized or sold.

Prepayments, Other Receivables and Other Assets

The following table sets forth the breakdown of our prepayments, other receivables and other assets as of the dates indicated:

	As of December 31,			As of June 30,
	2019	2020	2021	2022
	(RMB in thousands)			
Non-current:				
Rental deposits	3,973	5,395	8,159	8,391
Prepayments for purchase of property, plant and equipment	613	360	92	—
Prepayments for purchase of intangible assets	—	—	2,656	—
Deferred listing expenses	—	—	6,885	600
Prepayments for medicine (note a)	—	—	130,000	130,000
	4,586	**5,755**	**147,792**	**138,991**
Current:				
Price adjustment compensation (note b)	4,172	32,737	92,529	52,707
Fund receivable from external payment network providers (note c)	9,211	10,842	8,742	12,134
Value added tax recoverable	19,710	10,229	8,939	6,244
Prepayments	11,557	8,161	40,598	31,418
Staff advances	1,541	1,018	968	1,387
Withholding tax for employee income tax (note d)	—	2,981	—	—
Other receivables	4,678	6,969	10,782	25,151
Impairment allowance	—	—	(2,211)	(1,449)
	50,869	**72,937**	**160,347**	**127,592**

Note a: In January 2021, we entered into a distribution agreement with a third party supplier for distribution of an imported medicine human serum albumin ("**HSA**") in mainland China through our nationwide pharmacy network. Pursuant to this agreement, we made payments of RMB130 million to the third party supplier in January 2021 as deposits to secure the supply of the HSA from January 2021 to June 2022 (the "**Distribution Period**"). Witnessing the rapid sales growth of and huge demand for HSA, which has long been one of the best-selling blood products in the market in China, we entered into this distribution agreement after arm's length negotiation and the RMB130 million prepayment is to secure a stable, long-term and sufficient supply of HSA. To further secure the long-term supply, we entered into a supplemental agreement in July 2021 to extend the Distribution Period to January 2024. During the Distribution Period, we order HSA on demand instead of setting a routine delivery schedule. Under this distribution agreement, since 2021 and up to June 30, 2022, the HSA we purchased amounted to RMB309.5 million, 100% of which have been settled and resold by us to customers as of October 31, 2022. The deposit of RMB130 million is expected to be settled by supply of the HSA of equivalent value amounted to RMB130 million within 30 days after the end of the Distribution Period and the supplier shall return the unsettled amount with interests if its supply of HSA does not reach RMB130 million. Subsequently to optimize our working capital allocation, we entered into a second supplemental agreement with the third party supplier in October 2022, pursuant to which the deposit of RMB130 million was fully returned to us on October 27, 2022. Details of the distribution agreements are set forth below:

Product:	Imported human serum albumin
Pricing:	Purchase price is not fixed and will be notified by the supplier to us at the beginning of each month during the term of the agreement.
Term:	From January 2021 to January 2024
Payment:	(i) RMB130 million as deposits to secure the supply of products during the term of the agreement; and (ii) payment on an order-by-order basis.
Inspection and Acceptance:	Products should be delivered with a qualified drug inspection report and are subject to the inspection of the relevant supervision and administration authority. We have rights to refuse any defective products that fail our delivery inspection. In case of quality defects or certain events stipulated under the agreement, we entitled to product replacements or refunds.

Note b: The balance mainly represents amounts due from pharmaceutical companies to compensate us for the reduced sales price of drugs sold in the our specialty pharmacies under the centralized procurement policies. The price adjustment compensation was accrued at the end of each reporting period and accounted as a reduction of our cost of sales. The pharmaceutical companies normally provided RMB4.3 million, RMB62.6 million, RMB160.6 million and RMB56.9 million price adjustment compensation to us in 2019, 2020, 2021 and the six months ended June 30, 2022, respectively. As of October 31, 2022, RMB22.8 million, or 43.2% of the other receivables for price adjustment compensation as of June 30, 2022, have been settled.

Note c: The balance represents the receivables from payment processors such as China UnionPay, WeChat and Alipay or aggregators that are cash due from them for clearing transactions. The cash was paid by individual customers of pharmacy stores through these payment processors or aggregators for selling medicines in specialty by us.

Note d: The balance represents the receivables from employees in respect of withholding tax for employee individual income tax associated with share options paid by us on behalf of employee.

Trade and Bills Receivables

During the Track Record Period, our trade and bills receivables mainly included (i) the account receivables from the supply of SMO service in the Physician Research Assistance business; (ii) the account receivables to be reimbursed by the social medical insurance; and (iii) our sales of medicines to customer for our Specialty Pharmacy Business. In addition, our Health Insurance Services business was comparably small and did not create large amounts of trade receivables during the Track Record Period. The following tables set forth a breakdown of trade and bills receivables as of the dates indicated:

	As of December 31,			As of June 30,
	2019	2020	2021	2022
	(RMB in thousands)			
Bills receivables	—	—	4,607	1,295
Trade receivables	40,112	50,358	175,261	269,759
Less: allowance for credit losses	(1,395)	(5,756)	(8,673)	(13,019)
Total	**38,717**	**44,602**	**171,195**	**258,035**

The following table set forth a breakdown of trade and bills receivables by segments as of the dates indicated:

	As of December 31,			As of June 30,
	2019	2020	2021	2022
	(RMB in thousands)			
Specialty Pharmacy Business	11,368	27,545	119,093	124,034
Physician Research Assistance	27,998	21,189	44,881	76,854
Health Insurance Services	746	1,624	15,894	70,166
Less: allowance for credit losses	(1,395)	(5,756)	(8,673)	(13,019)
Total	**38,717**	**44,602**	**171,195**	**258,035**

Our trade and bills receivables were RMB38.7 million, RMB44.6 million, RMB171.2 million and RMB258.0 million as of December 31, 2019, 2020, 2021 and June 30, 2022, respectively, of which the increase was mainly attributable to the expansion of our Specialty Pharmacy Business. Since Guangdong Dahui has obtained the first level distribution qualification for certain medication from pharmaceutical manufacturers, our customer base has expanded to include not only individual customers but also pharmaceutical distributors and pharmaceutical companies, which contributed to an increase in the trade receivables since 2021. The major customers contributed to the increase in trade receivables were mainly subsidiaries of public pharmaceutical companies that mainly engaged in medical distribution and logistics business. For details, see "Business—Specialty Pharmacy Business—Source of Specialty Pharmacy Business Customers" in this prospectus. Furthermore, 47 of our specialty pharmacies have obtained the "dual-channel" qualification from local health security administrations as of June 30, 2022, resulting in an increasing receivable amount to be reimbursed by the social medical insurance. As a result, the trade and bills receivables (net of allowance for ECLs) attributable to our Specialty Pharmacy Business, Physician Research Assistance and others accounted for 44.7%, 28.3% and 27.0%, respectively, as of June 30, 2022. We make periodic overall assessments as well as individual assessments on the recoverability of trade receivables, monitor and chase outstanding receivables based on historical settlement records, latest financial information available and the industry they operate in. As our increase in trade receivables are largely in line with our rapid business expansion of Specialty Pharmacy Business and Physician Research Assistance business, and based on the low default of trade receivables during the Track Record Period, we are of the view that the credit risk of trade receivables is low as our customers have demonstrated strong capabilities to meet their contractual obligations.

