

# 方舟健客

Fangzhou Inc.  
方舟云康控股有限公司

(A company incorporated in the Cayman Islands with limited liability)

Stock Code : 6086

## GLOBAL OFFERING

Joint Sponsors, Sponsor-Overall Coordinators, Overall Coordinators, Joint Global Coordinators,  
Joint Bookrunners and Joint Lead Managers



Overall Coordinator, Joint Global Coordinator, Joint Bookrunner and Joint Lead Manager



Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers



工銀國際



中國銀河國際

Joint Bookrunners and Joint Lead Managers  
(in alphabetical order)



招商證券國際



鉅誠證券



光大證券國際



富途證券



# IMPORTANT

**Important:** If you have doubt about any of the contents in this prospectus, you should obtain independent professional advice.

# 方舟健客

## Fangzhou Inc.

### 方舟云康控股有限公司

(A company incorporated in the Cayman Islands with limited liability)

## GLOBAL OFFERING

Number of Offer Shares under the Global Offering	: 23,800,000 Offer Shares (subject to the Over-allotment Option)
Number of Hong Kong Offer Shares	: 2,380,000 Offer Shares (subject to reallocation)
Number of International Offer Shares	: 21,420,000 Offer Shares (subject to reallocation and the Over-allotment Option)
Maximum Offer Price	: HK\$8.36 per Offer Share plus brokerage of 1%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and the Stock Exchange trading fee of 0.00565% (payable in full on application in Hong Kong dollars, subject to refund)
Nominal value	: US\$0.00002 per Offer Share
Stock code	: 6086

*Joint Sponsors, Sponsor-Overall Coordinators, Overall Coordinators, Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers*



*Overall Coordinator, Joint Global Coordinator, Joint Bookrunner and Joint Lead Manager*



*Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers*



*Joint Bookrunners and Joint Lead Managers (in alphabetical order)*

CMS 招商證券國際 Citrus 鉅誠證券 招銀國際 光大證券國際 FOSUN INTL SECURITIES 富途證券 廣發證券(香港)



Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness, and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in the section headed "Documents Delivered to the Registrar of Companies and Available on Display" in Appendix V, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other document referred to above.

The Offer Price is expected to be determined by agreement between the Overall Coordinators (for themselves and on behalf of the Underwriters) and our Company by 12:00 noon on Friday, July 5, 2024. The Offer Price will be not more than HK\$8.36 and is currently expected to be not less than HK\$7.60. If, for any reason, the Offer Price is not agreed between the Overall Coordinators (for themselves and on behalf of the Underwriters) and our Company by 12:00 noon on Friday, July 5, 2024, the Global Offering will not proceed and will lapse.

The Overall Coordinators (for themselves and on behalf of the Underwriters) may, where considered appropriate and with our consent, reduce the number of Hong Kong Offer Shares and/or the indicative Offer Price range below that is stated in this prospectus at any time in or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such case, notices of the reduction in the number of Hong Kong Offer Shares and/or the indicative Offer Price range will be published on the websites of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and our Company at [investors.fanke.com](http://investors.fanke.com) as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. For more details, see "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares."

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement to subscribe for, and to procure subscribers for, the Hong Kong Offer Shares, are subject to termination by the Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters) if certain events shall occur prior to 8:00 a.m. on the Listing Date. Such grounds are set out in the section headed "Underwriting" in this prospectus.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States or to, or for the account or benefit of U.S. persons, except in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act. The Offer Shares are being offered and sold (1) solely to QIBs as defined in Rule 144A pursuant to an exemption from registration under the U.S. Securities Act, and (2) outside the United States in offshore transactions in reliance on Regulation S.

#### ATTENTION

We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide printed copies of this prospectus to the public in relation to the Hong Kong Public Offering. This prospectus is available at the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and our website at [investors.fanke.com](http://investors.fanke.com). If you require a printed copy of this prospectus, you may download and print from the website addresses above.

June 28, 2024

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## IMPORTANT

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### IMPORTANT NOTICE TO INVESTORS FULLY ELECTRONIC APPLICATION PROCESS

We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide printed copies of this prospectus to the public in relation to the Hong Kong Public Offering.

This prospectus is available at the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) under “HKEXnews > New Listings > New Listing Information” and our website at [investors.jianke.com](http://investors.jianke.com). If you require a printed copy of this prospectus, you may download and print from the website addresses above.

To apply for Hong Kong Offer Shares, you may use one of the following application channels:

<u>Application Channel</u>	<u>Platform</u>	<u>Target Investors</u>	<u>Application Time</u>
<b>White Form eIPO service</b>	<a href="http://www.eipo.com.hk">www.eipo.com.hk</a> Enquiries: +852 2862 8600 Friday, June 28, 2024 – 9:00 a.m. to 6:00 p.m. Tuesday, July 2, 2024 – 9:00 a.m. to 6:00 p.m. Wednesday, July 3, 2024 – 9:00 a.m. to 6:00 p.m. Thursday, July 4, 2024 – 9:00 a.m. to 12:00 noon	Investors who would like to receive a physical Share certificate. Hong Kong Offer Shares successfully applied for will be allotted and issued in your own name.	From 9:00 a.m. on <b>Friday, June 28, 2024</b> to 11:30 a.m. on <b>Thursday, July 4, 2024</b> (Hong Kong time).  The latest time for completing full payment of application monies will be 12:00 noon on <b>Thursday, July 4, 2024</b> (Hong Kong time).
<b>HKSCC EIPO channel</b>	Your broker or custodian who is a HKSCC Participant will submit an EIPO application on your behalf through HKSCC’s FINI system in accordance with your instructions.	Investors who would not like to receive a physical Share certificate. Hong Kong Offer Shares successfully applied for will be allotted and issued in the name of HKSCC Nominees, deposited directly into CCASS and credited to your designated HKSCC Participant’s stock account.	Contact your broker or custodian for the earliest and latest time for giving such instructions, as this may vary by broker or custodian.

We will not provide any physical channels to accept any application for the Hong Kong Offer Shares by the public. The contents of this prospectus are identical to the prospectus as registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

If you are an **intermediary, broker or agent**, please remind your customers, clients or principals, as applicable, that this prospectus is available online at the website addresses above.

## IMPORTANT

Please refer to “How to Apply for Hong Kong Offer Shares” for further details on the procedures through which you can apply for the Hong Kong Offer Shares electronically.

Your application through the **White Form eIPO** service or the **HKSCC EIPO** channel must be for a minimum of 500 Hong Kong Offer Shares and in one of the numbers set out in the table below. If you are applying through the **White Form eIPO** service, you may refer to the table below for the amount payable for the number of Shares you have selected. You must pay the respective maximum amount payable on application in full upon application for Hong Kong Offer Shares. If you are applying through the **HKSCC EIPO** channel, you are required to pre-fund your application based on the amount specified by your broker or custodian, as determined based on the applicable laws and regulations in Hong Kong.

No. of Hong Kong Offer Shares applied for	Maximum amount payable <sup>(2)</sup> on application/successful allotment	No. of Hong Kong Offer Shares applied for	Maximum amount payable <sup>(2)</sup> on application/successful allotment	No. of Hong Kong Offer Shares applied for	Maximum amount payable <sup>(2)</sup> on application/successful allotment	No. of Hong Kong Offer Shares applied for	Maximum amount payable <sup>(2)</sup> on application/successful allotment
	HK\$		HK\$		HK\$		HK\$
500	4,222.16	6,000	50,665.86	40,000	337,772.42	400,000	3,377,724.25
1,000	8,444.31	7,000	59,110.18	45,000	379,993.98	500,000	4,222,155.30
1,500	12,666.47	8,000	67,554.49	50,000	422,215.54	600,000	5,066,586.35
2,000	16,888.62	9,000	75,998.79	60,000	506,658.63	700,000	5,911,017.42
2,500	21,110.77	10,000	84,443.11	70,000	591,101.74	800,000	6,755,448.48
3,000	25,332.94	15,000	126,664.67	80,000	675,544.85	900,000	7,599,879.55
3,500	29,555.08	20,000	168,886.21	90,000	759,987.95	1,000,000	8,444,310.60
4,000	33,777.24	25,000	211,107.76	100,000	844,431.05	1,190,000 <sup>(1)</sup>	10,048,729.61
4,500	37,999.41	30,000	253,329.32	200,000	1,688,862.12		
5,000	42,221.55	35,000	295,550.87	300,000	2,533,293.18		

*Notes:*

- (1) The maximum number of Hong Kong Offer Shares you may apply for, which is 50% of the Offer Shares initially available for subscription under the Hong Kong Public Offering.
- (2) The amount payable is inclusive of brokerage, SFC transaction levy, AFRC transaction levy and the Stock Exchange trading fee. If your application is successful, the brokerage will be paid to the Exchange Participants and the SFC transaction levy, the AFRC transaction levy and the Stock Exchange trading fee will be paid to the Stock Exchange (in the case of the SFC transaction levy and the AFRC transaction levy, collected by the Stock Exchange on behalf of the SFC and the AFRC, respectively).

No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

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## EXPECTED TIMETABLE<sup>(1)</sup>

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*Should there be any changes to the dates mentioned in the following expected timetable of the Hong Kong Public Offering, an announcement will be made and published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and our website at [investors.jianke.com](http://investors.jianke.com) of the revised timetable.*

Hong Kong Public Offering commences .....9:00 a.m. on  
**Friday, June 28, 2024**

Latest time for completing electronic applications under the  
**White Form eIPO** service through the designated website at  
[www.eipo.com.hk](http://www.eipo.com.hk)<sup>(2)</sup> .....11:30 a.m. on  
**Thursday, July 4, 2024**

Application lists open<sup>(3)</sup> .....11:45 a.m. on  
**Thursday, July 4, 2024**

Latest time for (a) completing payment for **White Form eIPO**  
applications by effecting internet banking transfer(s) or PPS  
payment transfer(s) and (b) giving **electronic application**  
**instructions** to HKSCC .....12:00 noon on  
**Thursday, July 4, 2024**

If you are instructing your **broker** or **custodian** who is a HKSCC Participant to apply for Hong Kong Offer Shares on your behalf, you are advised to contact your **broker** or **custodian** for the latest time for giving such instructions, which may be different from the latest time as stated above.

Application lists close<sup>(3)</sup> .....12:00 noon on  
**Thursday, July 4, 2024**

Expected Price Determination Date<sup>(4)</sup> ..... **Friday, July 5, 2024**

Announcement of the final Offer Price, the level of indications  
of interest in the International Offering, the level of applications  
in the Hong Kong Public Offering and the basis of  
allocation of the Hong Kong Offer Shares to be published on  
the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and  
our website at [investors.jianke.com](http://investors.jianke.com) by<sup>(5)</sup> .....11:00 p.m. on  
**Monday, July 8, 2024**

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## EXPECTED TIMETABLE<sup>(1)</sup>

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Results of allocation in the Hong Kong Public Offering to be available through a variety of channels as described in “How to Apply for Hong Kong Offer Shares—B. Publication of Results,” including through:

- (1) the designated results of allocation website at [www.iporesults.com.hk](http://www.iporesults.com.hk) (alternatively: [www.eipo.com.hk/eIPOAllotment](http://www.eipo.com.hk/eIPOAllotment)) with a “search by ID” function from .....11:00 p.m.  
on **Monday, July 8, 2024**  
to 12:00 midnight on  
**Sunday, July 14, 2024**
  
- (2) the allocation results telephone enquiry line by calling  
+852 2862 8555 between 9:00 a.m. and 6:00 p.m. on ..... **Tuesday, July 9, 2024,**  
**Wednesday, July 10, 2024,**  
**Thursday, July 11, 2024**  
**and Friday, July 12, 2024**

Share certificates in respect of wholly or partially successful applications to be dispatched or deposited into CCASS on or before<sup>(6)(7)</sup> ..... **Monday, July 8, 2024**

**White Form** e-Refund payment instructions or refund checks in respect of wholly or partially unsuccessful applications (or wholly successful applications, if applicable) to be dispatched on or before<sup>(8)</sup> ..... **Tuesday, July 9, 2024**

Dealings in the Shares on the Stock Exchange to commence at .....9:00 a.m. on  
**Tuesday, July 9, 2024**

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*Notes:*

- (1) All dates and times refer to Hong Kong local dates and times.
- (2) You will not be permitted to submit your application under the **White Form eIPO** service through the designated website at [www.eipo.com.hk](http://www.eipo.com.hk) after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
- (3) If there is/are a tropical cyclone warning signal number 8 or above, a “black” rainstorm warning signal and/or Extreme Conditions in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on **Thursday, July 4, 2024**, the application lists will not open or close on that day. See “How to Apply for Hong Kong Offer Shares—E. Severe Weather Arrangements.”

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## EXPECTED TIMETABLE<sup>(1)</sup>

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- (4) The Offer Price is expected to be determined on or before **Friday, July 5, 2024** (which, at the earliest, could be **Thursday, July 4, 2024**) and in any event not later than 12:00 noon on **Friday, July 5, 2024**. If, for any reason, the Offer Price is not agreed between the Overall Coordinators (for themselves and on behalf of the Underwriters) and our Company by 12:00 noon on **Friday, July 5, 2024**, the Global Offering will not proceed and will lapse.
- (5) None of the websites or any of the information contained on the websites forms part of this prospectus.
- (6) Physical Share certificate(s) of equal or over 1,000,000 Hong Kong Offer Shares issued in applicants' own name may be collected in person from the Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on **Tuesday, July 9, 2024**. Applicants being individuals must not authorize any other person to collect on their behalf. Applicants being corporations must attend by their respective authorized representative bearing a letter of authorization from the corporation stamped with the corporation's chop. Evidence of identity acceptable to the Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, must be produced at the time of collection. Uncollected Share certificate(s) will be sent to the addresses specified in the relevant application instructions by ordinary post at the applicants' own risk. See "How to Apply for Hong Kong Offer Shares—D. Dispatch/Collection of Share Certificates and Refund of Application Monies."
- (7) The Share certificates will only become valid evidence of title at 8:00 a.m. on the Listing Date, which is expected to be **Tuesday, July 9, 2024**, provided that the Global Offering has become unconditional in all respects and the right of termination described in "Underwriting—Underwriting Arrangements and Expenses—Hong Kong Public Offering—Grounds for Termination" has not been exercised. Investors who trade Shares prior to the receipt of Share certificates or prior to the Share certificates becoming valid evidence of title do so entirely at their own risk.
- (8) **White Form** e-Refund payment instructions or refund checks will be issued in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering and in respect of wholly successful applications in the event that the Offer Price is less than the price payable per Offer Share on application. Part of the applicant's Hong Kong identity card number, national identification document number or passport number, or, if the application is made by joint applicants, part of the Hong Kong identity card number, national identification document number or passport number of the first-named applicant, provided by the applicant(s) may be printed on the refund check, if any. Such data would also be transferred to a third party for refund purposes. Banks may require verification of an applicant's Hong Kong identity card number, national identification document number or passport number before encashment of the refund check. Inaccurate completion of an applicant's Hong Kong identity card number, national identification document number or passport number may invalidate or delay encashment of the refund check.

The above expected timetable is a summary only. For details of the structure of the Global Offering, including its conditions, and the procedures for applications for Hong Kong Offer Shares, see "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares," respectively.

If the Global Offering does not become unconditional or is terminated in accordance with its terms, the Global Offering will not proceed. In such a case, our Company will make an announcement as soon as practicable thereafter.

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### IMPORTANT NOTICE TO PROSPECTIVE INVESTORS

*This prospectus is issued by us solely in connection with the Hong Kong Public Offering and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Offer Shares offered by this prospectus pursuant to the Hong Kong Public Offering. This prospectus may not be used for the purpose of making, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Hong Kong Offer Shares in any jurisdiction other than Hong Kong and no action has been taken to permit the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus for purposes of a public offering and the offering and sale of the Hong Kong Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.*

*You should rely only on the information contained in this prospectus to make your investment decision. The Hong Kong Public Offering is made solely on the basis of the information contained and the representations made in this prospectus. We have not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not contained nor made in this prospectus must not be relied on by you as having been authorised by us, the Joint Sponsors, the Sponsor-Overall Coordinators, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, the Capital Market Intermediaries, any of their respective directors, officers, employees, agents or representatives of any of them or any other parties involved in the Global Offering.*

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## SUMMARY

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*This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all the information that may be important to you. You should read the entire document before you decide to invest in the Offer Shares. Various expressions used in this section are defined in the sections headed “Definitions” and “Glossary of Industry Terms” in this prospectus.*

*There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed “Risk Factors.” You should read that section carefully before you decide to invest in the Offer Shares.*

### OVERVIEW

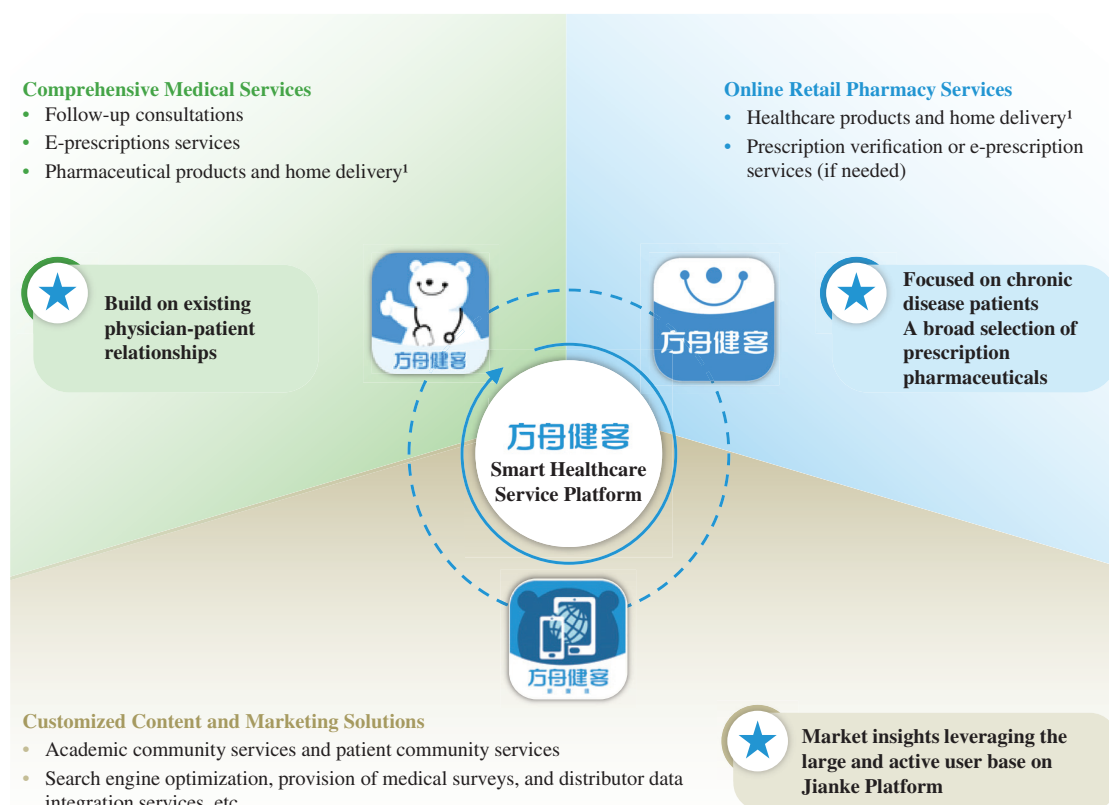
We are the largest online chronic disease management platform in China in terms of average MAU in 2023, according to CIC. We commenced our business with a focus on chronic disease management to address the needs of patients with chronic diseases, such as hypertension, cardiovascular and respiratory chronic diseases. Leveraging our chronic disease management platform, we are dedicated to providing tailored medical care and precision medicine for a growing population of chronic disease patients, with a view towards extending our services to a wider range of disease areas.

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

## SUMMARY

In addition, our platform's large and active user base allows us to effectively connect and engage with doctors and patients, providing them targeted medical knowledge and content. By leveraging these powerful network effects, our platform provides pharmaceutical companies with customized content and marketing solutions to better inform physicians and patients about chronic disease conditions and treatment options, as well as increase disease awareness among the public.

Leveraging our technological capabilities, we provide digitalized solutions for key participants in the healthcare industry. The following diagram illustrates the major services or products provided in, and key characteristics of, each of our business segments, as well as key highlights of our operating data.



★ Key characteristics of each business segment

Medical Resources	CDM Service Capabilities	Pharmaceutical Supply Chain	Technology Infrastructure
<ul style="list-style-type: none"> <li>212,000+ registered physicians practicing offline at 15,600+ medical institutions<sup>2</sup></li> <li>Approximately 58.8% registered physicians were working for Class III Hospitals<sup>2</sup></li> </ul>	<ul style="list-style-type: none"> <li>8.4 million average MAU<sup>3</sup></li> <li>169 CDM staff led by medical professionals<sup>2</sup></li> </ul>	<ul style="list-style-type: none"> <li>212,000+ drug SKUs offered<sup>2</sup></li> <li>1,400+ suppliers<sup>2</sup></li> <li>760+ collaborated pharmaceutical companies<sup>2</sup></li> <li>81%+ of GMV are prescription drugs<sup>4</sup></li> </ul>	<ul style="list-style-type: none"> <li>Data engine recorded 83.9 million consultations and 45.7 million prescriptions<sup>2</sup></li> <li>AI medical assistant handled 43.1% routine consultations independently<sup>4</sup></li> </ul>

### Notes:

- Delivery services are provided by qualified third-party logistics and courier companies.
- As of December 31, 2023.
- For the year ended December 31, 2023.
- During the Track Record Period.

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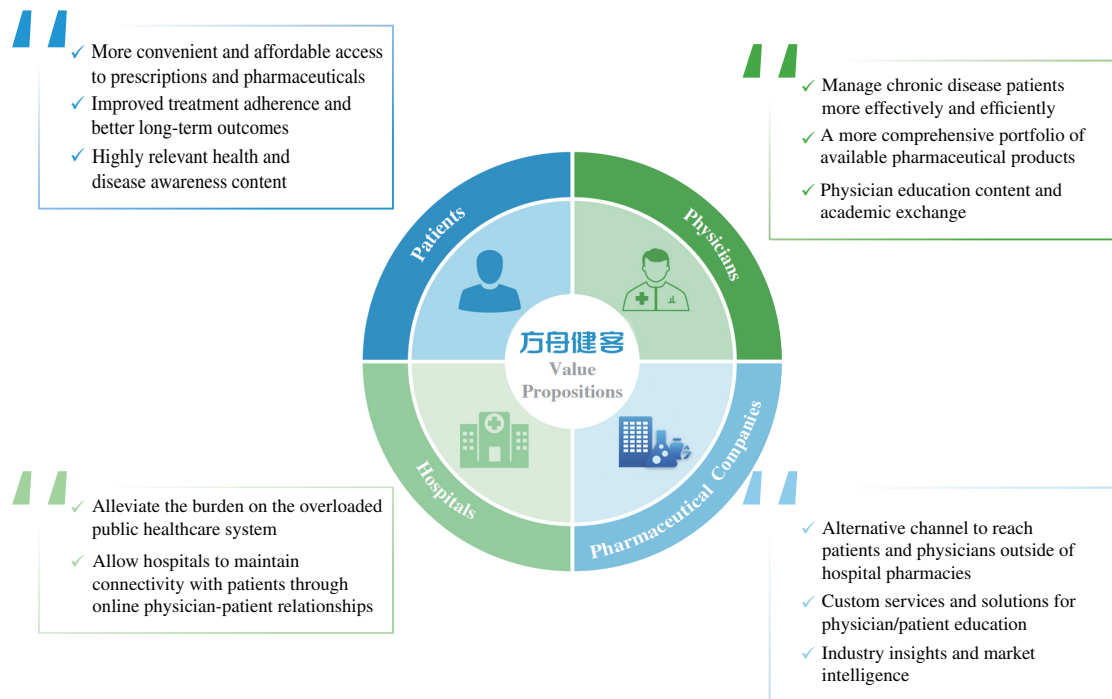
## SUMMARY

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### OUR BUSINESS AND VALUE PROPOSITIONS

We have established a full-service online chronic disease management platform that provides significant value to key participants in the chronic disease management industry. Our large customer base anchored in “real world” physician-patient relationships, long-term collaboration with leading pharmaceutical companies, and highly efficient business operations have positioned us to capture these opportunities and bring value to industry participants.

#### Value Propositions



Our online chronic disease management platform primarily provides the following services. For details, see “Business—Our Online Chronic Disease Management Platform.”

- *Comprehensive Medical Services.* Our H2H services enable patients and physicians to engage in online follow-up consultations, typically after initial in-person consultations, and physicians can issue e-prescriptions through our H2H service platform, which are fulfilled through our pharmaceutical supply chain. Our H2H service platform was launched to address chronic disease patients’ treatment needs created by the lack of ready access to reliable medical resources in China, and to capitalize on the burgeoning demand for remote consultations driven by its accessibility, flexibility, reduced outpatient waiting time and cost-effectiveness. We provide a package of services to patients on our H2H service platform, including online consultation, e-prescription and sales of pharmaceutical and other products, and charge them a service fee based on the services used. This service fee is

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## SUMMARY

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comprised of online consultation fees, e-prescription service fees, and sales of pharmaceutical and other products. Apart from the aforementioned charges, there are no other fees payable by patients or registered physicians to us for the use of our H2H service platform.

As a complement to our online services, we also provide medical services offline at Jingtai Hospital and Qishi Hospital. Our offline hospitals generate revenue mainly from provision of medical services, such as consultation, health check-up, treatment and prescription services. For each year during the Track Record Period, revenue generated from the provision of offline medical services at our offline hospitals represented less than 1.0% of our total revenue, which was insignificant to our overall business. For details, see “Business—Our Online Chronic Disease Management Platform—Comprehensive Medical Services—Our Offline Hospitals.”

- *Online Retail Pharmacy Services.* We provide various healthcare products through our online retail pharmacy service platform, along with convenient home delivery for our customers through qualified third-party couriers. This allows patients to ensure the continuity of their medications and treatments without the inconvenience of arranging for hospital appointments. We also offer home-use medical devices and accessories, nutritional supplements and other wellness products. We generate revenue from the sales of such pharmaceutical and healthcare products on our platform. To facilitate the purchase of prescription drugs, we also provide e-prescription assistance services, which are typically offered in conjunction with the sales of prescription drugs, and this package is recorded as part of our online retail pharmacy services revenue. Apart from the aforementioned charges, we do not charge customers any additional fees for our online retail pharmacy services. We also operate a number of offline pharmacies, which made insignificant revenue contributions during the Track Record Period.
- *Customized Content and Marketing Solutions.* We provide pharmaceutical companies with a variety of customized content and marketing solutions to better inform physicians and patients about chronic disease conditions and raise awareness about treatment options. These services were introduced after recognizing that such needs of pharmaceutical companies can be addressed by leveraging the large and active user base on our Jianke Platform. Our academic community services facilitate knowledge among physicians through publication of medical news articles and short videos on our Jianke Platform, hosting online medical conferences, and physician live stream video sessions with specialist physicians. Our patient community services offer relevant educational content according to the interests of our patient users. Our users have complimentary access to such contents published on the Jianke Platform, and we charge service fees to pharmaceutical companies on a case-by-case basis. We also provide other solutions such as search engine optimization, provision of medical surveys, and distributor data integration services. Our customized content and marketing solutions business line serves as an extension of our supplier management strategy by forging mutually beneficial and synergistic relationships with pharmaceutical companies who are our suppliers.

## SUMMARY

### Our Growth and Key Operating Data

Since we began operating the Jianke mobile applications and website in-house in July 2019, we have been focused on strengthening our business foundation and scaling our business through organic growth. Our past efforts have enabled us to build a large user base with approximately 42.7 million registered users as of December 31, 2023. As a result of our efforts, our business scale and operating results have continued to grow and improve, with the total GMV of our Jianke Platform and our operations on third-party e-commerce platforms increasing from RMB1,945.4 million in 2021 to RMB2,430.3 million and RMB2,481.5 million in 2022 and 2023, respectively. The following table sets out certain key operating metrics of our Jianke Platform as of the dates or for the years indicated. For a detailed discussion of the growth in our key operating metrics during the Track Record Period, see “Business—Our Online Chronic Disease Management Platform—Our Growth and Key Operating Data.”

	As of/For the year ended		
	December 31,		
	2021	2022	2023
Number of paying users <sup>(1)</sup>	2,538,606	3,878,195	4,439,660
Comprehensive medical services	360,511	553,033	730,251
Online retail pharmacy services	2,183,933	3,457,326	4,025,907
Average spending per paying user <sup>(2)</sup>			
(RMB)	766.3	626.7 <sup>(10)</sup>	558.9 <sup>(10)</sup>
Comprehensive medical services	2,269.7	1,767.6	1,450.4
Online retail pharmacy services	516.1	420.2	353.3
Average monthly active users (MAU) <sup>(3)</sup>	8,823,986	9,135,433 <sup>(11)</sup>	8,441,036 <sup>(11)</sup>
Average user retention rate <sup>(4)</sup>	77.3%	78.7%	79.0%
Number of registered physicians <sup>(5)</sup>	191,106	205,000	212,892
Average physician retention rate <sup>(6)</sup>	85.1%	91.9% <sup>(12)</sup>	93.2%
Repeat purchase rate <sup>(7)</sup>	82.0%	83.3%	84.2%
Conversion rate of active users to paying users on H2H service platform <sup>(8)</sup>	32.6%	42.9%	36.2% <sup>(13)</sup>
Conversion rate of active users to paying users on online retail pharmacy service platform <sup>(8)</sup>	14.7%	14.8%	17.7%
Total GMV <sup>(9)</sup>			
(RMB in millions)	1,945.4	2,430.3	2,481.5
Prescription drug GMV as a percentage of total GMV	88.9%	84.2% <sup>(14)</sup>	81.1% <sup>(14)</sup>

*Notes:*

- (1) “Paying users” refer to users who engage in revenue generating activities such as physician consultations or purchase of pharmaceutical products, as opposed to “non-paying users” who only engage in non-revenue generating activities such as participating in academic or patient community services, attending free online consultations, or browsing other content available to them free of charge. There are overlapping users who are both paying users of our comprehensive medical services and online retail pharmacy services. Such users are counted only once when determining the total paying users on our platform.

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## SUMMARY

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- (2) Average spending per paying user refers to the total GMV for a year divided by the number of paying users for the same year.
- (3) Monthly active users (MAU) refer to the number of active users who access our services on the Jianke Platform at least once during a calendar month, where such access includes browsing on the Jianke Platform, use of our online consultation services, e-prescription services and customer services, purchase of pharmaceutical and other healthcare products, and participation in patient community services. Average MAU for each year during the Track Record Period is the mean MAU by month during the year.
- (4) User retention rate in a given month refers to the percentage of total active users in the same month of the preceding year who remained active on the Jianke Platform during the next 12 months. A user is considered to have remained active during the 12-month period if he/she accessed our services at least once during the period, where such access includes browsing on the Jianke Platform, use of our online consultation services, e-prescription services and customer services, purchase of pharmaceutical and other healthcare products, and participation in patient community services. Average user retention rate for each year during the Track Record Period is the mean user retention rate by month during the year.
- (5) Number of registered physicians refers to the total number of physicians registered on the Jianke Platform as of a given date.
- (6) Physician retention rate in a given month refers to the percentage of total active registered physicians in the same month of the preceding year who remained active on the Jianke Platform during the next 12 months. A registered physician is considered to have remained active during the 12-month period if he/she engaged in an activity at least once during the period, where such activity includes provision of online consultation services and e-prescription services, and participation in academic community services through activities such as publishing articles or participating in live streams. Average physician retention rate for each year during the Track Record Period is the mean physician retention rate by month during the year.
- (7) Repeat purchase rate refers to the amount spent by users who placed two or more orders during a year divided by the total GMV for the same year.
- (8) Conversion rate of active users to paying users on our H2H service platform or online retail pharmacy service platform refers to the number of paying users divided by the number of active users on our H2H service platform or the Jianke Online Pharmacy App, respectively.
- (9) Total GMV refers to our total gross merchandise volume, which is the total value of all orders placed on the Jianke Platform and through third-party e-commerce platforms.
- (10) The decrease in average spending per paying user primarily reflected the rapid expansion of our paying user base during the Track Record Period, which enabled us to negotiate more favorable procurement terms as our business scale increased, and in turn offer more competitive pricing on a range of products while preserving our overall gross profit margins.
- (11) The elevated average MAU in 2022 primarily reflected the exceptionally high user activity in December 2022 driven by the COVID-19 pandemic which was effectively mitigated by early 2023. Our average MAU in 2023 was generally in line with that in 2021, although the latter was slightly higher due to the increased healthcare-related online traffic driven by the ongoing COVID-19 pandemic during that period.
- (12) Our average physician retention rate increased significantly in 2022 because we focused on cultivating the engagement and quality of our accumulated base of registered physicians. For details, see “Business—Medical Professional Network—Registered Physicians.”
- (13) The conversion rate of active users to paying users on our H2H service platform decreased in 2023 as we introduced more free-of-charge patient education contents on our H2H service platform to attract new users, expand our user base, stimulate user activity and increase user stickiness.
- (14) The decrease in prescription drug GMV as a percentage of our total GMV was primarily due to (i) the increased sales of OTC drugs as a result of the resurgence of COVID-19 in the second half of 2022; and (ii) a decrease in prescription drug GMV mainly due to a shift in our product mix, which reflected an increased proportion of certain higher margin OTC drugs within our product portfolio.

## SUMMARY

Our revenue amounted to RMB1,758.7 million, RMB2,204.3 million and RMB2,434.3 million in 2021, 2022 and 2023, respectively. The following table sets forth the breakdown of our revenue by business line for the years indicated.