Our turnover days of trade receivables from Physician Research Assistance business increased from 38 days in 2019 to 48 days in 2020, and further to 49 days in 2021 and 73 days for the six months ended June 30, 2022, and the increasing turnover days were primarily due to the development of our SMO projects. Meanwhile, the settlement cycle was impacted by the COVID-19 in the first half of 2022. Our turnover days of trade receivables from Specialty Pharmacy Business were two days in 2019, three days in 2020, nine days in 2021 and 13 days for the six months ended June 30, 2022. The increase in turnover days for our Specialty Pharmacy Business was mainly due to an increase in the receivable amount to be reimbursed by the social medical insurance as we had more specialty pharmacies granted with “dual-channel” qualification. Trade receivables turnover days for a given period are equal to the average trade receivables, of the beginning and the end of the period divided by revenues during the period and multiplied by the number of days during the period.

The aging analysis of the trade and bills receivables based on invoice date and net of allowance for ECL is as follows:

	As of December 31,			As of June 30,
	2019	2020	2021	2022
		(RMB in thousands)		
Within 1 month	16,751	27,285	128,512	170,226
1 to 2 months	15,880	9,233	25,120	31,945
2 to 6 months	5,538	5,108	11,005	46,076
6 to 12 months	548	2,976	6,558	9,487
Over 12 months	—	—	—	301
Total	**38,717**	**44,602**	**171,195**	**258,035**

The aging and collection cycle of our trade receivables had maintained stable during the Track Record Period, a majority of which were collected within one month. In determining the recoverability of the trade receivables, we consider any change in the credit quality of the trade receivables from the date credit was initially granted up to the end of each year during the Track Record Period. In addition, we review the recoverable amount of each individual trade receivable at the end of each year during the Track Record Period and considers to make impairment losses for irrecoverable amount, if necessary.

We determine the expected credit loss for our trade receivables and contract assets by using a provision matrix, estimated based on the financial quality of debtors and historical credit loss experience based on the aging of the trade receivables and contract assets, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. As of June 30, 2022, 98.1% of our trade receivables and contract assets were within 12 months, for which we determined an expected credit loss rate ranging from 1% to 4%; and the remaining 1.9% were over 12 months, for which we determined an expected credit loss rate of 95.8%. For the trade receivables and contract assets within 12 months and not impaired, we usually granted a credit term of 20 to 50 days to our Physician Research Assistance customers, 30 to 90 days to our Specialty Pharmacy Business, and 20 to 30 days to our Health Insurance Services customers. Given the credit period granted by us is generally one to two months, we carefully monitor the trade receivables aged over two months. As of June 30, 2022, our trade receivables over two months (net of allowance for ECLs) and not further impaired amounted to RMB55.9 million, which accounted for less than 5% of our revenue for the six months ended June 30, 2022, and this portion of trade receivables are primarily because we may grant longer credit period to certain customers based on their credit ratings and practical payment cycle from certain customers may take longer than the credit period granted. For details of the credit rating classification of our customers, see Note 24 to the Accountant's Report set out in Appendix I to this prospectus. In addition, a number of our customers are public and multi-national pharmaceutical companies, which established stringent internal reviewing and payment procedures that take relative long payment cycles. Given that substantially all of our trade receivables have been collected within one year during the Track Record Period and the trade receivables as of June 30, 2021 are related to our active projects, we do not expect to have substantial recoverability issues.

As of October 31, 2022, RMB176.4 million, or 65% of our trade and bills receivables as of June 30, 2022, had been settled.

Contract Assets

Our contract assets primarily arise from the Physician Research Assistance Business, representing our right to consideration for services completed but not billed because the rights are conditioned upon our future performance in achieving specified milestones as stipulated in the contracts. We are entitled to issue bills for services we provided when the corresponding milestone has been achieved and then the outstanding amount of the contract assets will be transferred to trade receivables. Our contract assets amounted to RMB50.4 million, RMB73.4 million, RMB103.3 million and RMB110.7 million as of December 31, 2019, 2020, 2021 and June 30, 2022, the continuous increase in which were in line with the increase in the ongoing service of our Physician Research Assistance Business.

The contract assets balance arise because of the intervals between milestones as stipulated in the SMO service contracts. In line with the industry norm, the SMO service contracts we entered into set forth a series of milestone payments conditioned upon the progress of projects, including the execution of the contract, the launch of trial sites, the progress of participants enrollment, the phase of clinical trials, the completion of participants follow-ups, site closure, etc. The interval between each milestone stone varies and fluctuates with the milestone conditions, such as the enrollment of eligible participants and the progress of clinical trials. For example, one of our ongoing project took approximately 11 months to complete the participant enrollment in 2019; for another ongoing project that designed to enroll over 500 participants, it took approximately 10 months to complete 30% of enrollment, approximately an additional 11 months to complete 60% of enrollment and it is currently enrolling the remaining 40%. COVID-19 pandemic has also increased the difficulties of achieving certain milestones such as participant enrollment, and resulted in slow conversion of contract assets into trade receivables. Furthermore, for projects involving multi-center trials, we carry out various trials at multiple centers for different milestones at the same time, which also led to significant contract assets during the Track Record Period. During the Track Record Period, we did not find difficulty in turning the contract assets into trade receivables.

The ratio of our contract assets balance to total revenue attributable to Physician Research Assistance business increased from 29% in 2019 to 40% in 2020 and 42% in 2021. The increase from 2019 to 2020 was mainly because a majority of our SMO projects were at early stage in 2019 and the early-stage milestones, such as the execution of contracts or first participant enrollment, were relatively easier to achieve as compared with follow-up milestones going forward. The contract assets balance as of June 30, 2022 was RMB110.7 million.

The table below sets forth the analysis of our contract assets:

	As of December 31,			As of June 30,
	2019	2020	2021	2022
	(RMB in thousands)			
Contract assets	51,873	75,906	107,013	115,893
Less: Allowance for credit losses	(1,498)	(2,468)	(3,747)	(5,166)
	50,375	**73,438**	**103,266**	**110,727**

We determines the ECLs by using a provision matrix, estimated based on the financial quality of debtors and historical credit loss experience based on the aging of the trade receivables and contract assets, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. For details, see Note 24 to the Accountant's Report set out in Appendix I to this prospectus.

The turnover days of trade receivables and contract assets by including contract assets were 22 days, 15 days, 22 days and 32 days in 2019, 2020, 2021 and six months ended June 30, 2022, respectively, demonstrating our relative high turnover rate during the Track Record Period. We had lower turnover days in 2020 as our revenue significantly increased 159.8% in that year mainly attributable by the rapid expansion of our Specialty Pharmacy Business. We had higher turnover days in the six months ended June 30, 2022 primarily because (i) we further developed our SMO projects while the settlement cycle was impacted by the COVID-19 in the first half of 2022; (ii) the receivable amount to be reimbursed by the social medical insurance increased as we had more specialty pharmacies granted with "dual-channel" qualification; and (iii) the balance of accounts receivable increased as our revenue from our Health Insurance Services increased 125.9% as compared to the six months ended June 30, 2021.