	For the year ended December 31,					
	2021		2022		2023	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Comprehensive medical services	719,693	40.9	868,171	39.4	983,654	40.4
Online retail pharmacy services	1,011,427	57.5	1,252,123	56.8	1,297,106	53.3
Customized content and marketing solutions	27,553	1.6	60,254	2.7	87,046	3.6
Others	–	–	23,755	1.1	66,502	2.7
<b>Total</b>	<b><u>1,758,673</u></b>	<b><u>100.0</u></b>	<b><u>2,204,303</u></b>	<b><u>100.0</u></b>	<b><u>2,434,308</u></b>	<b><u>100.0</u></b>

Since 2022, we have engaged in the wholesale of pharmaceutical products to third-party distributors for the purpose of inventory management. Such sales enable the mitigation of inventory risk for certain items where actual sales may have deviated from original projections. Revenue generated from these transactions is immaterial. Our future participation in such transactions would largely depend on our future considerations and needs in inventory management. As such, revenue generated from such sales is classified as “Others” in our consolidated statements of profit or loss and other comprehensive income.

In addition, a significant portion of our revenue during the Track Record Period was attributable to the sales of pharmaceutical and other healthcare products with service package<sup>(1)</sup>, which accounted for 98.1%, 97.0% and 96.2% of our total revenue in 2021, 2022 and 2023, respectively. Such revenue was driven by our wide-ranging portfolio of pharmaceutical products, and also reflects the positive impact of offering medical services (including e-prescription and prescription refill services) through our registered physicians and in-house medical professionals. These services are an integral component of our product and service package, playing a vital role in driving patient retention and promoting treatment adherence. Furthermore, our registered physicians also provided online consultation services, which accounted for 0.3%, 0.3% and 0.2% of our total revenue in 2021, 2022 and 2023, respectively. Revenue generated from customized content and marketing solutions accounted for the remaining 1.6%, 2.7% and 3.6% of our total revenue in the respective years, as set forth in the table below.

(1) Excluding revenue contribution from online consultation services.



## SUMMARY

	For the year ended December 31,					
	2021		2022		2023	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Revenue from:						
Sales of pharmaceutical and other healthcare products with service package <sup>(1)</sup>	1,726,693	98.1	2,138,509	97.0	2,342,942	96.2
Online consultation services	4,427	0.3	5,539	0.3	4,320	0.2
Customized content and marketing solutions	27,553	1.6	60,254	2.7	87,046	3.6
<b>Total</b>	<b><u>1,758,673</u></b>	<b><u>100.0</u></b>	<b><u>2,204,303</u></b>	<b><u>100.0</u></b>	<b><u>2,434,308</u></b>	<b><u>100.0</u></b>

*Note:*

(1) Excluding revenue contribution from online consultation services.

Our gross profit in 2021, 2022 and 2023 amounted to RMB219.6 million, RMB380.6 million and RMB487.4 million, respectively. The following table sets forth the breakdown of our gross profit and gross profit margin by business line for the years indicated.

	For the year ended December 31,					
	2021		2022		2023	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Comprehensive medical services	40,543	5.6	122,078	14.1	149,738	15.2
Online retail pharmacy services	155,000	15.3	206,693	16.5	263,191	20.3
Customized content and marketing solutions	24,105	87.5	51,483	85.4	72,277	83.0
Others	-	-	330	1.4	2,201	3.3
<b>Total</b>	<b><u>219,648</u></b>	<b><u>12.5</u></b>	<b><u>380,584</u></b>	<b><u>17.3</u></b>	<b><u>487,407</u></b>	<b><u>20.0</u></b>

The growth of our revenue and gross profit during our Track Record Period reflected our overall strategy of growing our business foundation and expanding our business scale. For a discussion of our revenue and gross profit during the Track Record Period, see “Financial Information—Description of Certain Consolidated Statements of Profit or Loss and Other Comprehensive Income Items.”

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## SUMMARY

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### **Our Chronic Disease Management (CDM) Service Center**

To support our comprehensive medical services and online retail pharmacy services, we established our CDM service center to improve patient experience by providing professional medical advice and services to customers. Our CDM service center had a team of 169 staff members led by our in-house medical professionals as of December 31, 2023. The medical expertise of these medical professionals enables us to offer more professional solutions to patients, including consultation follow-up services, prescription consultations, patient education, medication reminders and drug refill notifications. For details, see “Business—Our Chronic Disease Management (CDM) Service Center.”

### **Our Robust Pharmaceutical Supply Chain**

Over the years, we have established a robust pharmaceutical supply chain. As of December 31, 2023, we had collaborated with over 760 pharmaceutical companies, including multinational companies and large domestic pharmaceutical companies. Our business model further enables us to foster mutually beneficial relationships with these pharmaceutical companies as we are able to provide them with alternative distribution channels, valuable market insights and feedback, as well as value-added services such as our customized content and marketing solutions. As of December 31, 2023, we had procured products from over 1,400 suppliers and had offered over 212,000 drug SKUs, of which approximately 61.6% were prescription drugs and approximately 38.4% were OTC drugs. In 2021, 2022 and 2023, our prescription drug GMV represented approximately 88.9%, 84.2% and 81.1% of our total GMV, respectively. Our GMV refers to gross merchandise volume, the total value of all orders placed on the Jianke Platform and through third-party e-commerce platforms. For details, see “Business—Collaboration with Pharmaceutical Companies.”

### **COMPETITIVE LANDSCAPE**

According to CIC, the overall market size of the chronic disease management market in China in terms of GMV grew rapidly from RMB2,425.5 billion in 2015 to RMB7,737.5 billion in 2023, representing a CAGR of 15.6%, and is expected to continue to grow at a CAGR of 10.5% from 2023 to 2030 and reach RMB15,535.8 billion in 2030. Driven by the vast needs of chronic disease patients in China, the total GMV generated from the online chronic disease management market in China increased from RMB27.6 billion in 2015 to RMB178.1 billion in 2023, at a CAGR of 26.3%, and is expected to reach RMB1,153.9 billion in 2030 at a CAGR of 30.6%.

As of December 31, 2023, there were over 50 service providers in the online chronic disease management market in China, according to CIC. Our Group was the largest online chronic disease management platform in China in terms of MAU in 2023.

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In addition, we recorded a total of RMB2.01 billion prescription drug GMV in 2023, which ranked first in terms of prescription drug GMV in the online to-consumer CDM market in China. The proportion of our prescription drug GMV represented approximately 81.1% of our total GMV in 2023, which was the highest in the online to-consumer CDM market in China.

For details, see “Industry Overview” in this prospectus.

### OUR STRENGTHS

We believe that the following competitive strengths contribute to our success and differentiate us from our competitors: (i) leading online chronic disease management platform in China; (ii) loyal and active paying user base anchored on long-term physician-patient relationships; (iii) technology-driven platform to enhance customer satisfaction and operating efficiency; (iv) strong and synergistic relationships with leading pharmaceutical companies; (v) innovation-driven approach and ability to evolve our business as new opportunities arise; and (vi) seasoned management team and strong investor base supporting our long-term growth.

### OUR STRATEGIES

We will focus on the following key growth strategies to achieve our long-term goal of empowering physicians and patients to better treat and manage chronic disease: (i) enhance connectivity between physicians and patients and increase user engagement on our platform; (ii) redefine the standard for smart chronic disease management services by expanding our expertise in chronic disease specialties and focusing on continuous innovation; (iii) build and grow our high-quality user base; (iv) continue to broaden our product selection to better satisfy the needs of our users; and (v) continue to attract and retain talent to support our growth.

### SUMMARY OF KEY FINANCIAL INFORMATION

The summary historical financial data set forth below has been derived from, and should be read in conjunction with, our consolidated financial statements, including the accompanying notes, set forth in the Accountants’ Report in Appendix I to this prospectus, as well as the information set forth in “Financial Information” of this prospectus. Our consolidated financial information was prepared in accordance with HKFRSs.

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## SUMMARY

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### Summary of the Consolidated Statements of Profit or Loss and Other Comprehensive Income

The following table sets forth a summary of our consolidated statements of profit or loss and other comprehensive income for the years indicated.

	<b>For the year ended December 31,</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	1,758,673	2,204,303	2,434,308
Cost of sales	(1,539,025)	(1,823,719)	(1,946,901)
Gross profit	219,648	380,584	487,407
Loss before taxation	(303,950)	(383,289)	(196,711)
<b>Loss and total comprehensive income for the year</b>	<b><u>(303,989)</u></b>	<b><u>(383,302)</u></b>	<b><u>(196,788)</u></b>
Attributable to:			
Equity shareholders of the Company	(303,964)	(383,302)	(196,788)
Non-controlling interests	(25)	–	–

### *Non-HKFRS Measures*

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

We define adjusted net loss/profit (non-HKFRS measure) as loss and total comprehensive income for the year after excluding the effects of (i) equity settled share-based transactions; (ii) listing expenses; (iii) changes in the carrying amount of preferred shares liability; and (iv) foreign exchange from preferred shares liability. We account for the compensation cost from equity settled share-based transactions with employees, which is a non-cash item and does not result in cash outflow. We exclude listing expenses arising from activities relating to the Listing. In addition, we eliminate the impact of changes in the carrying amount of preferred shares liability and foreign exchange differences associated with our Preferred Shares, primarily because these are non-cash items in nature. The convertible redeemable preferred shares will be automatically converted into ordinary shares upon the completion of the Global

## SUMMARY

Offering, upon which the carrying amount of the financial liabilities will be transferred to share capital and capital reserve. We define adjusted net loss/profit margin (non-HKFRS measure) as adjusted net loss/profit (non-HKFRS measure) divided by revenue for the year and multiplied by 100%.

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

	For the year ended December 31,		
	2021	2022	2023
	<i>RMB'000, except for percentages</i>		
<b>Reconciliation of net loss to adjusted net loss/profit (non-HKFRS measure)</b>			
<b>Loss and total comprehensive income for the year</b>	<b>(303,989)</b>	<b>(383,302)</b>	<b>(196,788)</b>
Add:			
Equity settled share-based transactions	7,904	13,648	5,233
Listing expenses	13,453	21,273	25,081
Changes in the carrying amount of preferred shares liability	107,220	120,614	143,176
Foreign exchange from preferred shares liability	(31,409)	138,326	30,463
<b>Adjusted net (loss)/profit (non-HKFRS measure)</b>	<b>(206,821)</b>	<b>(89,441)</b>	<b>7,165</b>
<b>Adjusted net (loss)/profit margin (non-HKFRS measure)</b>	<b>(11.8)%</b>	<b>(4.1)%</b>	<b>0.3%</b>

Since we began to operate the Jianke mobile applications and website in-house in July 2019, we actively grew our user base and business scale, which resulted in rapid growth of our H2H services and online retail pharmacy services during the Track Record Period. These efforts have had a positive effect on revenue, gross profit, and gross profit margin trends after 2019. Our revenue increased from RMB1,758.7 million in 2021 to RMB2,204.3 million and RMB2,434.3 million in 2022 and 2023, respectively. Such increase was primarily driven by the expansion of our paying user base. Our gross profit increased from RMB219.6 million in 2021 to RMB380.6 million in 2022 and further to RMB487.4 million in 2023.

As we achieved scale and were able to negotiate more favorable procurement terms, we gained greater flexibility in price-setting. As a result, and our gross profit margin increased from 12.5% in 2021 to 17.3% in 2022 and further to 20.0% in 2023.

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## SUMMARY

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Our net loss increased from RMB304.0 million in 2021 to RMB383.3 million in 2022, primarily because we recorded other net loss of RMB134.2 million in 2022 compared to other net income of RMB33.0 million in 2021, which mainly arose from foreign exchange loss in relation to the Preferred Shares denominated in US dollars as a result of the fluctuation of foreign exchange rates. Our net loss decreased to RMB196.7 million in 2023, primarily because we had attracted and retained a larger paying user base, and leveraged our supply chain capabilities to procure pharmaceutical and healthcare products at more attractive prices.

### Summary of the Consolidated Statements of Financial Position

The following table sets forth a summary of our consolidated statements of financial position as of the dates indicated.

	As of December 31,		
	2021	2022	2023
	<i>RMB'000</i>		
Total non-current assets	36,579	43,711	54,014
Total current assets	312,110	475,170	467,354
Total current liabilities	311,861	477,049	481,942
Net current assets/(liabilities)	249	(1,879)	(14,588)
Total assets less current liabilities	36,828	41,832	39,426
Total non-current liabilities	1,377,082	1,751,740	1,940,889
Net liabilities	(1,340,254)	(1,709,908)	(1,901,463)

While we had net current assets of RMB0.2 million as of December 31, 2021, we recorded net current liabilities of RMB1.9 million as of December 31, 2022, primarily due to an increase in contract liabilities in 2022 as a result of the increased advance payment from customers because there was a surge of drug orders on our platform in December 2022 as a result of the COVID-19 pandemic in China, but logistics services were affected during the pandemic, resulting in delays in shipment and delivery of our orders. As of December 31, 2023, we recorded net current liabilities of RMB14.6 million, which was primarily attributable to the trade and other payables incurred to support our increased business scale.

We recorded net liabilities of RMB1,340.3 million, RMB1,709.9 million and RMB1,901.5 million as of December 31, 2021, 2022 and 2023, respectively, primarily due to the convertible redeemable preferred shares of RMB1,368.8 million, RMB1,737.9 million and RMB1,911.5 million that we recorded as of December 31, 2021, 2022 and 2023, respectively. Upon the completion of the Global Offering, all of our convertible redeemable preferred shares will be re-classified from liabilities to equity as a result of the automatic conversion into ordinary shares, which is expected to reverse our net liabilities position into a net assets position. Our net liabilities increased from RMB1,340.3 million to RMB1,709.9 million as of December 31, 2021 and 2022, respectively, primarily due to our loss and total comprehensive income for the year of RMB383.3 million in 2022, which was partially offset by a decrease

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## SUMMARY

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resulting from equity settled share-based transactions amounting to RMB13.6 million in 2022. Our net liabilities increased from RMB1,709.9 million to RMB1,901.5 million as of December 31, 2022 and 2023, respectively, primarily due to our loss and total comprehensive income for the year of RMB196.7 million in 2023, which was partially offset by a decrease resulting from equity settled share-based transactions of RMB5.2 million in 2023. For further details, see the consolidated statements of changes in equity set out in the Accountants' Report in Appendix I to this prospectus.

### Summary of the Consolidated Statements of Cash Flow

The following table sets forth the breakdown of our cash flows for the years indicated.

	<b>For the year ended December 31,</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Net cash generated from/(used in) operating activities	(203,655)	(49,965)	22,282
Net cash (used in)/generated from investing activities	(4,323)	14,315	16,418
Net cash generated from/(used in) financing activities	<u>(11,407)</u>	<u>82,233</u>	<u>(29,308)</u>
Net increase/(decrease) in cash and cash equivalents	(219,385)	46,583	9,392
Cash and cash equivalents at the beginning of the year	307,817	84,658	134,907
Effect of foreign exchange rate changes	<u>(3,774)</u>	<u>3,666</u>	<u>2,018</u>
Cash and cash equivalents at the end of the year	<u><u>84,658</u></u>	<u><u>134,907</u></u>	<u><u>146,317</u></u>

We recorded net cash used in operating activities of RMB203.7 million, and RMB50.0 million in 2021 and 2022, respectively, which was primarily due to losses recorded for the year. Although we achieved continuous increase in revenue and gross profit, our operating expenses increased substantially along with the growth of our business. For a discussion of our cash flows during the Track Record Period, see “Financial Information—Liquidity and Capital Resources—Cash Flows.”

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### Key Financial Ratios

The following table sets forth the details of our key financial ratios as of the dates or for the years indicated. For details, see “Financial Information—Key Financial Ratios.”

	As of/For the Year Ended December 31,		
	2021	2022	2023
Gross profit margin	12.5%	17.3%	20.0%
Net loss margin	(17.3)%	(17.4)%	(8.1)%
Adjusted net (loss)/profit margin (non-HKFRS measure)	(11.8)%	(4.1)%	0.3%
Current ratio	1.0	1.0	1.0
Quick ratio	0.6	0.7	0.7

### BUSINESS SUSTAINABILITY AND PATH TO PROFITABILITY

Since our inception, we have pioneered innovative solutions to address pain points in chronic disease management by leveraging our deep insights into China’s healthcare system and applying our spirit of innovation to create stakeholder value. Our online retail pharmacy platform was initially launched to address the needs of chronic disease patients for repeat prescription drug refills and the inconvenience of regular trips to major hospitals in China. As our platform evolved, our realization that trusted physician-patient relationships were also essential to chronic disease management led us to launch our H2H service platform and operating model in 2018, which provides easy connectivity between patients and their physicians, and enables more effective chronic disease management through online follow-up consultations, e-prescriptions, and physician/patient education modules.