As of October 31, 2022, RMB47.4 million, or 41% of our contract assets as of June 30, 2022, had been certified by issuance of bills. We are of the view that the settlement risk of the contract assets is low given that (i) the customers relating to the uncertified contract assets are mostly public and multi-national pharmaceutical companies with high credit ratings, sound financial condition and low default rate, and we did not encounter recoverability issues with these customers during the Track Record Period; (ii) the on-going projects generating contract assets remain active and proceed smoothly without known impediments that might delay the project progress; and (iii) the increase in contract assets balance is largely in line with the rapid development of our Physician Research Assistance business. Therefore, we did not identify any recoverability issue relating to our contract assets.

Financial Assets at FVTPL

During the Track Record Period, our financial assets at FVTPL represented money market fund investment and wealth management products we purchased, comprising short-term or low-risk financial products. The expected rate of return ranged from 1.40% to 4.90% per annum. As of June 30, 2022, the money market fund investment or wealth management products had been fully disposed or redeemed by us.

We have implemented a series of internal control policies and rules regarding investment in wealth management products historically to ensure that the purpose of investment is to preserve capital and liquidity until free cash is used in our primary business and operation. Prior to making an investment, we ensure that there remains sufficient working capital for our business needs, operating activities, research and development and capital expenditures even after purchasing such wealth management products. We adopt a prudent approach in selecting financial products. Our investment decisions are made on a case-by-case basis and after due and careful consideration of a number of factors, such as duration of the investment and the expected returns. All wealth management products we purchased during the Track Record Period were approved by our senior management team. Our senior management team and the finance department are mainly responsible for making, implementing and supervising our investment decisions. Prior to making an investment, we ensure that there remains sufficient working capital for our business needs, operating activities, research and development and capital expenditures even after purchasing such wealth management products. We adopt a prudent approach in selecting wealth management products. Our investment decisions are made on a case-by-case basis and after due and careful consideration of a number of factors, such as the duration of the investment and the expected returns. To control our risk exposure, we have in the past sought, and may continue in the future to seek other low-risk financial products with terms no longer than six months. Additionally, we mainly invest in financial products offered by reputable commercial banks or reputable financial institutions. After making an investment, we closely monitor its performance and fair value on a regular basis. Making such investment after the Listing will be subject to the requirements under Chapter 14 of the Listing Rules.

Cash Held on Behalf of Client

The balance of cash held on behalf of client represents the premiums that we collected on behalf of insurance carriers from the insurance consumers in a fiduciary capacity until disbursed to the insurance carriers. As of December 31, 2019, 2020, 2021 and June 30, 2022, we had cash held on behalf of client of RMB8.2 million, RMB145.6 million, RMB166.2 million and RMB288.1 million, respectively. We began to hold cash on behalf of our insurance carrier partners for provision of Hui Min Insurance since December 2019. We were designated by our insurance carrier partners to collect insurance premiums paid by individual members on third-party online payment platforms such as Weixin Pay. Such balance was temporarily deposited in our separated bank accounts and Weixin official accounts and was in compliance with the requirements of PRC authority for insurance brokerage operation. We have classified the insurance carriers' money as cash held on behalf of clients under the current assets section of the consolidated statements of financial position and recognized the corresponding payables to respective insurance carriers on the grounds that we are liable for any loss or misappropriation of their money.

The cash held on behalf of clients is typically settled within 60 days following the expiration of enrollment period determined for each launch of Hui Min Insurance designed for a province or city. As of October 31, 2022, RMB288.1 million, or 100% of the cash held on behalf of clients as of June 30, 2022, had been settled.

Cash and Cash Equivalents

Our cash and cash equivalents primarily consisted of cash and cash equivalents denominated in Renminbi. As of December 31, 2019 and 2020, we recorded cash and cash equivalents of RMB199.1 million and RMB1,628.0 million, respectively, representing a trend of continuous growth primarily due to our financing activities. As of December 31, 2021, we recorded cash and cash equivalents of RMB535.8 million, and the decrease in the amount as compared to December 31, 2020 was primarily because of our purchase of the wealth management products. As of June 30, 2022, we recorded cash and cash equivalents of RMB1,366.4 million, primarily because of our redemption of the wealth management products.

Trade Payables

During the Track Record Period, our trade payables primarily consisted of the accounts payable for procurement of prescription medicines. Our trade payables increased from RMB160.6 million as of

December 31, 2019 to RMB230.5 million as of December 31, 2020 and further to RMB237.2 million as of December 31, 2021 and RMB317.6 million as of June 30, 2022, primarily due to our increased procurement of prescription medicines as a result of business expansion.

Our trade payables turnover days in 2019, 2020, 2021 and the six months ended June 30, 2022 are 32 days, 28 days, 27 days and 29 days, respectively. Our trade payables turnover days remained relatively stable during the Track Record Period. Trade payables turnover days for a given period are equal to the average trade payables, of the beginning and the end of the period divided by cost of sales during the period and multiplied by the number of days during the period.

The aging analysis of the trade payables based on invoice date is as follows:

	As of December 31,			As of June 30,
	2019	2020	2021	2022
		(RMB in thousands)		
Within 1 month	147,192	212,868	185,322	269,987
1 to 3 month	10,943	14,356	31,386	39,923
3 to 6 month	918	1,944	16,710	3,204
Over 6 month	1,559	1,296	3,737	4,515
Total	**160,612**	**230,464**	**237,155**	**317,629**

We have maintained a healthy and cooperative relationship with our suppliers, and most of our trade payables are paid within one month, resulting in a stable aging structure of trade payables.

During the Track Record Period, we did not have any material default on our trade payable.

As of October 31, 2022, RMB317.6 million, or 100% of our trade payables as of June 30, 2022, had been settled.

Contract Liabilities

Contract liabilities include the SMO service and advance payment of pharmaceutical products. Our contract liabilities amounted to RMB59.6 million, RMB105.9 million, RMB167.3 million and RMB166.3 million as of December 31, 2019, 2020, 2021 and June 30, 2022. The increase of contract liabilities from 2019 to 2021 was mainly due to the increase in short-term advance payments received from customers in relation to provision of service of Physician Research Assistance Business at the end of each respective year.

As of October 31, 2022, RMB81.7 million, or 49% of our contract liabilities as of June 30, 2022, had been recognized as revenue.

Contingent Consideration Payables

As of December 31, 2019, 2020, 2021 and June 30, 2022, our contingent consideration was nil, nil, RMB24.5 million and RMB24.5 million, respectively. We incurred the contingent consideration payables in relation to our acquisition of Beijing Renbo. In December 2021, we entered into a share purchase agreement with the shareholders of Beijing Renbo, pursuant to which we acquired 70.0% equity interest of Beijing Renbo from Beijing Kangnuo Medical Investment Management Co., Ltd ("**Beijing Kangnuo**"), an Independent third party at a total cash consideration of RMB14.7 million and estimated contingent consideration of approximately RMB24.5 million. The remaining 30% equity interests are held by Beijing Kangnuo. As part of this purchase agreement, contingent consideration is payable depending on the achievement of certain net profit target over a period of 12 months subsequent to the acquisition. For details, please see Note 35 to the Accountants' Report in Appendix I to this prospectus.