We believe the foundation to our long-term commercial success lies in building user base scale and brand reputation. As such, we have dedicated ourselves to cultivating an active and loyal community of patients and physicians on our Jianke Platform, and developing and strengthening business relationships with pharmaceutical companies. We continuously focused on developing and shaping consumer behavior and preferences, developing new sales channels and introducing new services and products to address the needs of our key stakeholders to solidify our relationships. As a result of our efforts, the key operating metrics of our business have also experienced positive growth, such as our expanding paying user base, increasing number of registered physicians, and sustained high average user retention rate and repeat purchase rate. In 2023, our Jianke Platform had an average of approximately 8.4 million MAU. In addition, our average user retention rate remained consistently high throughout the Track Record Period, at 77.3%, 78.7% and 79.0% in 2021, 2022 and 2023, respectively, which was higher than the industry average of approximately 30-35% for the respective years, according to CIC. For details, see “—Our Business and Value Proposition—Our Growth and Key Operating Data.”



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## SUMMARY

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In 2021 and 2022, our adjusted net loss (non-HKFRS measure) was RMB206.8 million and RMB89.4 million, respectively. As our user base expanded and we effectively improved our operating efficiency, our net losses started to decrease, and we recorded adjusted net profit (non-HKFRS measure) of RMB7.2 million in 2023, which primarily reflected our decreased net losses for the same year. In addition, our net operating cash outflow in 2021 and 2022 amounted to RMB203.7 million and RMB50.0 million, respectively, primarily due to our initiatives to incentivize physician activity and to attract and develop a loyal customer base. In 2023, we recorded a net operating cash inflow of RMB22.3 million, which was primarily attributable to our increased sales volume of pharmaceutical and healthcare products and improved operating efficiency. For a year-on-year analysis of our financial performance, see “Financial Information—Description of Certain Consolidated Statements of Profit or Loss and Other Comprehensive Income Items—Comparison of Results of Operations.” These financial results primarily reflect the significant costs and expenses we incurred in growing our user base, assembling our own team after we began to operate the Jianke Platform in-house, investing in our research and development capabilities to optimize the functions of our mobile applications and website, and increasing our marketing efforts to promote user engagement and enhance brand recognition, which we believe are crucial for long-term growth and success.

We believe there will continue to be a significant need for better chronic disease management in China for years to come. As a pioneer and leader in this growing industry segment, we believe that our active user base of patients and physicians, strong relationships with pharmaceutical companies, and ability to offer diversified and well-designed services and products will enable us to capture future growth opportunities. Going forward, we expect to sustain our revenue growth and achieve profitability by, among other things, (i) building economies of scale, controlling operating expenses and further improving our operating efficiency by enhancing the productivity of our in-house teams, adapting our staffing strategy to evolving business requirements, streamlining internal workflows, and leveraging technology to drive cost-efficient and centralized management; (ii) building a high-quality user base by expanding and diversifying our product portfolio, especially high-margin, prescription, and difficult-to-source drugs for chronic diseases, to meet evolving user needs; (iii) introducing products and services which can bring higher value-added and increased scale, including content offerings in multimedia formats; and (iv) lowering procurement costs and improving our gross profit margin by leveraging our growing procurement volumes and strengthened bargaining power to negotiate more favorable input prices and procurement terms.

Our Directors believe that, considering the industry trend towards online to-consumer CDM platforms and by implementing the above strategies, our business is and will continue to be sustainable and our profitability will improve. For a detailed business sustainability and path to profitability analysis, see “Financial Information—Business Sustainability and Path to Profitability.”

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## SUMMARY

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### **Working Capital Sufficiency**

We recorded net current liabilities of RMB14.6 million as of December 31, 2023, which was primarily attributable to the trade and other payables incurred to support our increased business scale. Going forward, we remain committed to implementing measures aimed at enhancing our operating cash flows. Leveraging our growing user base and procurement volumes, our bargaining power will improve, which will enable us to secure more favorable input prices and lower our overall procurement costs. We are also actively streamlining our operations to achieve economies of scale and optimizing our expense structure. Moreover, we are actively monitoring our trade payables and receivables settlement to ensure that we have sufficient working capital. In addition, we had proceeds of US\$8.6 million from our Series D+ financing in December 2022, and expect to receive net proceeds from the Global Offering of approximately HK\$55.42 million based on the low end of the Offer Price range (assuming that the Over-allotment Option is not exercised), all of which contribute to our capital resource pool. While we recorded net liabilities throughout the Track Record Period, this was primarily due to the convertible redeemable preferred shares that we recorded as of the end of each year during the Track Record Period. Upon the completion of the Global Offering, all of our convertible redeemable preferred shares will be automatically converted to ordinary shares.

Based on the financial resources available to us (including our cash and cash equivalents on hand, cash generated from operating activities, and the estimated net proceeds from the Global Offering), our expansion plan, and the estimated cash generated from operating activities, our Directors are of the view that we will have sufficient working capital for the next 12 months from the date of this prospectus. For details, see “Financial Information—Liquidity and Capital Resources—Working Capital.”

Based on the foregoing, our Directors are of the view that our Group has a sustainable business. The foregoing forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. These forward-looking statements are subject to risks, uncertainties and other factors, some of which are beyond our control, which may cause the actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. For related risks, see “Forward-looking Statements” section in this prospectus.

After due consideration of the foregoing factors and discussions with the management, the Joint Sponsors have no reason to believe that the Directors’ foregoing views are unreasonable.

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## SUMMARY

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### RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

Our Directors confirm that there has been no material adverse change in our financial, operational or trading positions or prospects since December 31, 2023, being the date of our consolidated financial statements as set out in the Accountants' Report, and up to the date of this prospectus. Despite our expanding business scale, we expect to record an increased amount of loss in 2024, primarily because we expect to grant all the remaining RSUs under our existing share-based incentive plan in 2024, which will result in a significant increase in administrative expenses arising from increased share-based compensation. Our future profitability is uncertain and subject to various factors. For details, see "Risk Factors—We have a history of net losses and negative operating cash flow. We cannot ensure future profitability."

### MAJOR CUSTOMERS AND SUPPLIERS

We have a broad base of customers. Customers for our comprehensive medical services and online retail pharmacy services are mainly individual users, and we occasionally sell pharmaceutical products to offline pharmacies and pharmaceutical distributors. For our customized content and marketing solutions, our customers are mainly pharmaceutical companies. For each year during the Track Record Period, revenue derived from our five largest customers accounted for less than 5.0% of our total revenue. All of our five largest customers for the years ended December 31, 2021, 2022 and 2023 were Independent Third Parties. See "Business—Our Customers" for details.

We mainly procure pharmaceutical products including prescription drugs, OTC drugs, medical device and accessories, from authorized distributors of multinational and domestic pharmaceutical companies. In 2021, 2022 and 2023, purchases from our top five suppliers accounted for 60.9%, 57.2% and 51.5% of our total purchases, respectively, and purchases from our largest supplier alone accounted for 20.5%, 14.8% and 15.7% of our total purchases during each of those years, respectively. For details on our suppliers, see "Business—Our Suppliers."

### Overlapping Customers and Suppliers

During the Track Record Period, certain of our customers were also our suppliers. We sold certain types of pharmaceutical products to these companies as part of our inventory management strategy, and procured certain other types of pharmaceutical products, medical devices, healthcare and nutritional supplements and other wellness products from them. The products sold to, and purchased from, these companies were different. To the best knowledge and belief of our Directors, two of our five largest customers were also our suppliers in each of 2022 and 2023. None of our five largest customers in 2021 were also our supplier that year.

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## SUMMARY

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Our Directors confirm that all of our sales to and purchases from these companies were conducted in the ordinary course of business under normal commercial terms, and none of our sales to and purchases from these overlapping entities were the same or back-to-back sales during the Track Record Period. For details of such overlaps during our Track Record Period, see “Business—Overlapping Customers and Suppliers.”

### MATERIAL RELATED PARTY TRANSACTIONS

During the Track Record Period, we entered into a number of transactions with related parties, including Mr. Xie, our Controlling Shareholder, and companies controlled by Mr. Xie or over which Mr. Xie had significant influence.

- *Purchase of Goods.* In 2021, although we had begun procuring products mainly from independent third-party suppliers, we still sourced RMB4.7 million of goods from Guangzhou Jianke, leveraging their established relationships with suppliers and pharmaceutical wholesale capabilities. These purchases encompassed pharmaceutical products, medical devices, healthcare and nutritional supplements and other wellness products for our online retail pharmacy services and comprehensive medical services segments. We ceased to procure products from related parties in 2022.
- *Advance of Borrowings.* In 2021, we provided liquidity support, in the form of advance of borrowings, to a number of related parties. These included companies over which Mr. Xie had significant influence, such as Guangzhou Jianke, as well as Mr. Xie and companies controlled by Mr. Xie. We ceased to provide advance of borrowings to related parties in 2022.

See “Financial Information—Description of Certain Consolidated Statements of Profit or Loss and Other Comprehensive Income Items—Recognition of Impairment Losses,” “Financial Information—Liquidity and Capital Resources—Cash Flows—Net Cash Flows Generated from/(used in) Financing Activities” and “Financial Information—Material Related Party Transactions” in this prospectus for details.

### RISK FACTORS

We are exposed to risks inherent in providing online healthcare services and selling pharmaceutical and healthcare products in China. Claims, user complaints or administrative penalties may be made or imposed against us or the relevant pharmaceutical companies if any of the products sold through our Jianke Platform are deemed or proven to be unsafe, ineffective or defective, or if they are found to contain illicit substances or infringe on any third party’s intellectual property rights. According to the Drug Administration Law (《藥品管理法》), if compensation claims related to product quality are received by a drug trading enterprise, it shall pay the compensation first, and then have the right to recover such payment from the drug manufacturer or holder of drug marketing authorization. We may also be subject to allegations of having engaged in practices such as improperly issuing prescriptions, sale of counterfeit and

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## SUMMARY

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substandard medicines or other healthcare products or providing inadequate warnings or insufficient or misleading disclosures of side effects. We also face risks of medical liability claims arising from medical services provided through our Jianke Platform. Such claims may be made against us, our registered physicians (in relation to their provision of online consultation and e-prescription services) and our in-house medical professionals (in relation to their provision of e-prescription services). In particular, the physicians and pharmaceutical companies that we partner with, may provide sub-standard services, mishandle sensitive information, engage in other misconduct or commit medical malpractice, which could subject us to medical liability claims. According to the Regulation on Handling Medical Accidents (《醫療事故處理條例》), medical institutions and patients can resolve civil liability disputes, including compensation for medical accidents, through negotiation. According to the Civil Code of the PRC (《中華人民共和國民法典》), if a patient sustains any harm in the course of medical treatment due to the failure of the medical institution or its medical staff, the medical institution shall be liable for compensation. See “Risk Factors—Risks Relating to Our Business and Industry—We may be subject to product liability or medical liability claims, or claims or administrative penalties for counterfeit, substandard or unauthorized products on our platform, which could cause us to incur significant expenses and be liable for significant damage.”

With respect to our customized content and marketing solutions, under the relevant PRC laws, we are required to closely monitor the content published on our platform. We may be subject to potential liabilities for any unlawful actions of users of our websites. We and the relevant pharmaceutical companies may also be subject to liability for content distributed through our Jianke Platform that are deemed unlawful by relevant authorities. See “Risk Factors—Risks Relating to Our Business and Industry—We may be subject to liability for content available on our platform that is alleged to be factually incorrect, socially destabilizing, obscene, defamatory, libelous or otherwise unlawful.”

In addition to the risks highlighted above, there are certain other risks in our operations and in connection with the Global Offering, many of which are beyond our control. We believe the most significant risks we face include: (i) if we fail to manage the growth and expansion of our business, our results of operations, financial condition and growth prospects may be materially and adversely affected; (ii) we operate in an emerging and dynamic industry, and our historical results of operations and financial performance may not be indicative of future performance; (iii) we have a history of net losses and negative operating cash flow. We cannot ensure future profitability; (iv) maintaining customers’ trust in our Jianke Platform is critical to our success, and any failure to do so could damage our reputation and brand; (v) we may fail to attract or retain sufficient users or registered physicians to our platform; (vi) the potential reversion of patients to offline clinics and hospitals in a post-COVID-19 environment might impact our business and results of operations; (vii) we, our directors, management and employees may from time to time become party to litigation, regulatory investigations, other legal or administrative disputes and proceedings that may have an adverse impact to our reputation and business prospects; (viii) we may be subject to penalties or disputes against us for failure to manage our in-house medical professionals and registered physicians; (ix) if we fail to keep up with rapid changes in big data analysis, AI technology and other technologies, our future success may be adversely affected; (x) we collect and process a

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## SUMMARY

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large amount of data in the ordinary course of our business. Any improper use or disclosure of such data, security breaches or attacks against our platform, and any potential reach or failure to protect confidential and proprietary information, could damage our reputation and adversely impact our business, results of operations and financial condition; and (xi) the proper functioning of our technology infrastructure is essential to our business, and any failure to maintain the satisfactory performance, security and integrity of our technology infrastructure would materially and adversely impair our ability to provide services and affect our business, reputation, financial condition and results of operations. See “Risk Factors” of this prospectus for details of our risk factors, which you should read carefully and in full before you decide to invest in our shares.

### PRE-IPO INVESTMENTS

We have received several rounds of Pre-IPO Investments since our establishment. For further details of the identity and background of the Pre-IPO Investors and the principal terms of the Pre-IPO Investments, see “History, Reorganization and Corporate Structure—Pre-IPO Investments” for details.

### CONTROLLING SHAREHOLDERS

Mr. Xie and Mr. Zhou (pursuant to the Concert Deed), together with Fangrong Management Limited, Fangzhan Holdings L.P., Xingyu Holdings L.P., Celaeno Group Limited, Silica Brothers Corp. and Asia Tech Investments Ltd., are acting together as a group of Controlling Shareholders. Immediately following completion of the Global Offering (assuming that the weighted voting rights structure is cancelled and without taking into account the Shares which may be allotted and issued upon the exercise of the Over-allotment Option), our ultimate Controlling Shareholders, Mr. Xie (through Fangrong Management Limited, a limited liability company wholly-owned by Mr. Xie, Fangzhan Holdings L.P. and Xingyu Holdings L.P., each a limited partnership whose general partner is Xingyu Inc., a company wholly owned by Mr. Xie) and Mr. Zhou (through his wholly-owned companies, i.e. Celaeno Group Limited and Silica Brothers Corp.) will indirectly hold 276,605,527 Shares and 236,624,057 Shares in our Company, representing approximately 20.64% and 17.65% of shareholding interest in the Company, respectively.

Asia Tech Investments Ltd. is a platform holding the underlying incentive shares granted to our Directors and senior management in the total amount of 116,875,898 Class A Ordinary Shares under the RSU Scheme. As approximately 51.34% and 48.41% of interest in Asia Tech Investments Ltd. were held by Mr. Xie and Mr. Zhou, respectively, each of Mr. Xie and Mr. Zhou is deemed to be interested in the Shares of the Company held by Asia Tech Investments Ltd. in accordance with SFO, representing approximately 8.72% of shareholding interest in the Company immediately following the completion of the Global Offering (assuming that the Over-allotment Option is not exercised).

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## SUMMARY

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On June 12, 2024, Mr. Xie and Mr. Zhou were conferred by Tech-Med Investments (S) Pte. Ltd. to exercise the voting rights attached to 138,430,610 Shares held by Tech-Med Investments (S) Pte. Ltd. through a deed of voting proxy, representing approximately 10.33% of shareholding interest in the Company immediately following the completion of the Global Offering. The voting proxy arrangement will take effect immediately before the Listing. For details, see “History, Reorganization and Corporate Structure—Deed of Voting Proxy.”

Therefore, immediately upon completion of the Global Offering (assuming the weighted voting rights structure is cancelled and without taking into account the Shares which may be allotted and issued upon the exercise of the Over-allotment Option), Mr. Xie and Mr. Zhou (together with Fangrong Management Limited, Fangzhan Holdings L.P., Xingyu Holdings L.P., Celaeno Group Limited, Silica Brothers Corp. and Asia Tech Investments Ltd.) as a group of Controlling Shareholders, by virtue of their shareholding together with the voting proxy conferred upon them as mentioned above, will control an aggregate of 768,536,092 Shares, representing approximately 57.34% of shareholding interest in our Company.

See “Relationship with the Controlling Shareholders” for further details.