LIQUIDITY AND CAPITAL RESOURCES

Net Current Assets/Liabilities

	As of December 31,			As of June 30,	As of October 31,
	2019	2020	2021	2022	2022
					(unaudited)
	(RMB in thousands)				
Current assets					
Inventories	211,186	279,931	269,035	279,094	281,301
Contract cost[(1)]	3,761	3,906	2,337	11,134	566
Trade and bills receivables	38,717	44,602	171,195	258,035	243,748
Contract assets	50,375	73,438	103,266	110,727	97,006
Prepayments, other receivables and other assets	50,869	72,937	160,347	127,592	132,861
Amounts due from related parties	181	589	7,666	1,935	1,646
Financial assets at FVTPL	391,275	38,060	1,067,321	—	706,390
Time deposits	5,000	5,048	5,048	5,097	5,130
Cash held on behalf of client	8,179	145,624	166,179	288,131	49,906
Pledged deposits[(2)]	—	—	—	73,200	92,685
Cash and cash equivalents	199,110	1,628,021	535,849	1,366,423	761,874
Total current assets	**958,653**	**2,292,156**	**2,488,243**	**2,521,368**	**2,373,113**
Current liabilities					
Trade payables	(160,612)	(230,464)	(237,155)	(317,629)	(367,373)
Other payables and accruals	(95,657)	(249,708)	(367,114)	(458,219)	(212,207)
Amounts due to related parties	—	—	(2,878)	(1,864)	(2,994)
Contract liabilities	(59,614)	(105,884)	(167,285)	(166,291)	(176,248)
Lease liabilities	(21,428)	(26,682)	(34,123)	(34,931)	(30,753)
Contingent consideration payables	—	—	(20,790)	(24,467)	(3,677)
Income tax payable	(108)	(507)	(1,455)	(1,176)	(67)
Total current liabilities	**(337,419)**	**(613,245)**	**(830,800)**	**(1,004,577)**	**(793,319)**
Net current assets	**621,234**	**1,678,911**	**1,657,443**	**1,516,791**	**1,579,794**

Note:

(1) Contract cost represents costs to fulfill a contract mainly consist of advertising and promotion expenses directly related to rendering of insurance brokerage services to insurance carriers in Health Insurance Services business. The asset recognized is subsequently amortized to profit or loss on a systematic basis that is consistent with the revenue recognition of insurance brokerage services.

(2) Pledged deposits represent deposits pledged for letters of credit.

As of December 31, 2019, 2020 and 2021 and June 30, 2022, we recorded net current assets of RMB621.2 million, RMB1,678.9 million and RMB1,657.4 million and RMB1,516.8, respectively. Our net current assets substantially increased to RMB1,678.9 million as of December 31, 2020 from RMB621.2 million as of December 31, 2019, mainly attributable to a RMB1,428.9 million increase in our cash and cash equivalents, representing a trend of continuous growth primarily due to our financing activities, especially from our series E financing.

Working Capital

During the Track Record Period, we primarily funded our working capital requirements through capital contributions from our shareholders and private equity financing. 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. Our net cash used in operating activities was RMB327.2 million, RMB192.1 million, RMB621.9 million and RMB215.0 million in 2019, 2020, 2021 and the six months ended June 30, 2022, respectively. As our business develops and expands, we expect to generate net cash from our operating activities, through the sales revenue of our future commercialized products. Going forward, we believe our liquidity requirements will be satisfied by using funds from a combination of our cash equivalents and cash and net proceeds from the Global Offering. As of June 30, 2022, we had cash and cash equivalents of RMB1,366.4 million.

The Directors are of the opinion that, taking into account the financial resources available to our Group, including cash and cash equivalents, internally generated funds and the estimated net proceeds from the Listing, we have sufficient working capital to meet our present needs, including research and development expenses, selling and marketing expenses, administrative expenses, and other operating costs, for at least the next 12 months from the date of this prospectus.

Working Capital Management

To improve our working capital and net current liabilities position, we will continue to review regularly and update our liquidity and funding policies to ensure that it is aligned with our business plan and financial position. We will also prepare cash flow and funding summaries on a regular basis to monitor our cash flow relating to our receipt of payments from customers, merchandise, inventory, operating costs, and other expenses. Our Executive Directors and senior management hold regular meetings to review the working capital and liquidity management. In order to enhance our working capital management, we will manage the level of our liquid assets to ensure the availability of sufficient cash flows to meet any unexpected cash requirements arising from our business. We would carefully consider our cash position and ability to obtain further financing when arranging payment for major business plans and transactions.

Cash Flows

The following table sets forth our cash flows for the years/periods indicated:

	Year Ended December 31,			Six months ended June 30,	
	2019	2020	2021	2021	2022
				(unaudited)	
	(RMB in thousands)				
Cash outflow used in operating activities before movements in working capital	(226,254)	(219,524)	(374,591)	(190,864)	(136,429)
Changes in working capital	(100,390)	28,341	(245,938)	(283,181)	(76,662)
Income tax paid	(516)	(934)	(1,390)	(490)	(1,917)
Net cash flows used in operating activities	(327,160)	(192,117)	(621,919)	(474,535)	(215,008)
Net cash flows (used in)/from investing activities	(80,615)	319,617	(1,020,333)	(1,218,018)	1,056,987
Net cash flows from/(used in) financing activities	551,710	1,311,939	559,292	731,248	(13,678)
Net increase/(decrease) in cash and cash equivalents	143,935	1,439,439	(1,082,960)	(961,305)	828,301
Cash and cash equivalents at beginning of the year/period	59,904	199,110	1,628,021	1,628,021	535,849
Effect of foreign exchange rate changes, net	(4,729)	(10,528)	(9,212)	(9,072)	2,273
Cash and cash equivalents at end of the year/period	199,110	1,628,021	535,849	657,644	1,366,423

Net Cash Flows Used in Operating Activities

Net cash used in operating activities in the six months ended June 30, 2022 was RMB215.0 million. The difference between the loss before tax of RMB344.4 million and negative operating cash flow of RMB215.0 million was the result of adding back a non-cash loss of RMB85.1 million on fair value changes of convertible redeemable preferred shares and share-based payment compensation of RMB105.7 million. The changes in working capital accounts mainly include a RMB122.0 million increase in cash held on behalf of clients and a RMB91.2 million increase in trade and bills receivables, partially offset by a RMB122.4 million increase in other payables and accruals and a RMB80.5 million increase in trade payables.

Net cash used in operating activities in 2021 was RMB621.9 million. The difference between the loss before tax of RMB3,747.7 million and negative operating cash flow of RMB621.9 million was the result of adding back a non-cash loss of RMB3,048.4 million on fair value changes of convertible redeemable preferred shares and share-based payment compensation of RMB298.7 million, partially offset by RMB245.9 million used in working capital. The changes in working capital accounts mainly include a RMB219.2 million increase in prepayments, other receivables and other assets and a RMB133.0 million increase in trade and bills receivables, partially offset by a RMB60.2 million increase in other payable and accruals and a RMB61.5 million increase in contract liabilities.

Net cash used in operating activities in 2020 was RMB192.1 million. The difference between the loss before tax of RMB1,040.9 million and negative operating cash flow of RMB192.1 million was the result of adding back a non-cash loss of RMB657.3 million on fair value changes of convertible redeemable preferred shares, and share based compensation of RMB114.0 million. Additionally RMB28.3 million was released from changes in working capital accounts, which mainly includes a RMB175.8 million increase in other payables and accruals, a RMB69.9 million increase in trade payables, and a RMB46.3 million increase in contract liabilities, partially offset by a RMB71.0 million increase in inventories.

Net cash used in operating activities in 2019 was RMB327.2 million. The difference between the loss before tax of RMB596.0 million and negative operating cash flow of RMB327.2 million was the result of adding back a non-cash loss of RMB320.1 million on fair value changes of convertible redeemable preferred shares, a share based-payment compensation of RMB21.7 million, and a depreciation of right-of-use assets of RMB20.1 million, partially offset by RMB100.4 million used in working capital. The changes in working capital accounts mainly include a RMB171.7 million increase in inventories and a RMB36.8 million increase in prepayments, other receivables and other assets, partially offset by a RMB114.7 million increase in trade payables.

Net Cash Flows Used in/from Investing Activities

Net cash provided by investing activities in the six months ended June 30, 2022 was RMB1,057.0 million, consisting primarily of RMB1,077.6 million proceeds from withdrawal of financial products at FVTPL.

Net cash used in investing activities in 2021 was RMB1,020.3 million, consisting primarily of RMB1,003.6 million used in purchase of financial products.

Net cash provided by investing activities in 2020 was RMB319.6 million, consisting primarily of RMB362.0 million received from disposal of financial products, partially offset by RMB29.1 million used in acquisition of subsidiaries.

Net cash used in investing activities in 2019 was RMB80.6 million, consisting primarily of (i) RMB47.2 million used in acquisition of subsidiaries; (ii) RMB16.8 million used in purchase of property, plant and equipment; and (iii) RMB16.0 million used in purchase of financial products.

Net Cash Flows from Financing Activities

Net cash used in financing activities in the six months ended June 30, 2022 was RMB13.7 million, consisting primarily of RMB12.2 million in principal portion of lease payments; and RMB2.0 million in interest paid for lease liabilities.

Net cash provided by financing activities in 2021 was RMB559.3 million, consisting primarily of RMB1,126.7 million received from issuance of convertible redeemable preferred shares, partially offset by (i) RMB262.6 million in disposal of subsidiaries of off-line clinics services; and (ii) RMB206.8 million in repurchase of the convertible redeemable preferred shares.

Net cash provided by financing activities in 2020 was RMB1,311.9 million, consisting primarily of RMB1,340.5 million received from issuance of convertible redeemable preferred shares.

Net cash provided by financing activities in 2019 was RMB551.7 million, consisting primarily of RMB573.7 million received from issuance of convertible redeemable preferred shares.

INDEBTEDNESS

As of June 30, 2022, except as disclosed below on lease liabilities and convertible redeemable preferred shares, we did not have any outstanding mortgages, charges, debentures, other issued debt capital, bank overdrafts, borrowings, liabilities under acceptance or other similar indebtedness, any guarantees or other material contingent liabilities. Since the Latest Practicable Date for the purpose of this indebtedness statement, and up to the date of this prospectus, there had been no material adverse change to our indebtedness. The following table sets forth the components of our indebtedness as of the dates indicated.

	As of December 31,			As of June 30,	As of October 31,
	2019	2020	2021	2022	2022
					(unaudited)
	(RMB in thousands)				
Lease liabilities:					
Current	(21,428)	(26,682)	(34,123)	(34,931)	(30,753)
Non-current	(44,964)	(36,905)	(52,895)	(47,688)	(43,216)
Convertible redeemable preferred shares	(1,774,143)	(3,618,732)	(7,434,838)	(7,914,398)	(8,435,950)
Total	**(1,840,535)**	**(3,682,319)**	**(7,521,856)**	**(7,997,017)**	**(8,509,919)**

Our lease liabilities were primarily in relation to the properties we leased for our office premises and pharmacy storefronts as well as additions resulting from our acquisition of subsidiaries. We recognize a lease liability with respect to all leases, except for short-term leases and leases of low value assets.

As of the Latest Practicable Date, we have obtained credit facilities of RMB145 million from a PRC commercial bank (subject to the provision of requisite documentation and opening of account) and has another three credit facilities of RMB100 million, RMB200 million and RMB80 million, respectively, under lenders' internal approval process. As of the Latest Practicable Date, we had unutilised banking facilities of RMB66 million.

CAPITAL EXPENDITURES

We regularly incur capital expenditures to expand our operations, upgrade our facilities, enhance our development capabilities and increase our operating efficiency. Our capital expenditures primarily consisted of expenditures on office equipment, motor vehicles as well as leasehold improvements during the Track Record Period. The following table sets forth our capital expenditures for the periods indicated:

	Year Ended December 31,			Six Months Ended June 30,
	2019	2020	2021	2022
		(RMB in thousands)		
Purchases of property, plant and equipment	16,821	11,990	16,577	3,919
Purchases of other intangible assets	—	2,722	4,832	7,495
Total	**16,821**	**14,712**	**21,409**	**11,414**

BUSINESS SUSTAINABILITY AND WORKING CAPITAL SUFFICIENCY

Although we recorded net loss of RMB596 million, RMB1,042 million, RMB3,749 million and RMB346 million for 2019, 2020, 2021 and six months ended June 30, 2022 (or adjusted net loss (non-IFRS measure) of RMB254 million, RMB259 million, RMB365 million and RMB143 million if excluding fair value loss on convertible redeemable preferred shares and certain other items) respectively, we estimate to achieve net profit in the coming three to five years with the below plans:

For Specialty Pharmacy Business, we plan to (i) drive continued revenue growth by strategically opening of new specialty pharmacies; and (ii) take measures to steadily improve the store-level profitability for our specialty pharmacies. We will continue to expand geographically, by opening up new pharmacies organically or acquiring externally when right opportunities arise. We aim to open approximately 35 specialty pharmacies by 2024. In terms of performance of our specialty pharmacy per store, we expect to steadily improve the average monthly revenue from RMB2.9 million per store in 2021 to over RMB3.0 million in 2022. We believe the store-level profitability of our existing pharmacies will continue to grow in the near future, considering (i) the sales of existing pharmacies are expected to continue to grow; (ii) operating costs as a percentage of revenue are also expected to reduce as we further expand; and (iii) we are expected to make purchases at favorable condition as a result of our increased bargaining power and enlarged business scale, thereby increasing the profitability of our existing pharmacies. In line with the expansion of our specialty pharmacy network, we expect that we will be able to control our costs and expenses for existing specialty pharmacies primarily through improving overall operational efficiency, including inventory management efficiency, to reduce logistics costs and rental expenses. The scale expansion and improved per store performance together are expected to help significantly grow revenue from Specialty Pharmacy Business.