### CAPITALIZATION OF THE COMPANY

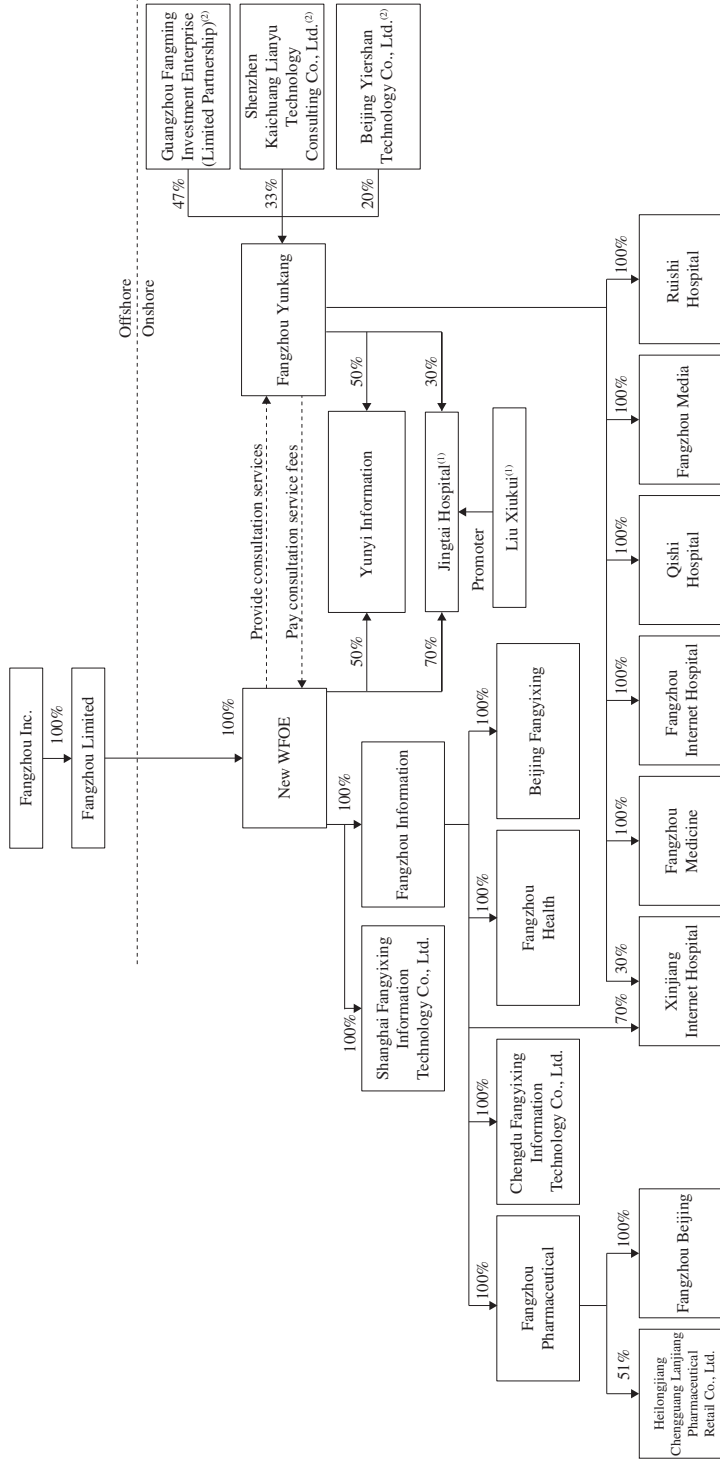
As of the Latest Practicable Date, we had adopted a weighted voting rights structure, which will be cancelled, through the re-classification of all existing classes of shares into a single class of Ordinary Shares, immediately prior to Listing. For details, see “History, Reorganization and Corporate Structure—Capitalization of the Company.”

### CONTRACTUAL ARRANGEMENTS

The operations of our Consolidated Affiliated Entities are subject to various foreign ownership restrictions under PRC laws and regulations. In order to maintain and exercise control over our Consolidated Affiliated Entities, we have adopted Contractual Arrangements. These Contractual Arrangements allow us to enjoy substantially all of the economic benefits of our Consolidated Affiliated Entities and consolidate their results of operations into ours. See “Contractual Arrangements” for further details.

# SUMMARY

The following simplified diagram illustrates the flow of economic benefits from our Consolidated Affiliated Entities to our Group stipulated under the Contractual Arrangements.



**Notes:**

- (1) Liu Xiukui is the registered promoter of Jingtai Hospital and a nominee of the New WFOE and Fangzhou Yunkang. The New WFOE and Fangzhou Yunkang each holds 70% and 30% of the registered capital and promoter's interest in Jingtai Hospital.
- (2) Guangzhou Fangming Investment Enterprise (Limited Partnership) is a limited partnership wholly-owned by Mr. Xie. Shenzhen Kaichuang Lianyu Technology Consultancy Co., Ltd. is a limited liability company owned as to 55% and 45%, respectively, by Zhang Xinwei (張新偉) and Wang Wenchao (王聞超), each of whom holds equity interest in Shenzhen Kaichuang Lianyu Technology Consultancy Co., Ltd. as a nominee appointed by Crescent Point. Beijing Yiershan Technology Co., Ltd. is a limited liability company wholly owned by Yang Jinghua (楊敬華), the mother of Mr. Zhou, who holds equity interest in Beijing Yiershan Technology Co., Ltd. as the nominee on behalf of Mr. Zhou.



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## SUMMARY

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### REGULATORY OVERVIEW

On February 17, 2023, the CSRC released the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) (the “**Trial Measures**”) and five supporting guidelines (collectively, the “**Trial Measures and Supporting Guidelines**”), which came into effect on March 31, 2023. The Trial Measures and Supporting Guidelines will regulate both direct and indirect overseas offering and listing of PRC domestic companies’ securities by adopting a filing-based regulatory regime. Pursuant to the Trial Measures and Supporting Guidelines, the Global Offering would be deemed as an indirect overseas securities offering by a PRC domestic company. According to the CSRC’s press conference for the release of the Trial Measures and the Notice on Administration for the Filing of Overseas Offering and Listing by Domestic Companies, on or prior to March 31, 2023, domestic companies that have already submitted valid applications for overseas offering and listing, but have not obtained an approval from overseas regulatory authorities or stock exchanges, may reasonably arrange the timing for submitting their filing applications with the CSRC, and must complete the filing before the completion of their overseas offering and listing. We have completed filing with the CSRC on March 22, 2024 for the Listing and the Global Offering in accordance with the Trial Measures.

### FUTURE PLANS AND USE OF PROCEEDS

Assuming an Offer Price of HK\$7.98 per Share (being the mid-point of the indicative Offer Price range of HK\$7.60 to HK\$8.36 per Share), we estimate that we will receive net proceeds of approximately HK\$63.07 million from the Global Offering after deducting the underwriting commissions and other estimated expenses paid and payable by us in connection with the Global Offering and assuming that the Over-allotment Option is not exercised. In line with our strategies, we currently intend to use our proceeds from the Global Offering for the purposes and in the amounts set forth below:

- (i) approximately 67.4%, or HK\$42.51 million, will be used for business expansion in the next three to five years;
- (ii) approximately 16.0%, or HK\$10.09 million, will be used for research and development activities in the next five years;
- (iii) approximately 11.6%, or HK\$7.32 million, will be used for our potential investments and acquisitions or strategic alliances with other stakeholders in the value chain of the online chronic disease management industry; and
- (iv) approximately 5.0%, or HK\$3.15 million, will be used for our working capital and general corporate purposes.

See “Future Plans and Use of Proceeds” for details.

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## SUMMARY

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### OFFERING STATISTICS

The statistics in the following table are based on the assumptions that 23,800,000 Shares will be issued pursuant to the Global Offering and the Over-allotment Option is not exercised:

	<b>Based on Offer Price of HK\$7.60</b>	<b>Based on Offer Price of HK\$8.36</b>
Market capitalization of our Shares <sup>(1)</sup>	HK\$10,186.03 million	HK\$11,204.64 million
Unaudited pro forma adjusted net tangible assets of the Group per Share as of December 31, 2023 <sup>(2)</sup>	HK\$0.11	HK\$0.12

*Notes:*

- (1) The calculation of market capitalization is based on 1,340,267,457 Shares expected to be in issue immediately upon completion of the Global Offering.
- (2) The unaudited pro forma adjusted net tangible assets of the Group per Share is arrived at after the adjustments as described in “Appendix II—Unaudited Pro Forma Financial Information” and on the basis that a total of 1,213,025,279 Shares (which is calculated based on 1,189,225,279 Shares at December 31, 2023 and adjusted for 23,800,000 Shares newly issued upon the Global Offering but exclude 127,242,178 Class A Ordinary Shares issued to Asia Tech Investments Ltd., Endeavor Cloud Limited, FAST GOAL INTERNATIONAL LIMITED, Gaoxin Thrive Limited, Mr. ZOU Yuming and Torano Investments Limited in May 2024) were in issue immediately following the completion of the Global Offering assuming the Over-allotment Option is not exercised.

### DIVIDENDS

No dividend has been paid or declared by our Company during the Track Record Period. Any future declarations and payments of dividends will be at the absolute discretion of our Board and if necessary, subject to the approval of our Shareholders at general meetings. There can be no assurance that we will be able to declare or distribute any dividend in the amount set out in any plan of the Board or at all. Currently, we do not have any dividend policy or intention to declare or pay any dividends in the near future. As advised by our legal advisor as to Cayman Islands law, notwithstanding that the Company may have accumulated losses, the Company may declare dividend (a) out of profits of the Company if the Company has sufficient profits, realised or unrealised, unless such is contrary to the accounting principles adopted by the Company or (b) out of the share premium of the Company if following the date on which the dividend is proposed to be paid, the Company is able to pay its debts as they fall due in the ordinary course of business. In determining whether to declare a dividend, our Board will need to be satisfied that the declaration of dividend is in the best interest of the Company and may make provision for losses. Investors should not purchase our Shares with the expectation of receiving cash dividends.

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## SUMMARY

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### LISTING EXPENSES

Assuming an Offer Price of HK\$7.98 per Share (being the mid-point of the indicative Offer Price range of HK\$7.60 to HK\$8.36 per Share), and assuming that the Over-allotment Option is not exercised, the aggregate commissions and fees, together with the Stock Exchange listing fee, SFC transaction levy, AFRC transaction levy and Stock Exchange trading fee, legal and other professional fees, printing and other expenses relating to the Global Offering, which are paid or payable by us, are estimated to be approximately RMB115.7 million, accounting for 66.8% of gross proceeds from the Global Offering. Up to December 31, 2023, we incurred listing expenses in the amount of RMB64.8 million, of which RMB60.8 million was recognized in the consolidated statements of profit or loss and other comprehensive income, and RMB4.0 million was recognized as deferred listing expenses in the consolidated statements of financial position as of December 31, 2023 which will be recognized as a reduction from equity upon the Listing. We expect to further incur additional listing expenses of approximately RMB50.9 million after the Track Record Period, of which approximately RMB 28.0 million is expected to be recognized in our consolidated statements of profit or loss and other comprehensive income, and approximately RMB22.9 million is expected to be deducted from equity upon the Listing under the relevant accounting standards. By nature, our listing expenses are composed of (i) underwriting related expenses of approximately RMB24.3 million; and (ii) non-underwriting related expenses of approximately RMB91.4 million, which consist of fees and expenses of legal advisors and Reporting Accountants of approximately RMB63.5 million and other fees and expenses of approximately RMB27.9 million.

### APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We are applying for the Listing under Rule 8.05(3) of the Listing Rules and satisfy the market capitalization/revenue test, among other things, with reference to (i) our revenue for the year ended December 31, 2023, being RMB2,434.3 million, which is significantly over HK\$500 million as required by Rule 8.05(3) of the Listing Rules; and (ii) our expected market capitalization at the time of the Listing, which, based on the low end of the Offer Price range, would exceed HK\$4 billion as required by Rule 8.05(3) of the Listing Rules.

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## DEFINITIONS

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*In this prospectus, unless the context otherwise requires, the following terms shall have the following meanings. Certain industry terms are explained in the section headed “Glossary of Industry Terms”.*

<b>“Accountants’ Report”</b>	the accountants’ report on the historical information of the Company and its subsidiaries included in the Accountants’ Report in Appendix I to this prospectus
<b>“affiliate(s)”</b>	with respect to any specified person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
<b>“AFRC”</b>	the Accounting and Financial Reporting Council
<b>“Articles” or “Articles of Association”</b>	the articles of association of our Company conditionally adopted on June 14, 2024 with effect from the Listing Date, a summary of which is set out in “Summary of the Constitution of the Company and Cayman Company Law” in Appendix III
<b>“associate(s)”</b>	has the meaning ascribed to it under the Listing Rules
<b>“Beijing Fangyixing”</b>	Beijing Fangyixing Information Technology Co., Ltd. (北京方易行信息科技有限公司), a limited liability company established in the PRC on August 12, 2019 and a wholly-owned subsidiary of the Company
<b>“Board”</b>	the board of Directors
<b>“business day”</b>	any day (other than a Saturday, Sunday or public holiday in Hong Kong) on which banks in Hong Kong are generally open for normal banking business
<b>“BVI”</b>	the British Virgin Islands
<b>“Capital Market Intermediaries”</b>	the capital market intermediaries as named in the section headed “Directors and Parties Involved in the Global Offering” of this prospectus
<b>“Cayman Companies Act” or “Companies Act”</b>	the Companies Act (2023 Revision) of the Cayman Islands, as amended or supplemented from time to time
<b>“CCASS”</b>	the Central Clearing and Settlement System established and operated by HKSCC

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## DEFINITIONS

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<b>“China” or “the PRC”</b>	the People’s Republic of China, and for the purposes of this prospectus only, except where the context requires otherwise, excluding Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan
<b>“CIC” or “Industry Consultant”</b>	China Insights Industry Consultancy Limited, an independent professional market research and consulting company
<b>“Class A Ordinary Shares”</b>	class A ordinary shares in the share capital of the Company with a par value of US\$0.00002 each, conferring a holder of a Class A Ordinary Share one vote per share on any resolution tabled at the Company’s general meeting
<b>“Class B Ordinary Shares”</b>	class B ordinary shares in the share capital of the Company with a par value of US\$0.00002 each, conferring weighted voting rights in the Company such that a holder of a Class B Ordinary Share is entitled to twenty votes per share on any resolution tabled at the Company’s general meeting
<b>“close associate(s)”</b>	has the meaning ascribed to it under the Listing Rules
<b>“Companies Ordinance”</b>	Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
<b>“Companies (Winding Up and Miscellaneous Provisions) Ordinance”</b>	Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
<b>“Company”, “our Company”, “the Company” or “Fangzhou Inc.”</b>	Fangzhou Inc. (方舟云康控股有限公司), an exempted company with limited liability incorporated in the Cayman Islands on September 26, 2019
<b>“Compliance Advisor”</b>	Somerley Capital Limited
<b>“Concert Deed”</b>	the deed of act-in-concert entered into by Mr. Xie and Mr. Zhou on September 26, 2019, further information on which is set out in “History, Reorganization and Corporate Structure—Concert Party Arrangement”
<b>“connected person(s)”</b>	has the meaning ascribed to it under the Listing Rules

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## DEFINITIONS

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<b>“connected transaction(s)”</b>	has the meaning ascribed to it under the Listing Rules
<b>“Consolidated Affiliated Entities”</b>	the entities we control through the contractual arrangements, namely Fangzhou Yunkang and its subsidiaries (each a <b>“Consolidated Affiliated Entity”</b> ), details of which are set out in the section headed “History, Reorganization and Corporate Structure”
<b>“Contractual Arrangements”</b>	a series of contractual arrangements entered into by, Fangfeng Technology, Fangzhou Yunkang and the Fangzhou Yunkang Registered Shareholders, the details of which are described in the section “Contractual Arrangements”
<b>“Controlling Shareholder(s)”</b>	has the meaning ascribed to it under the Listing Rules and unless the context otherwise requires, refers to Mr. Xie, Mr. Zhou, Fangrong Management Limited, Fangzhan Holdings L.P., Xingyu Holdings L.P., Celaeno Group Limited, Silica Brothers Corp. and Asia Tech Investments Ltd., as further detailed in the section headed “Relationship with the Controlling Shareholders”
<b>“Crescent Point”</b>	Crescent China Investment Management Ltd., a private equity manager incorporated in the British Virgin Islands on October 28, 2020 and regulated by the British Virgin Islands Financial Services Commission, which is ultimately controlled by David McKee Hand, our non-executive Director; or where the context requires, in respect of certain historical events, Crescent Fund Management Pte. Ltd., an investment manager incorporated in Singapore on December 17, 2012 and licensed by the Monetary Authority of Singapore
<b>“Crescent Point Vehicles”</b>	Crescent Trident Singapore Pte. Ltd., Asia-Pac E-Commerce Opportunities Pte. Ltd., CP Pharmatech Singapore Pte. Ltd. and Tech-Med Investments (S) Pte. Ltd.
<b>“CSRC”</b>	the China Securities Regulatory Commission of the PRC (中國證券監督管理委員會)
<b>“Director(s)”</b>	the director(s) of our Company