For Physician Research Assistance business, we had backlogged contracts of RMB986.5 million in the aggregate as of June 30, 2022, which will contribute to our future revenue growth as 80% of the backlogged contracts are expected to be recognized within three years and the remaining 20% to be recognized within five years. In addition, we already managed to secure another RMB220.8 million order of Physician Research Assistance service in the first half of 2022, and in the long run, as the market leader in the oncology site management service industry, we believe that we are well positioned to capture the over 20% CAGR growth till 2026. As a result of the combinational effect of backlogged contracts continuously contributing to future revenue streams as well as steady growth from new contracts, we expect to more than double our revenue from Physician Research Assistance business in the coming three to five years. Additionally, we will improve the profitability of our Physician Research Assistance business leveraging our accumulated experience in providing a variety of SMO services to meet diversified customer demands, streamlining the project process and securing more orders with the support of the symbiotic ecosystem of our three business lines.

For Health Insurance Services business, we will continue our current pace to roll out Hui Min Insurance in about 10 new cities as what we did in 2021, which is expected to significantly grow our member base and revenue in the coming three to five years. We will actively seek suitable target cities including provincial capitals and leading provincial tier 2 and tier 3 cities. Accordingly, we expect to increase our customer base by approximately five to seven million per year. Additionally, as insured members begin to complete their initial one-year term of Hui Min Insurance in various cities, many of them are expected to renew their coverage and continue to generate revenue for us. Moreover, we expect Enterprise Health Plan to become an important revenue contributor. We have won the trust from more than 740 enterprises, including several Fortune 500 companies, on the second year after launching the Enterprise Health Plans. We will further strengthen and customize our the Enterprise Health Plans to cater for evolving clients' needs. On the other hand, we will actively seek market opportunities and target mainly enterprise clients with over 1,000 employees in tier 1 and leading tier 2 cities in China with booming economics. Expected to continue this momentum, Enterprise Health Plan is estimated to contribute even more revenue than our Hui Min Insurance in the coming three to five years.

On top of the above revenue expansion, we will also endeavor to improve operating efficiency, especially as a result of economies of scale. Specifically, we expect to have better marketing and promotion efficiency, as we have been continuously winning trust and building reputation among pharmaceutical and biotech companies, through assisting their clinical trials in Physician Research Assistance business, functioning as their important product distribution channels in Specialty Pharmacy Business, and creating important payment solutions for their products with Hui Min Insurance in Health Insurance Services business. Similarly, the continuing success of Hui Min Insurance in many cities will propel insurance carriers to seek to work with us and develop insurance products in new cities, thus lowering business development expenses. Additionally, as insured members begin to complete their initial one-year term of Hui Min Insurance in various cities, many of them are expected to renew their coverage which will save us from the marketing and promotion spending when first launching Hui Min Insurance.

We gradually receive more favorable terms from our business partners as the scale goes up, especially from the suppliers of special medication from pharmaceutical companies in the Specialty Pharmacy Business. The initial cost of building a strong headquarter management and back office functions also begins to be spread out and shared by the increasingly large revenue base across all three segments.

All these efforts combined, we expect to achieve net profit in the coming three to five years.

Measures to Mitigate Risks Relating to Net Operating Cash Outflows

We expect our net operating cash outflows position to improve concurrently with our profitability, mainly through (i) growing and diversifying each business line to achieve optimized economy of scale and preferable business terms, so as to improve gross margin and operating margin; (ii) putting more efforts in receivables collection management in order to reduce our receivables and turnover days so as to improve our working capital condition; (iii) actively seeking bank loan facilities or private financings to create a better capital mix and lowering the costs for raising external fundings to achieve a better working capital condition; and (iv) further improving our operational efficiency to enhance our working capital position through review regularly and update our liquidity and funding policies to ensure that it is aligned with our business plan and financial position, preparing cash flow and funding summaries on a regular basis to monitor our cash flow, conducting regular review by our management and a serious related measures.

Measures to Mitigate Risks Relating to Net Liabilities

On the liquidity side, we had cash and cash equivalents of RMB536 million as of December 31, 2021, and additional financial assets at FVTPL, which were all highly liquid and low risk investment products purchased from reputable banks, of RMB1,067 million as of the same date. Comparably, RMB246 million of cash were used for working capital in 2021. Furthermore, we recorded net current assets of RMB621.2 million, RMB1,678.9 million, RMB1,657.4 million and RMB1,516.8 million, respectively, as of December 31, 2019, 2020, 2021 and June 30, 2022. We recorded net liabilities of RMB1,006.9 million, RMB1,791.6 million, RMB5,430.9 million and RMB6,062.9 million, respectively, as of December 31, 2019, 2020, 2021 and June 30, 2022, primarily reflecting changes in equity comprising (i) total comprehensive expense for the year; (ii) share-based payment compensation; and (iii) acquisition of subsidiaries or disposal of subsidiaries of offline clinic services. Our net liabilities condition were mainly due to the convertible redeemable preferred shares which will be redesignated and reclassified from liabilities to equity upon the Listing. Our liquidity condition was also well indicated by our current ratio which ranged from 2.5 to 3.7 at the end of each year during the Track Record Period. We believe our strong liquidity position is comfortably sufficient to support the demand from working capital within three to five years, even without taking into consideration of the proceeds from this Global Offering.

CONTRACTUAL OBLIGATIONS, CONTINGENT LIABILITIES, AND OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of December 31, 2019, 2020 and 2021 and June 30, 2022, we had capital commitments for our purchase of property, plant and equipment of RMB0.8 million, RMB0.7 million, RMB0.6 million and RMB0.3 million, respectively.

As of June 30, 2022, we had no significant contingent liabilities except for the contingent consideration payables disclosed in Note 35 set out in Appendix I to this prospectus. We confirm that as of the Latest Practicable Date, there had been no material changes or arrangements to our contingent liabilities.

As of the Latest Practicable Date, we had not entered into any off-balance sheet transactions.

KEY FINANCIAL RATIOS

The table below sets forth the key financial ratios of our Group as of the dates indicated:

	As of/For the Year Ended December 31,			As of/For the Six Months Ended June 30,
	2019	2020	2021	2022
Gross profit margin (%)	7.9	6.9	8.2	9.4
Net loss margin (%)	(57.4)	(38.6)	(107.9)	(18.3)
Adjusted loss margin (non-IFRS measure) (%)(1)	(24.5)	(9.6)	(10.5)	(7.6)
Current ratio(2)	2.8	3.7	3.0	2.5

Notes:

(1) Calculated using the adjusted losses (Non-IFRS measure) divided by revenues for a given period.

(2) Current ratio represents current assets as of a record date divided by current liabilities as of the same date.

Our current ratio was maintained comfortably and consistently above 1.0 level to secure a safe and healthy liquidity.

MATERIAL RELATED PARTY TRANSACTIONS

During the Track Record Period, we had the following transactions with the following related parties that had material transaction amounts or balances with us.