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## DEFINITIONS

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<b>“EIT Law”</b>	PRC Enterprise Income Tax Law (《中華人民共和國企業所得稅法》) which was adopted by the National People’s Congress on 16 March 2007 and recently amended and became effective on 29 December 2018
<b>“Exchange Act”</b>	the U.S. Securities and Exchange Act of 1934, as amended
<b>“Exchange Participants”</b>	has the meaning ascribed to it under the Listing Rules
<b>“Extreme Conditions”</b>	extreme conditions caused by a super typhoon as announced by the Government of Hong Kong
<b>“Fangfeng Technology” or “New WFOE”</b>	Guangdong Fangfeng Technology Co., Ltd. (廣東方峰科技有限公司), a limited liability company established in the PRC on February 12, 2020 and a wholly-owned subsidiary of the Company
<b>“Fangzhou Beijing”</b>	Fangzhou Jianke (Beijing) Health Management Co., Ltd. (方舟健客(北京)健康管理有限公司), a limited liability company established in the PRC on October 20, 2021 and a wholly-owned subsidiary of the Company
<b>“Fangzhou Health”</b>	Guangdong Fangzhou Health Management Technology Co., Ltd. (廣東方舟健康管理科技有限公司), a limited liability company established in the PRC on November 8, 2021 and a wholly-owned subsidiary of the Company
<b>“Fangzhou Information”</b>	Guangzhou Fangzhou Information Technology Co., Ltd. (廣州方舟信息科技有限公司), a limited liability company established in the PRC on September 29, 2019 and a wholly-owned subsidiary of the Company
<b>“Fangzhou Internet Hospital”</b>	Guangzhou Fangzhou Internet Hospital Co., Ltd. (廣州方舟互聯網醫院有限公司), a limited liability company established in the PRC on May 18, 2020 and a Consolidated Affiliated Entity of the Group
<b>“Fangzhou Limited”</b>	Fangzhou Limited, a company with limited liability incorporated in Hong Kong on October 24, 2019 and a wholly-owned subsidiary of the Company
<b>“Fangzhou Media”</b>	Guangzhou Fangzhou Media Co., Ltd. (廣州方舟傳媒有限公司), a limited liability company established in the PRC on August 4, 2020 and a Consolidated Affiliated Entity of the Group

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## DEFINITIONS

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<b>“Fangzhou Medicine”</b>	Guangzhou Fangzhou Medicine Co., Ltd. (廣州方舟醫藥有限公司), a limited liability company established in the PRC on August 20, 2019 and a Consolidated Affiliated Entity of the Group
<b>“Fangzhou Pharmaceutical”</b>	Guangzhou Fangzhou Pharmaceutical Co., Ltd. (廣州方舟藥業有限公司), a limited liability company established in the PRC on March 23, 2004 and a wholly-owned subsidiary of the Company
<b>“Fangzhou Yunkang” or “Guangzhou Guanghuikang”</b>	Guangzhou Fangzhou Yunkang Information Technology Group Co., Ltd. (廣州方舟雲康信息科技集團有限公司) (formerly known as Guangzhou Guanghuikang Medicine Co., Ltd. (廣州廣惠康醫藥有限公司)), a limited liability company established in the PRC on April 28, 2020 and a Consolidated Affiliated Entity of the Group
<b>“Fangzhou Yunkang Registered Shareholders”</b>	the registered shareholders of Fangzhou Yunkang, namely, Guangzhou Fangming Investment Enterprise (Limited Partnership) (廣州市方明投資企業(有限合夥)), Shenzhen Kaichuang Lianyu Technology Consultancy Co., Ltd. (深圳市凱創聯宇科技諮詢有限公司) and Beijing Yiershan Technology Co., Ltd. (北京醫而善科技有限公司), holding 47%, 33% and 20% of the equity interest in Fangzhou Yunkang, respectively
<b>“FIE”</b>	foreign invested entity
<b>“FIL”</b>	the Foreign Investment Law of the PRC (《中華人民共和國外商投資法》) adopted by the National People’s Congress on 15 March 2019 and became effective on 1 January 2020
<b>“FINI”</b>	an online platform operated by HKSCC that is mandatory for admission to trading and, where applicable, the collection and processing of specified information on subscription in and settlement for all new listings
<b>“GDP”</b>	gross domestic product (all references to GDP growth rates are to real as opposed to nominal growth rates of GDP)
<b>“General Rules of HKSCC”</b>	the General Rules of HKSCC as may be amended or modified from time to time and where the context so permits, shall include the HKSCC Operational Procedures



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## DEFINITIONS

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<b>“Global Offering”</b>	the Hong Kong Public Offering and the International Offering
<b>“Governmental Authority”</b>	any governmental, regulatory, or administrative commission, board, body, authority, or agency, or any stock exchange, self-regulatory organization, or other non-governmental regulatory authority, or any court, judicial body, tribunal, or arbitrator, in each case whether national, central, federal, provincial, state, regional, municipal, local, domestic, foreign, or supranational
<b>“Group”, “our Group”, “the Group”, “we”, “us”, or “our”</b>	the Company, its subsidiaries and the Consolidated Affiliated Entities from time to time, and where the context requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time
<b>“Guangdong Jianke”</b>	Guangdong Jianke Medicine Co., Ltd. (廣東健客醫藥有限公司), a limited liability company established in the PRC on July 6, 2007
<b>“Guangzhou Jianke”</b>	Guangzhou Jianke Pharmaceutical Co., Ltd. (廣州健客藥業有限公司), a limited liability company established in the PRC on August 23, 2006
<b>“Guangzhou Yunyi”</b>	Guangzhou Yunyi Huiyao Medicine Co., Ltd. (廣州雲醫惠藥醫藥有限公司), a limited liability company established in the PRC on May 3, 2013
<b>“H2H platform” or “H2H service platform”</b>	the platforms where we offer H2H services, which are online medical services forming the primary part of our comprehensive medical services. These platforms include the Jianke Doctor App (健客醫生), Jianke Hospital App (健客醫院) and certain of our WeChat mini programs
<b>“HK” or “Hong Kong”</b>	the Hong Kong Special Administrative Region of the PRC
<b>“HKFRSs”</b>	Hong Kong Financial Reporting Standards, as issued by the Hong Kong Institute of Certified Public Accountants
<b>“HKSCC”</b>	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited

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## DEFINITIONS

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<b>“HKSCC EIPO”</b>	the application for Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your designated HKSCC Participant’s stock account through causing HKSCC Nominees to apply on your behalf, including by instructing your broker or custodian who is a HKSCC Participant to give electronic application instructions via HKSCC’s FINI system to apply for Hong Kong Offer Shares on your behalf
<b>“HKSCC Nominees”</b>	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
<b>“HKSCC Operational Procedures”</b>	the operational procedures of HKSCC, containing the practices, procedures and administrative or other requirements relating to HKSCC’s services and the operations and functions of CCASS, FINI or any other platform, facility or system established, operated and/or otherwise provided by or through HKSCC, as from time to time in force
<b>“HKSCC Participant”</b>	a person admitted to participate in CCASS as a direct clearing participant, a general clearing participant or a custodian participant
<b>“Hong Kong dollars” or “HK dollars” or “HK\$”</b>	Hong Kong dollars, the lawful currency of Hong Kong
<b>“Hong Kong Offer Shares”</b>	the 2,380,000 Shares being initially offered for subscription in the Hong Kong Public Offering (subject to reallocation as described in the section headed “Structure of the Global Offering”)
<b>“Hong Kong Public Offering”</b>	the offer of the Hong Kong Offer Shares for subscription by the public in Hong Kong at the Offer Price (plus brokerage of 1%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and Stock Exchange trading fee of 0.00565%) on the terms and subject to the conditions described in this prospectus, as further described in “Structure of the Global Offering—The Hong Kong Public Offering”
<b>“Hong Kong Share Registrar”</b>	Computershare Hong Kong Investor Services Limited

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## DEFINITIONS

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<b>“Hong Kong Takeovers Code” or “Takeovers Code”</b>	Code on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time
<b>“Hong Kong Underwriters”</b>	the underwriters of the Hong Kong Public Offering as listed in “Underwriting—Hong Kong Underwriters”
<b>“Hong Kong Underwriting Agreement”</b>	the underwriting agreement, dated June 27, 2024, relating to the Hong Kong Public Offering, entered into by, among others, our Company, the Joint Sponsors and the Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters), as further described in “Underwriting—Underwriting arrangements and expenses—Hong Kong Public Offering—Hong Kong Underwriting Agreement”
<b>“ICP License”</b>	the value-added telecommunications business operation license for Internet information service
<b>“Independent Third Party(ies)”</b>	any entity or person who is not a connected person of our Company or an associate of such person within the meaning ascribed to it under the Listing Rules
<b>“Initial WFOE” or “Fangzhan Technology”</b>	Guangdong Fangzhan Technology Co., Ltd. (廣東方展科技有限公司), a limited liability company established in the PRC on November 2, 2015 and a wholly-owned subsidiary of the Company
<b>“International Offer Shares”</b>	the 21,420,000 Shares being initially offered for subscription under the International Offering together, where relevant, with any additional Shares that may be sold pursuant to any exercise of the Over-allotment Option (subject to reallocation as described in the section headed “Structure of the Global Offering”)
<b>“International Offering”</b>	the offer of the International Offer Shares at the Offer Price, in the United States to QIBs only in reliance on Rule 144A and outside the United States in offshore transactions in accordance with Regulation S or any other available exemption from registration under the U.S. Securities Act, as further described in the section headed “Structure of the Global Offering”
<b>“International Underwriters”</b>	the underwriters of the International Offering

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## DEFINITIONS

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<b>“International Underwriting Agreement”</b>	the underwriting agreement relating to the International Offering expected to be entered into by, among others, our Company, our Controlling Shareholders, the Joint Sponsors, the Overall Coordinators and the International Underwriters on or about the Price Determination Date, as further described in “Underwriting—International Offering—International Underwriting Agreement”
<b>“Jianke Platform”</b>	the platforms where we offer certain of our services, including Jianke Doctor App (健客醫生), Jianke Hospital App (健客醫院), Jianke Online Pharmacy App (健客網上藥店), the website of Jianke.com and WeChat official accounts and mini programs. The aforementioned mobile applications and the website (the “ <b>Jianke mobile applications and website</b> ”) were at times historically operated by Guangdong Jianke under license and authorization from the Initial WFOE
<b>“Jingtai Hospital”</b>	Jingtai Hospital (景泰醫院), a private non-enterprise established in the PRC on July 20, 2011 and a subsidiary of the Company
<b>“Joint Bookrunners”, “Joint Global Coordinators”, “Joint Lead Managers”</b>	the joint bookrunners, the joint global coordinators and the joint lead managers as named in the section headed “Directors and Parties Involved in the Global Offering” of this prospectus
<b>“Joint Sponsors”</b>	Citigroup Global Markets Asia Limited and ABCI Capital Limited
<b>“Latest Practicable Date”</b>	June 20, 2024, being the latest practicable date for ascertaining certain information in this prospectus before its publication
<b>“Laws”</b>	all laws, statutes, legislation, ordinances, rules, regulations, guidelines, opinions, notices, circulars, orders, judgments, decrees, or rulings of any Governmental Authority (including, without limitation, the Stock Exchange and the SFC) of all relevant jurisdictions

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## DEFINITIONS

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“Listing”	the listing of the Shares on the Main Board of the Stock Exchange
“Listing Committee”	the Listing Committee of the Stock Exchange
“Listing Date”	the date, expected to be <b>Tuesday, July 9, 2024</b> , on which the Shares are to be listed and on which dealings in the Shares are to be first permitted to take place on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with GEM (formerly known as the Growth Enterprise Market) of the Stock Exchange
“Memorandum” or “Memorandum of Association”	the memorandum of association of the Company conditionally adopted on June 14, 2024 with effect from the Listing Date, a summary of which is set out in “Summary of the Constitution of the Company and Cayman Company Law” in Appendix III
“MIIT”	Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部)
“MOF”	the Ministry of Finance of the PRC (中華人民共和國財政部)
“MOFCOM”	the Ministry of Commerce of the PRC (中華人民共和國商務部)
“MOHRSS”	the Ministry of Human Resources and Social Security of the PRC (中華人民共和國人力資源和社會保障部)
“Mr. Ma”	Mr. MA Haozhi (馬昊志), one of the passive shareholders of Yunyi Inc.
“Mr. Su”	Mr. SU Zhan (蘇展), one of the passive shareholders of Guangdong Jianke and Yunyi Inc.
“Mr. Xie”	Mr. XIE Fangmin (謝方敏), an executive Director, Chairman of the Board and chief executive officer of the Company

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## DEFINITIONS

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<b>“Mr. Zhou”</b>	Mr. ZHOU Feng, an executive Director and chief strategy officer of the Company
<b>“NDRC”</b>	National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
<b>“NHC”</b>	National Health Commission of the PRC (中華人民共和國國家衛生健康委員會)
<b>“NMPA”</b>	National Medical Products Administration of the PRC (中華人民共和國國家藥品監督管理局)
<b>“NPC”</b>	National People’s Congress of the PRC (全國人民代表大會)
<b>“Offer Price”</b>	the final offer price per Offer Share (exclusive of brokerage, SFC transaction levy, AFRC transaction levy and Stock Exchange trading fee), expressed in Hong Kong dollars, at which Hong Kong Offer Shares are to be subscribed for pursuant to the Hong Kong Public Offering and International Offer Shares are to be offered pursuant to the International Offering, to be determined as described in “Structure of the Global Offering—Pricing and Allocation”
<b>“Offer Share(s)”</b>	the Hong Kong Offer Shares and the International Offer Shares together, where relevant, with any additional Shares to be issued by our Company pursuant to the exercise of the Over-allotment Option
<b>“Ordinary Share(s)” or “Share(s)”</b>	ordinary shares in the share capital of the Company with a par value of US\$0.00002 each
<b>“Overall Coordinators”</b>	Citigroup Global Markets Asia Limited, ABCI Capital Limited and Essence International Securities (Hong Kong) Limited
<b>“Over-allotment Option”</b>	the option expected to be granted by our Company to the International Underwriters, exercisable by the Overall Coordinators (for themselves and on behalf of the International Underwriters) at any time from the Listing Date until 30 days after the last day for lodging applications under the Hong Kong Public Offering, pursuant to which we may be required to allot and issue up to an aggregate of 3,570,000 additional Shares, representing not more than 15% of the Offer Shares initially available under the Global Offering, at the Offer Price to, among other things, cover over-allocations in the International Offering, if any, details of which are described in “Structure of the Global Offering—Over-allotment Option”

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## DEFINITIONS

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“PBOC”	People’s Bank of China
“PRC Legal Advisor”	Zhong Lun Law Firm, our legal advisor on PRC law
“Pre-IPO Investment(s)”	the pre-IPO investment(s) in our Company undertaken by the Pre-IPO Investors, details of which are set out in “History, Reorganization and Corporate Structure—Pre-IPO Investments”
“Pre-IPO Investor(s)”	the investors of the Pre-IPO Investments
“Pre-IPO Shareholders’ Agreement”	the amended and restated shareholders’ agreement entered into between, among others, the Company, certain Group companies, the Controlling Shareholders and the Pre-IPO Investors dated December 30, 2022
“Pre-reorganization Group”	the Initial WFOE and Guangzhou Yunyi
“Preferred Share(s)”	preferred shares(s) in the share capital of the Company with a par value of US\$0.00002 each, including the Series A Preferred Shares, Series A-1 Preferred Shares, Series B Preferred Shares, Series C Preferred Shares, Series D Preferred Shares and Series D+ Preferred Shares
“Price Determination Date”	the date, expected to be on or about <b>Friday, July 5, 2024</b> , on which the Offer Price is to be fixed for the purposes of the Global Offering
“QIB”	a qualified institutional buyer within the meaning of Rule 144A
“Qishi Hospital”	Guangdong Qishi Hospital Management Co., Ltd. (廣東啟石醫院管理有限公司), a limited liability company established in the PRC on September 30, 2020
“Regulation S”	Regulation S under the U.S. Securities Act
“Reorganization”	the corporate restructuring of the Group in preparation for the Listing, as described in “History, Reorganization and Corporate Structure—Reorganization and Disruption of Production and Business Operations Incident—Reorganization”
“RMB” or “Renminbi”	Renminbi, the lawful currency of China

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## DEFINITIONS

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<b>“RSU Platforms”</b>	Endeavor Cloud Limited, FAST GOAL INTERNATIONAL LIMITED and Gaoxin Thrive Limited, which hold the Shares underlying the RSUs granted to the grantees who are neither Directors nor other core connected persons of our Company under the RSU Scheme
<b>“RSU Scheme”</b>	the restricted share unit scheme adopted by our Company on January 1, 2020
<b>“Ruishi Hospital”</b>	Guangdong Ruishi Hospital Management Co., Ltd. (廣東瑞石醫院管理有限公司), a limited liability company established in the PRC on June 7, 2023 and a Consolidated Affiliated Entity of the Group
<b>“Rule 144A”</b>	Rule 144A under the U.S. Securities Act
<b>“SAFE”</b>	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
<b>“SAIC”</b>	the State Administration of Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局), which has now been merged into the SAMR
<b>“SAMR”</b>	the State Administration for Market Regulation of the PRC (中華人民共和國國家市場監督管理總局)
<b>“SASAC”</b>	the State-owned Assets Supervision and Administration Commission of the State Council of the PRC (中華人民共和國國務院國有資產監督管理委員會)
<b>“Series A Investor(s)”</b>	holder(s) of the Series A Preferred Shares
<b>“Series A Preferred Shares”</b>	the series A preferred shares with a par value of US\$0.00002 each in the authorized share capital of the Company following the Reorganization, details of which are described in the section headed “History, Reorganization and Corporate Structure”
<b>“Series A-1 Investor(s)”</b>	holder(s) of the Series A-1 Preferred Shares



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## DEFINITIONS

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<b>“Series A-1 Preferred Shares”</b>	the series A-1 preferred shares with a par value of US\$0.00002 each in the authorized share capital of the Company following the Reorganization, details of which are described in the section headed “History, Reorganization and Corporate Structure”
<b>“Series B Investor(s)”</b>	holder(s) of the Series B Preferred Shares
<b>“Series B Preferred Shares”</b>	the series B preferred shares with a par value of US\$0.00002 each in the authorized share capital of the Company following the Reorganization, details of which are described in the section headed “History, Reorganization and Corporate Structure”
<b>“Series C Investor(s)”</b>	holder(s) of the Series C Preferred Shares
<b>“Series C Preferred Shares”</b>	the series C preferred shares with a par value of US\$0.00002 each in the authorized share capital of the Company following the Reorganization, details of which are described in the section headed “History, Reorganization and Corporate Structure”
<b>“Series D Investor(s)”</b>	holder(s) of the Series D Preferred Shares
<b>“Series D Preferred Shares”</b>	the series D preferred shares with a par value of US\$0.00002 each in the authorized share capital of the Company following the Reorganization, details of which are described in the section headed “History, Reorganization and Corporate Structure”
<b>“Series D+ Investor(s)”</b>	holder(s) of the Series D+ Preferred Shares
<b>“Series D+ Preferred Shares”</b>	the series D+ preferred shares with a par value of US\$0.00002 each in the authorized share capital of the Company following the Reorganization, details of which are described in the section headed “History, Reorganization and Corporate Structure”
<b>“SFC”</b>	Securities and Futures Commission of Hong Kong
<b>“SFO” or “Securities and Futures Ordinance”</b>	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
<b>“Shareholder(s)”</b>	holder(s) of our Share(s)

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## DEFINITIONS

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<b>“Sponsor-Overall Coordinators”</b>	Citigroup Global Markets Asia Limited and ABCI Capital Limited
<b>“STA”</b>	State Taxation Administration of the PRC (中華人民共和國國家稅務總局)
<b>“Stabilizing Manager”</b>	Citigroup Global Markets Asia Limited
<b>“State Council”</b>	State Council of the PRC (中華人民共和國國務院)
<b>“Stock Borrowing Agreement”</b>	the stock borrowing agreement expected to be entered into between the Stabilizing Manager or any person acting for it and Celaeno Group Limited on or about the Price Determination Date, pursuant to which the Stabilizing Manager or any person acting for it may borrow up to 3,570,000 Shares from Celaeno Group Limited to cover over-allocations in the International Offering
<b>“Stock Exchange” or “Hong Kong Stock Exchange”</b>	The Stock Exchange of Hong Kong Limited
<b>“subsidiary” or “subsidiaries”</b>	has the meaning ascribed to it in section 15 of the Companies Ordinance
<b>“substantial shareholder(s)”</b>	has the meaning ascribed to it in the Listing Rules
<b>“Track Record Period”</b>	the years ended December 31, 2021, 2022 and 2023
<b>“U.S. Securities Act”</b>	United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
<b>“Underwriters”</b>	the Hong Kong Underwriters and the International Underwriters
<b>“Underwriting Agreements”</b>	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
<b>“United States”, “U.S.” or “US”</b>	United States of America, its territories, its possessions and all areas subject to its jurisdiction
<b>“US dollars”, “U.S. dollars”, “US\$” or “USD”</b>	United States dollars, the lawful currency of the United States
<b>“VAT”</b>	value-added tax
<b>“weighted voting rights”</b>	has the meaning ascribed to it in the Listing Rules

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## DEFINITIONS

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<b>“White Form eIPO”</b>	the application for Hong Kong Offer Shares to be issued in the applicant’s own name, submitted online through the designated website of the <b>White Form eIPO Service Provider</b> , at <a href="http://www.eipo.com.hk">www.eipo.com.hk</a>
<b>“White Form eIPO Service Provider”</b>	Computershare Hong Kong Investor Services Limited
<b>“Xinjiang Internet Hospital”</b>	Xinjiang Fangzhou Internet Hospital Co., Ltd. (新疆方舟互聯網醫院有限公司), a limited liability company established in the PRC on May 7, 2020 and a subsidiary of the Company
<b>“Yunyi Inc.”</b>	Yunyi Inc., an exempted company with limited liability incorporated in the Cayman Islands on August 10, 2015, which was the ultimate parent company of the Pre-reorganization Group
<b>“Yunyi Information”</b>	Guangdong Fangzhou Yunyi Information Technology Co., Ltd. (廣東方舟雲醫信息科技有限公司), a limited liability company established in the PRC on June 6, 2022 and a subsidiary of the Company
<b>“Yunyi Limited”</b>	Yunyi Limited, a company with limited liability incorporated in Hong Kong on August 28, 2015 and a wholly-owned subsidiary of Yunyi Inc.
<b>“%”</b>	per cent

\* For identification purposes only.

*Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.*

*Translated English names of Chinese natural persons, legal persons, governmental authorities, institutions or other entities for which no official English translation exist are unofficial translations for identification purposes only. If there is any inconsistency, the Chinese names shall prevail.*

*In this prospectus, the terms “associate,” “close associate,” “core connected person,” “connected person,” “connected transaction,” “controlling shareholder,” “subsidiary” and “substantial shareholder” shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.*

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## GLOSSARY OF INDUSTRY TERMS

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*This glossary of industry terms contains definitions of certain terms used in this prospectus in connection with our Company and our business. These terms and their definitions may not correspond to standard industry definitions, and may not be directly comparable to similarly titled terms adopted by other companies operating in the same industries as our Company.*

<b>“AI”</b>	artificial intelligence, the use of machine to aid or replace human in doing certain tasks by simulating the sight, hearing, senses and thinking of human
<b>“associate chief doctor”</b>	the second highest professional rank for doctors (副主任醫師) in China; an associate chief doctor may supervise attending and resident doctors, direct research work of a specific field, and typically handle complex medical cases
<b>“attending doctor”</b>	the third highest professional rank for doctors (主治醫師) in China; an attending doctor may supervise resident doctors and typically undertake medical treatment, teaching, research and disease prevention work
<b>“average spending per paying user”</b>	the total GMV for a year divided by the number of paying users for the same year
<b>“CAGR”</b>	compound annual growth rate
<b>“CDM” or “chronic disease management”</b>	the establishment of an integrated system of intervention and management for chronic disease throughout different stages of the continuum of chronic disease care, ultimately strengthening disease control, preventing disease deterioration, and controlling the overall medical cost
<b>“chief doctor”</b>	the highest professional rank for doctors (主任醫師) in China; a chief doctor is generally in charge of a specific clinical department
<b>“chronic diseases”</b>	non-communicable chronic diseases that last one year or more and require ongoing medical attention or limit activities of daily living or both
<b>“Class I hospitals”</b>	Class I hospitals include community health centers and township health centers that directly provide prevention, medical care and rehabilitation services to residents

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## GLOSSARY OF INDUSTRY TERMS

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<b>“Class III hospitals”</b>	top-level hospitals that provide high-level specialized medical services to several regions and performing advanced teaching and research tasks, which are designated as Class III hospitals by the NHC hospital classification system
<b>“conversion rate”</b>	the number of paying users divided by the number of active users
<b>“COVID-19”</b>	coronavirus disease 2019, a disease caused by a novel virus designated as severe acute respiratory syndrome coronavirus
<b>“customer lifetime value”</b>	a projection of the net profit contributed to the whole future relationship with a customer
<b>“e-prescription”</b>	electronic prescription, the digital version of a paper prescription
<b>“GMV”</b>	gross merchandise volume, the total value of all orders placed, regardless of whether the services or products are performed or delivered or whether the products are returned
<b>“H2H”</b>	hospital-to-home
<b>“MAU”</b>	monthly active users and, in relation to us, the number of active users who access our services on the Jianke Platform at least once during a calendar month
<b>“OTC drugs”</b>	drugs which may, upon receiving the NMPA approval, be sold over the counter in China at dispensers, pharmacies or retail outlets without requiring a prescription by a medical practitioner
<b>“registered physician(s)”</b>	external physician(s) registered on our H2H service platform who practice(s) offline at third party medical institutions
<b>“registered users”</b>	patient users registered on the Jianke Platform

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## GLOSSARY OF INDUSTRY TERMS

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<b>“repeat purchase rate”</b>	the amount spent by users who placed two or more orders during a year divided by the total GMV for the same year
<b>“retention rate”</b>	the percentage of total active users/registered physicians in the same month of the preceding year who remained active on the Jianke Platform during the next 12 months
<b>“SKU”</b>	stock keeping unit
<b>“tiered medical treatment system”</b>	China’s tiered medical treatment system classifies patients according to their disease severity and treatment difficulty, so that different levels of medical institutions can undertake the diagnosis and treatment of their own treatment capabilities to gradually realize the specialization of medical institutions at all levels, and effectively balance various medical service resources, divert the general outpatient, rehabilitation and nursing care undertaken by the original large and medium-sized medical institutions to the primary medical institutions

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## FORWARD-LOOKING STATEMENTS

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Certain statements in this prospectus are forward looking statements that are, by their nature, subject to significant risks and uncertainties. Any statements that express, or involve discussions as to, expectations, beliefs, plans, objectives, assumptions or future events or performance (often, but not always, through the use of words or phrases such as “will”, “expect”, “aim”, “potential”, “continue”, “anticipate”, “estimate”, “believe”, “going forward”, “ought to”, “may”, “see”, “should”, “intend”, “plan”, “projection”, “could”, “vision”, “goals”, “objective”, “target”, “schedules”, “outlook” or other similar expressions) are not historical facts, are forward-looking and may involve estimates and assumptions and are subject to risks (including but not limited to the risk factors detailed in this prospectus), uncertainties and other factors some of which are beyond our Company’s control and which are difficult to predict. Accordingly, these factors could cause actual results or outcomes to differ materially from those expressed in the forward-looking statements.

Our forward-looking statements have been based on assumptions and factors concerning future events that may prove to be inaccurate. Those assumptions and factors are based on information currently available to us about the businesses that we operate. The risks, uncertainties and other factors, many of which are beyond our control, that could influence actual results include, but are not limited to:

- our operations and business prospects;
- our ability to maintain relationship with, and the actions and developments affecting, our major customers and suppliers in the future;
- future developments, trends and conditions in the industries and markets in which we operate;
- general economic, political and business conditions in the markets in which we operate;
- any changes in the laws, rules and regulations of the PRC government and the rules, regulations and policies of the relevant governmental authorities relating to all aspects of our business and our business plans and strategies;
- our ability to identify and satisfy user demands and preferences;
- the ability of third parties to perform in accordance with contractual terms and specifications;
- our ability to maintain good relationships with business partners;
- our ability to retain senior management and key personnel;
- our business strategies and plans to achieve these strategies;

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## FORWARD-LOOKING STATEMENTS

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- the actions of and developments affecting our competitors;
- our ability to control costs and expenses;
- our ability to defend our intellectual rights and protect confidentiality;
- our dividend policy;
- changes or volatility in interest rates, foreign exchange rates, equity prices, trading volumes, commodity prices and overall market trends;
- capital market developments;
- the actions and developments of our competitors; and
- all other risks and uncertainties described in the section headed “Risk Factors” in this prospectus.

Since actual results or outcomes could differ materially from those expressed in any forward-looking statements, we strongly caution investors against placing undue reliance on any such forward-looking statements. Any forward-looking statement speaks only as of the date on which such statement is made, and, except as required by the Listing Rules, we undertake no obligation to update any forward-looking statement or statements to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. Statements of or references to our intentions or those of any of our Directors are made as of the date of this prospectus. Any such intentions may change in light of future developments.

All forward-looking statements in this prospectus are expressly qualified by reference to this cautionary statement.



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## RISK FACTORS

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*Prospective investors should consider carefully all of the information presented in this prospectus and, in particular, should consider the following risks and special considerations in connection with an investment in our Company before making any investment decision in relation to the Shares. The occurrence of any of the following risks may have a material adverse effect on the business, results of operations, financial condition and future prospects of our Company. This prospectus contains certain forward-looking statements regarding our plans, objectives, expectations, and intentions which involve risks and uncertainties. Our actual results could differ materially from those discussed in this prospectus. Factors that could cause or contribute to such differences include those discussed below as well as those discussed elsewhere in this prospectus. The trading price of the Shares could decline due to any of these risks and you may lose all or part of your investments.*

*You should carefully read and consider all of the information in this prospectus including the risks and uncertainties described below before deciding to make any investment in our Shares. Our business, financial condition or results of operations could be materially adversely affected by any of these risks and uncertainties. The trading price of our Shares could decline due to any of these risks and uncertainties. As a result, you may lose part or all of your investment.*

### **RISKS RELATING TO OUR BUSINESS AND INDUSTRY**

**If we fail to manage the growth and expansion of our business, our results of operations, financial condition and growth prospects may be materially and adversely affected.**

We have been expanding the type and scale of our business and the geographic presence of our services since our inception. We have evolved from an online retail pharmacy service platform to an online chronic disease management platform, providing comprehensive medical services, online retail pharmacy services and customized content and marketing solutions. As of December 31, 2023, we had over 212,000 registered physicians from over 15,600 medical institutions, which provided us with robust medical knowledge profile based on real world experience of chronic disease management. Going forward, we may continue to evolve and launch more new business initiatives as we address more pressing needs of the online CDM industry. Such expansion in business may increase the complexity of our operations and place a significant strain on our managerial, operational, financial and human resources. Our current and planned personnel, business systems, operation procedures and controls may not be adequate to support our future operations. We cannot assure you that we will be able to effectively manage our growth or to implement all these business systems, operation procedures and control measures successfully, neither can we guarantee that our new business initiatives will be as successful as expected or achieve profitability.

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## RISK FACTORS

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**We operate in an emerging and dynamic industry, and our historical results of operations and financial performance may not be indicative of future performance.**

We operate in the emerging and dynamic online chronic disease management platform industry. This industry is relatively new and it is uncertain whether such industry would achieve and sustain high levels of demand and consumer acceptance. We have experienced steady growth during the Track Record Period. The number of paying users of our Jianke Platform grew from approximately 2.5 million in 2021 to 3.9 million and 4.4 million in 2022 and 2023, respectively. Our revenue increased from RMB1,758.7 million in 2021 to RMB2,204.3 million in 2022, and further increased to RMB2,434.3 million in 2023. Although our business has grown rapidly during the Track Record Period, due to our limited operating history, our historical growth and past revenue may not be indicative of our future performance. We cannot assure you that we will be able to achieve similar results or grow at the same rate as we had in the past or at all. Rather than relying on our historical operating and financial results to evaluate us, you should consider our business prospects in light of the risks and difficulties we may encounter as an early stage company operating in an emerging and dynamic industry, including, among other things, our ability to:

- innovate and adapt our platforms and solutions to meet evolving needs of existing and potential customers;
- grow our user base and enhance our user engagement;
- develop and maintain relationships with our existing business partners and attract new business partners to our ecosystem;
- develop or implement additional strategic initiatives to further enhance our monetization;
- navigate in an evolving regulatory environment;
- maintain a reliable, secure, high-performance and scalable technology infrastructure;
- aggregate and process chronic disease management data, which is fundamental to the development and performance of our platforms and solutions;
- continuously improve the algorithms underlying our AI medical assistant;
- adopt new technologies or adapt our technology infrastructure to changing customer needs or emerging industry standards;
- attract, retain and motivate talented employees; and
- increase brand awareness among existing and potential customers through various marketing and promotional activities.

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## RISK FACTORS

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If we fail to address any of the foregoing risks and challenges, our business, financial condition and results of operations may be materially and adversely affected. In addition, as our business develops and in response to competition and changes in the industry and regulatory environment, we may continue to introduce new product and service offerings, improve our existing product and service offerings or adjust and optimize our business model. There can be no assurance that we may be able to achieve the expected results for any such changes, and our financial condition and results of operations may be materially and adversely affected as a result.

**We have a history of net losses and negative operating cash flow. We cannot ensure future profitability.**

During the Track Record Period, we experienced net losses and negative cash flows from operations. We incurred net losses of RMB304.0 million, RMB383.3 million and RMB196.7 million for the years ended December 31, 2021, 2022 and 2023, respectively. We incurred net losses during the Track Record Period primarily due to the significant amount of cost of sales and operating expenses incurred to drive the growth of our services, enhance brand awareness and lay a solid foundation to support our future expansion. In addition, we recorded finance costs which primarily represent financial liabilities recognized with respect to our convertible redeemable preferred shares. For details, see “—Changes to the carrying amount of our convertible redeemable preferred shares may materially and adversely affect our financial condition and results of operations.” Our future profitability will depend on a variety of factors, including the performance of our business, competitive landscape, demands of chronic disease patients, macroeconomic and regulatory environment and labor costs, as well as the uncertainties associated with the COVID-19 pandemic, among other things. Therefore, our revenue may not grow at the rate we expect and it may not increase sufficiently to offset the increase in our costs and expenses. As a result, we may continue to incur losses in the future.