Related Party Transactions

	Year Ended December 31,			Six Months Ended June 30,	
	2019	2020	2021	2021	2022
				(unaudited)	
	(RMB in thousands)				
Sales of products					
Associate[(1)]	363	1,650	671	1,753	437
Rendering of service					
Associate	542	574	475	367	—
Controlled by Tencent [(2)]	3,388	—	6,843	6,423	133
Entities controlled by same shareholders of us	—	—	2,101	—	—
Purchase of technology support services					
Controlled by Tencent	1,175	1,466	1,772	1,764	478
Purchase of consulting service					
Medpion Cayman and its subsidiaries[(3)]	—	—	1,754	—	1,161
Purchase of payment services					
Controlled by Tencent	—	1,759	3,682	1,048	3,253

Notes:

(1) Sinopharm Holdings Smart Pharmacy (Hubei) Co., Ltd (國藥控股思維特大藥房（湖北）有限公司)

(2) Companies controlled by Tencent who is a major shareholder of the company which owned over 20% voting rights of the Company during the Relevant Periods.

(3) Medpion Cayman and its subsidiaries were voluntarily disclosed as related parties by us since June 23, 2021 with the disposal of subsidiaries of offline clinics services because the shareholding structure Medpion Cayman substantially mirrored the Company's shareholding structure before Series F financing.

Outstanding Balances With Related Parties

	Nature	As at December 31, 2019	2020	2021	As of June 30, 2022
		(RMB in thousands)			
Amounts due from related parties:					
Trade and bills receivables					
Associate[(a)]	Trade	—	362	130	—
Controlled by Tencent[(b)]	Trade	—	—	403	58
Medpion Cayman and its subsidiaries[(b)]	Trade	—	—	2,227	—
Other receivables					
Medpion Cayman and its subsidiaries[(c)]	Non-Trade	—	—	4,639	—
Prepayments					
Controlled by Tencent[(d)]	Trade	181	227	267	1,877
		181	589	7,666	1,935
Amounts due to related parties:					
Other payables					
Associate[(e)]	Trade	—	—	(1,232)	(703)
Medpion Cayman and its subsidiaries[(f)]	Non-Trade	—	—	(392)	—
Medpion Cayman and its subsidiaries[(g)]	Trade	—	—	—	(1,161)
Dividends payables					
Beijing Kangnuo Medical Investment Management Co., Ltd.[(h)]	Non-Trade	—	—	(1,254)	—
		—	—	(2,878)	(1,864)

Notes:

(a) The outstanding balances are receivables for the sales of goods and provision of service.
(b) The outstanding balances are receivables for the provision of service.
(c) The outstanding balances are receivables for service fee collected by the related party on behalf of the Group before the Exclusion.
(d) The outstanding balances are receivables for the purchase of cloud servers.
(e) The outstanding balances are payables for the settlement of price adjustment compensation.
(f) The outstanding balances are payables for payments by the related parties on our behalf.
(g) The outstanding balances are payables for the provision of health management service.
(h) The outstanding balances are dividends declared by Beijing Renbo to its shareholder, Beijing Kangnuo before our acquisition, which remained outstanding as of December 31, 2021. Details of the acquisition are set out in Note 35 of the Accountant's Report as Appendix I to this prospectus.

As of December 31, 2021, we had trade and bills receivables of RMB2.2 million and other receivables of RMB4.6 million due from Medpion Cayman and its subsidiaries, and other payables of RMB0.4 million due to Medpion Cayman and its subsidiaries. These outstanding balances as of December 31, 2021 relating to Medpion Cayman and its subsidiaries were caused by our exclusion of Medpion Cayman and its subsidiaries from our Group during 2021. In process of the Exclusion, we paid employee salaries of RMB2.2 million for Medpion Cayman and its subsidiaries which were recorded as trade and bills receivables. In addition, the RMB4.6 million other receivables represented the service fee collected from a third party by Medpion and its subsidiaries on behalf of the Group before the Exclusion. Our other payables of RMB0.4 million due to Medpion Cayman and its subsidiaries mainly consisted of sporadic payments of employee welfare for those who remain in our Group after Exclusion. All outstanding balances with Medpion Cayman and its subsidiaries (including the trade and bills receivables, other receivables and other payables) as of December 31, 2021 had been subsequently settled, and we do not expect the recurrence of such arrangements as the Exclusion has been completed. For details of the Exclusion, see "History, Reorganization and Corporate Structure—Exclusion of Offline Clinics Business" in this prospectus. As of June 30, 2022, we had other payables of RMB1.2 million due to Medpion Cayman and its subsidiaries for provision of health management service. During the Track Record Period, save for the balances with Medpion Cayman and its subsidiaries due to the Exclusion arrangement, we did not have any expenses or incomes settled or collected by any related parties or third parties. None of our operating costs or expenses were borne by any related parties or other third parties without being recharged to us.

It is the view of our Directors that the related party transactions discussed above and set out in Note 40 of the Accountant's Report set out in Appendix I to this prospectus were conducted in the ordinary and usual course of business and on normal commercial terms between the relevant parties. Our Directors further confirm that all material related party transactions during the Track Record Period were conducted on an arm's length basis, and would not distort our results of operations over the Track Record Period or make our historical results over the Track Record Period not reflective of our expectations for our future performance.

MARKET RISK DISCLOSURE

We are exposed to a variety of financial risks, including foreign currency risk, credit risk and liquidity risk. Our overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on our Group's financial performance. For more details, see Note 43 to the Accountants' Report in Appendix I to this prospectus. As of the Latest Practicable Date, we did not hedge or consider necessary to hedge any of these risks.

Foreign Currency Risk

We have transactional currency exposures. Such exposures arise from sales or purchases by subsidiaries in currencies other than the subsidiaries' functional currencies. For more details, see Note 43 to the Accountants' Report in Appendix I to this prospectus.

Credit Risk

An impairment analysis was performed at December 31, 2019, 2020, 2021 and June 30, 2022 using a provision matrix to measure expected credit losses. The provision rates are based on internal credit ratings as groupings of various debtors that have similar loss patterns. The calculation reflects the probability weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events: (i) significant financial difficulty of the debtor; (ii) a breach of contract such as a default or past due event; and (iii) it is probable that the debtor will enter bankruptcy or other financial reorganization. We have established a policy to perform an assessment, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. Management makes periodic collective assessments for financial assets included in prepayments, deposits and other receivables as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience. We recognized allowance for financial assets other than trade receivables based on 12-month ECLs and adjusts for forward-looking macroeconomic data. For more details, see Note 43 to the Accountants' Report in Appendix I to this prospectus.

Liquidity Risk

Our objective is to maintain a balance between continuity of funding and flexibility through the use of internally generated cash flows from operations and lease liabilities. We regularly review our major funding positions to ensure that we have adequate financial resources in meeting its financial obligations. For more details, see Note 43 to the Accountants' Report in Appendix I to this prospectus.

DIVIDEND

No dividend (nil) has been paid or declared by our Company during the Track Record Period and up to the Latest Practicable Date. After completion of the Global Offering, our shareholders will be entitled to receive dividends declared by us. Any future declarations and payments of dividends may or may not reflect the historical declarations and payments of dividends. The determination of whether to pay a dividend and in which amount is based on our results of operations, cash flow, financial condition, capital requirements and other factors the Board may deem relevant. Any dividend distribution will also be subject to the approval of the Shareholders in the Shareholder's meeting.

Under the PRC law and the constitutional documents of our PRC operating subsidiaries, dividends may be paid only out of distributable profits, which refer to after-tax profits less any recovery of accumulated losses and required allocations to statutory and other reserves. Taking into account of the aforesaid, we may not have sufficient or any distributable profits to make dividend distributions to Shareholders in a given year, even if we become profitable, as we will only be able to declare or pay dividends out of our distributable profits until (i) the accumulated losses are covered by our after-tax profits and (ii) sufficient statutory and other reserves are drawn in accordance with the relevant laws, regulations and the constitutional documents of our PRC operating subsidiaries.

DISTRIBUTABLE RESERVES

As of June 30, 2022, we did not have any distributable reserves.

LISTING EXPENSES

Listing expenses to be borne by us are estimated to be approximately RMB58.0 million (HK$64.0 million) (including underwriting commissions), at the Offer Price of HK$18.60 per Share, and assuming the Over-allotment Option is not exercised, representing approximately 34.7% of the gross proceeds of the Global Offering, comprising (i) underwriting-related expenses, including underwriting commission and other expenses, of RMB10.3 million; and (ii) non-underwriting-related expenses of RMB47.7 million, including (a) fees and expenses of Legal Advisors and Reporting Accountants of RMB34.1 million; and (b) other fees and expenses, of RMB13.6 million. As of June 30, 2022, we incurred a total of RMB41.5 million (HK$45.9 million) in listing expenses, among which RMB40.9 million (HK$45.2 million) were recognized in our consolidated statement of profit or loss and other comprehensive loss, and RMB0.6 million (HK$0.7 million) were deducted from equity.

We estimate that additional listing expenses of approximately RMB16.5 million (HK$18.1 million) (including underwriting commissions, incentives and other transaction fees of approximately RMB7.5 million (HK$8.2 million), assuming the Over-allotment Option is not exercised and based on the Offer Price of HK$18.60 per Offer Share) will be incurred by our Company, approximately RMB9.0 million (HK$9.9 million) of which is expected to be charged to our consolidated statements of profit or loss and other comprehensive income, and approximately RMB7.5 million (HK$8.2 million) of which is expected to be accounted for as a deduction from equity upon the Listing. The listing expenses directly attributable to the issue of shares will be deducted from equity. The listing expenses above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted consolidated net tangible assets of our Group prepared in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on the Stock

Exchange of Hong Kong Limited and with reference to Accounting Guideline 7 *Preparation of Pro Forma Financial Information for inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants for illustration purposes only, and is set out here to illustrate the effect of the Global Offering on the consolidated net tangible assets of the Group attributable to owners of the parent as if the Global Offering had taken place on June 30, 2022.

The unaudited pro forma statement of adjusted consolidated net tangible assets of our Group has been prepared for illustrative purpose only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of our Group to owners of the parent had the Global Offering been completed as of June 30, 2022 or as of any future dates.

	Audited consolidated net tangible liabilities of our Group attributable to owners of the Company as of June 30, 2022[(1)]	Estimated net Proceeds from the Global Offering[(2)]	Estimated impact to the consolidated net tangible liabilities upon the conversion of convertible redeemable preferred shares[(3)]	Unaudited pro forma adjusted consolidated net tangible assets as of June 30, 2022	Unaudited pro forma adjusted consolidated net tangible assets per Share as of June 30, 2022	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB[(4)]*	*HK$[(5)]*
Based on an Offer Price of HK$18.60 per Share	(6,195,636)	149,835	7,914,398	1,868,597	2.44	2.70

Notes:

(1) Our consolidated net tangible assets attributable to our equity holders as of June 30, 2022 was equal to the audited net liabilities attributable to our owners as of June 30, 2022 of RMB(6,062,083,000) after deducting other intangible assets attributable to our owners of RMB53,730,000 and goodwill of RMB79,823,000 as set out in the Appendix I to this Prospectus. The intangible assets attributable to owners of the Company as of June 30, 2022 had excluded other intangible assets of RMB6,325,000 attributable to non-controlling shareholders from total other intangible assets of the Group.

(2) The estimated net proceeds from the Global Offering are based on an estimated offer price of HK$18.60 per Share after deduction of the underwriting fees and other related expenses (excluding listing expense of RMB40,897,000 which has been accounted for in our consolidated statements of profit or loss prior to June 30, 2022) payable by us and do not take into account any share which may be sold and offered upon exercise of the Over-allotment Option.

(3) Upon the Listing and the completion of the Global Offering, all convertible redeemable preferred shares will be automatically converted into Ordinary Shares. The convertible redeemable preferred shares will then be transferred from liabilities to equity. Accordingly, for the purpose of the unaudited pro forma financial information, the unaudited pro forma adjusted net tangible liabilities attributable to owners of the parent will be decreased by RMB7,914,398,000, being the carrying amounts of the convertible redeemable preferred shares as of June 30, 2022.

(4) The unaudited pro forma adjusted consolidated net tangible assets attributable to our owners per Share is arrived at after adjustments referred in note 2 above and on the basis of 765,694,090 Shares are in issue, assuming that the Global Offering has been completed on June 30, 2022 but does not take into account any Shares (i) which may be issued and allotted pursuant to the exercise of the Over-allotment Option or (ii) which may be repurchased by us subsequent to June 30, 2022 or (iii) which may be issued and allotted to certain special purpose vehicles in order to facilitate the administration of employee incentive plans subsequent to June 30, 2022.

(5) For the purpose of this unaudited pro forma statement of adjusted net tangible assets, the balances stated in RMB are converted into HK$ at the rate of RMB1.0000 to HK$1.1055.

(6) The unaudited pro forma adjusted consolidated net tangible assets per Share as at June 30, 2022 would then be further adjusted to RMB2.45 or HK$2.71 (based on the estimated offer price of HK$18.60), assuming that the repurchase of 2,668,776 ordinary shares by the Company in October 2022 (details are set out in note 44 to the Accountants' Report in Appendix I to this Prospectus) had been completed as at June 30, 2022 and do not take into account any share (i) which may be issued and allotted pursuant to the exercise of the Overallotment Option or (ii) which may be issued and allotted to certain special purpose vehicles in order to facilitate the administration of employee incentive plans subsequent to June 30, 2022.

(7) Except as disclosed above, no adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets to reflect any trading results or other transactions of our Group entered into subsequent to June 30, 2022.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that up to the date of this prospectus, other than as disclosed under "Recent Developments" in the "Summary" section in this prospectus, there had been no material adverse change in our financial, operational or prospects since June 30, 2022, being the latest balance sheet date of our consolidated financial statements as set out in the Accountant's Report included in Appendix I to this prospectus.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors have confirmed that, as of the Latest Practicable Date, there was no circumstance that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.