In addition, while we recorded net cash generated from operating activities of RMB22.3 million for the year ended December 31, 2023, our net cash used in operating activities was RMB203.7 million and RMB50.0 million for the years ended December 31, 2021 and 2022, respectively. To date, we have financed our operations principally from capital contributions from shareholders, revenue from provision of services and sales of products, and debt financing. If we fail to generate sufficient cash flow from our operations, or if we fail to maintain sufficient cash and financing, our liquidity position may be adversely affected. If we do not have sufficient cash flows to fund our business, operations and capital expenditure, our business and financial position will be materially and adversely affected.

**We recorded net current liabilities during the Track Record Period.**

We recorded net current liabilities of RMB14.6 million as of December 31, 2023, primarily attributable to the trade and other payables incurred to support our increased business scale. We cannot assure you that we will not record net current liabilities in the future. Net current liabilities expose us to liquidity risks and constrain our operational flexibility. Our future liquidity and the payment of trade and other payables will primarily depend on our ability to generate adequate cash inflows from our operating activities. If we experience a shortage in cash flow generated from operations, our liquidity position may be materially and adversely affected, which, in turn, may adversely affect our results of operations and financial position.

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## RISK FACTORS

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**We are subject to extensive and evolving regulatory requirements. Future regulations may impose additional requirements and obligations on our business that could materially and adversely affect our business, reputation, financial condition and results of operations.**

We are subject to legal and regulatory requirements of multiple industries in the PRC due to the nature of our business. These legal and regulatory requirements primarily cover the industries of healthcare and the Internet.

Various regulatory authorities of the PRC government are authorized to promulgate and implement regulations governing aspects of the healthcare and Internet-related business. The healthcare industry is under heavy regulation, and any violation of the relevant laws, rules and regulations may result in harsh penalties and, under certain circumstances, lead to criminal prosecution.

Also, the regulations of both the healthcare and the Internet sectors are relatively new and evolving, and it is uncertain how the newly issued regulations will be interpreted or enforced. For example, on August 25, 2021, the National Healthcare Security Administration, the NHC, NDRC, the Ministry of Finance of PRC, MOHRSS, SAMR, National Administration of Traditional Chinese Medicine, and NMPA jointly issued the Pilot Scheme for Deepening Medical Service Price Reform (《深化醫療服務價格改革試點方案》) (“**Pilot Scheme**”). The Pilot Scheme provides that the PRC governments will locate five trial cities and three trial provinces to establish the price catalogs for controlling the price of medical services. As of the Latest Practicable Date, the trial cities and provinces did not include Guangzhou or Guangdong province, and it remained uncertain whether the Pilot Scheme extended to the provision of online medical services in China. However, the regulatory climate in China is evolving. We cannot rule out the possibility that some common practices in the online medical services industry, which we also adopt, might be deemed by the relevant authorities as being subject to any newly issued regulations. Any amendments of the current regulatory environment may result in increased compliance costs on our business, require us to modify our business models as well as product and service offerings in a manner that may undermine our product and service offerings’ attractiveness to our users, or may even have to suspend or terminate certain business operations. We may also become subject to fines or other penalties. In each case, our business, financial condition and results of operations may be materially and adversely affected.

We have identified what we believe are the primary areas of government regulation that, if amended, would be costly to us. These areas include, but are not limited to, administration of medical practitioners and medical institutions, sales, supply, distribution and advertising of pharmaceutical products, including prescription and OTC drugs and medical devices, online medical treatment, operation of the e-commerce platform for our online retail pharmacy services, value-added telecommunications services, Internet advertising, cybersecurity and confidentiality of user information. See “Regulatory Overview.” There could be other laws and regulations applicable to our business that we have not identified or that, if changed, may be costly to us, and we cannot predict all the ways in which implementation of such laws and regulations may affect us.

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## RISK FACTORS

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Furthermore, the introduction of new product and service offerings may require us to comply with additional laws and regulations. Compliance may require obtaining appropriate permits, licenses or certificates as well as expending additional resources to monitor developments in the relevant regulatory environment. The failure to adequately comply with these future laws and regulations may delay, or possibly prevent, some of our products or services from being offered to users, which may have a material adverse effect on our business, financial condition and results of operations.

Existing laws governing issues such as privacy, property ownership, medical malpractice and other form of torts, liability theories based on contracts, and sales and other taxes, etc. may also apply to data processing, online chronic disease management service offering and other online services, and such uncertainty may take years to resolve. In addition, due to the increased popularity of the online chronic disease management services and the significant impact of any safety and security breach in the digital health solutions on the society generally, it is possible that a number of laws and regulations may be adopted with respect to healthcare, chronic disease management and online chronic disease management industries. The adoption of additional laws or regulations, the application to our business of laws and regulations from jurisdictions whose laws do not currently apply to our business, or the application to our business of existing laws and regulations that are traditionally not applicable to digital forms of services, may heighten requirements on healthcare, online chronic disease management and other Internet-based service offerings, which could, in turn, increase our cost of doing business, disrupt our operations and impede the development or growth of the online chronic disease management industry.

**We may be subject to regulatory investigations, administrative proceedings or legal disputes arising from the conduct of our in-house medical professionals and registered physicians, which may result in penalties or damages payable.**

Medical practice of physicians is strictly regulated under PRC laws, rules and regulations. Physicians who practice at medical institutions must hold practicing licenses and may only practice within the scope of their licenses and at the specific medical institutions as stated in their licenses. Under applicable PRC regulations, a physician is required to register the medical institutions at which he or she practices in his or her license. If a physician is found practicing at a medical institution not registered in his or her license, the physician would be subject to regulatory penalties, from warning to suspension of practice and, in the worst-case scenario, revocation of licenses. A physician practicing in multiple institutions must apply to register or file with competent in-charge administrative authorities and can only have the right to prescribe medicine at the registered or filed practicing institution. If the physician issues a prescription in a medical institution not registered in his or her license, the relevant medical institution would also be subject to regulatory penalties, including a fine of up to RMB5,000 and, in the worst-case scenario, revocation of the medical institution's Practicing License for Medical Institutions.

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## RISK FACTORS

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We cannot assure you that our in-house medical professionals and registered physicians will complete the registration and relevant government procedures in a timely manner, or at all, or that our in-house medical professionals and registered physicians will not practice outside the permitted scope of their respective licenses or strictly take their individual responsibilities under the applicable laws and regulations in connection with medical services especially online chronic disease management services. Our failure to properly manage or check the registration of our in-house medical professionals or registered physicians may subject us to administrative penalties, including fines, or, in the worst-case scenario, revocation of our Practicing License for Medical Institutions, which could materially and adversely affect our business. Meanwhile, if our in-house medical professionals and registered physicians are found to have deficient registration or found to be practicing beyond the scope permitted by relevant authorities, they may be disciplined and lose their practicing licenses. In the event that the multi-institution practices of our in-house medical professionals and registered physicians are in breach of their contractual obligations owed to other institutions, such as non-compete obligations, we may be exposed to indemnity or other legal liabilities if we are deemed to have aided in these breaches, and are therefore susceptible to legal disputes and potential damages. As a result, we may no longer be able to employ them in offering our services, which could materially and adversely affect our business. In addition, there can be no assurance that we could timely find qualified replacements on commercially reasonable terms, or at all.

Most of our registered physicians are not our employees and we have limited control over their practice and the quality of their services on our platforms. There can be no assurance that our monitoring of their services would be sufficient to control the quality of their work, or they will strictly adhere to the specified work scope and quality requirements and comply with applicable laws and ethical rules. In the event that our registered physicians fail to meet our quality and operating standards pursuant to our agreements or as required by relevant PRC laws and regulations or ethical rules, the service quality of our online CDM business may be adversely affected. Furthermore, due to our contractual relationships with registered physicians, we could be perceived as being responsible for their actions and, as a result, suffer reputation damage and could be brought into legal proceedings that are costly and time-consuming to defend. This may adversely affect our ability to attract and retain participants of our online CDM platform, which could materially and adversely affect our business.

In addition, the Measures for the Administration of Internet Diagnosis and Treatment (Trial) require physicians to obtain the consent of the medical institution where they are registered to practice to carry out Internet diagnosis and treatment activities. For details, see “Regulatory Overview—Regulations on Healthcare Services—Internet Hospitals.” If any of our registered physicians fails to obtain the requisite consent, his or her employed medical institution may not allow them to provide services through our platform. As of the Latest Practicable Date, there were no laws or regulations requiring Internet hospitals to obtain such consent from the physicians’ registered place of practice, or imposing liability or penalty on Internet hospitals for the failure to obtain such consent. However, any changes or amendments to the current regulatory environment may adversely impact our ability to provide online consultation services through our platform, which may affect our business and result in increased compliance costs.

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## RISK FACTORS

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As of the Latest Practicable Date, we had implemented policies to ensure our registered physicians are permitted to issue the prescription and our practicing in-house medical professionals to register our medical institution in their licenses as required under the relevant PRC regulations. Nevertheless, there can be no assurance that all of such medical professionals will strictly abide by these policies and that the relevant healthcare administrative authorities would not retrospectively find deficiency in the registration of these medical professionals and subject the relevant medical professionals and/or us to penalties, which could materially and adversely affect our business.

**Sale of prescription drugs is subject to stringent legal and regulatory scrutiny, which may expose us to risks and challenges.**

Sale of prescription drugs is subject to stringent legal and regulatory scrutiny, which may expose us to risks and challenges. In particular, under the Measures for Supervision and Management of the Quality of Drug Operation and Use (《藥品經營和使用質量監督管理辦法》) promulgated by the SAMR in 2023, a company is prohibited from either selling prescription drugs to consumers without prescription or offering gifts of prescription drugs directly or in disguised form as accompanying other drugs or goods purchased to the public. A company in violation of such prohibitions shall be instructed to rectify, imposed a fine of not less than RMB5,000 but not more than RMB50,000 on the company that fails to make corrections within a prescribed time limit, and shall be imposed a fine of not less than RMB50,000 but not more than RMB200,000 if harmful consequences are caused. The Drug Administration Law (《藥品管理法》), which was last amended in 2019, abolished the restriction on online sale of prescription drugs and adopted the principle of keeping online and offline sales consistent. On August 3, 2022, the SAMR promulgated the Measures for Supervision and Administration of Online Pharmaceuticals Sales (the “Measures”) (《藥品網絡銷售監督管理辦法》), which took effect on December 1, 2022 aiming to enhance the supervision of online pharmaceutical sales and related platform services. The Measures provides specific and explicit rules for the online sales of prescription drugs, which is perceived to be more conducive to online prescription drug sellers including us, but also presents challenges for us to be in compliance. The Measures provides that, among others, online prescription drug sellers shall (i) ensure the accuracy and reliability of the source of prescription; (ii) keep records of any prescription for at least five years and no less than one year after the expiration date of the prescription drugs; and (iii) disclose safety warnings including “prescription drugs should only be purchased and used with prescriptions and guidance of licensed pharmacists” when displaying information of prescription drugs. On April 7, 2021, the General Office of the State Council issued the Opinions on Serving the “Six Stables” and “Six Safeguards” and Further Doing a Good Job in the Reform of “Delegating Power, Delegating Regulation and Serving Service” (《關於服務“六穩”“六保”進一步做好“放管服”改革有關工作的意見》) which allow online sales of prescription drugs other than those under special state control on the premise of ensuring the authenticity and reliability of the electronic prescription sources.

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## RISK FACTORS

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It remains uncertain that our sales of prescription drugs are and will be in full compliance with the relevant laws and regulations or any new laws and regulations that may be promulgated in the future, which are evolving and subject to amendment from time to time. Any failure to comply with such laws and regulations could subject us to disciplinary warnings and administrative penalties, which may in turn materially and adversely affect our business, results of operations, financial condition and prospects. Additionally, we cannot assure you that our scrutiny measures and mechanism will be effective or sufficient. There may be loopholes in our scrutiny measures and such measures may not be able to detect prescriptions abuse or fraudulent orders effectively and timely. As the methods used to bypass or cheat our scrutiny measures may change frequently and may not be recognized until they succeed, we may be unable to anticipate these methods or to implement adequate preventative measures. Failure to effectively screen the sale of prescription drugs could expose us to liabilities under PRC laws and regulations, which may incur significant liabilities and our business, financial condition and results of operations could be materially and adversely affected.

**Maintaining customers' trust in our Jianke Platform is critical to our success, and any failure to do so could damage our reputation and brand.**

We provide online chronic disease management services primarily through our Jianke Platform. We have been building our brand name and reputation for our ecosystem as we believe that our ability to maintain customers' trust in our services and platform is critical to our success in the rapidly expanding online chronic disease management industry in China. Our ability to maintain customers' trust in our services is primarily affected by the following factors:

- our ability to maintain superior customer experience and the quality of services and products provided through our platform;
- the breadth of offerings of our services and their efficiency in addressing our customers' needs and meeting their expectations;
- the reliability, security and functionality of our platform;
- our ability to adopt new technologies or adapt our information infrastructure to changing user requirements or emerging industry standards; and
- our ability to increase brand awareness among existing and potential customers through various marketing and promotional activities.

Any loss of trust in our platform could harm the value of our brand and reputation, and result in participants ceasing to utilize our platform as well as reducing the level of their activity on our platform, which could materially and adversely affect our business, financial condition and results of operations. Furthermore, there can be no assurance that our brand promotion efforts would be effective. Such efforts may be expensive, which may, in turn, materially and adversely affect our financial condition and results of operations.



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## RISK FACTORS

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Any negative review, publicity or other public disclosures, comment or allegation about our Company, affiliates or subsidiaries, related parties, our in-house medical professionals, registered physicians and pharmaceutical companies that we cooperate with, among others, may harm our brand, reputation and public image. We may also face challenges from others seeking to profit from, or defame, our brand. Any of the foregoing may result in loss of existing and potential customers or business partners for our platform and, in turn, have a material adverse effect on our business, financial condition, results of operations and prospects.

**We may be subject to product liability or medical liability claims, or claims or administrative penalties for counterfeit, substandard or unauthorized products on our platform, which could cause us to incur significant expenses and be liable for significant damage.**

We are exposed to risks inherent in providing online healthcare services and selling pharmaceutical and healthcare products in China. Claims, user complaints or administrative penalties may be made or imposed against us or the relevant pharmaceutical companies if any of the products sold through our Jianke Platform are deemed or proven to be unsafe, ineffective or defective, or if they are found to contain illicit substances or infringe on any third party's intellectual property rights. According to the Drug Administration Law (《藥品管理法》), if compensation claims related to product quality are received by a drug trading enterprise, it shall pay the compensation first, and then have the right to recover such payment from the drug manufacturer or holder of drug marketing authorization. Pursuant to the PRC Product Quality Law (《中華人民共和國產品質量法》), where a defective product causes physical injury or damage to property, the victim may claim compensation from the manufacturer or from the seller of the product. Where the liability ought to be borne by the manufacturer, the seller has a right of recourse against the manufacturer. We may also be subject to allegations of having engaged in practices such as improperly issuing prescriptions, sale of counterfeit and substandard medicines or other healthcare products or providing inadequate warnings or insufficient or misleading disclosures of side effects.

In addition, in the event that any use or misuse of the products we sell results in personal injury, suicide or death, product liability claims may be brought against us for damages. If we are unable to defend ourselves against such claims, among other things, we may be subject to civil liabilities for physical injury, death or other losses caused by our products, to criminal liabilities, and to the revocation of our business licenses or relevant permits. In addition, we may be required to suspend sales or cease sales of the relevant products.

We face risks of medical liability claims arising from medical services provided through our Jianke Platform. Such claims may be made against us, our registered physicians (in relation to their provision of online consultation and e-prescription services) and our in-house medical professionals (in relation to their provision of e-prescription services). In particular, the physicians and pharmaceutical companies that we partner with, may provide sub-standard services, mishandle sensitive information, engage in other misconduct or commit medical malpractice, which could subject us to medical liability claims. According to the Regulation on Handling Medical Accidents (《醫療事故處理條例》), medical institutions and patients can

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## RISK FACTORS

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resolve civil liability disputes, including compensation for medical accidents, through negotiation. According to the Civil Code of the PRC (《中華人民共和國民法典》), if a patient sustains any harm in the course of medical treatment due to the failure of the medical institution or its medical staff, the medical institution shall be liable for compensation. Although we carry insurance covering medical malpractice claims in amounts that we believe are appropriate in light of the risks attendant to our business, successful medical liability claims could result in substantial damage awards that may exceed the limits of our insurance coverage.

Any product liability claims and medical liability claims made against us could cause negative publicity, impairment of users' confidence in us, decrease in number of platform participants, significant decrease in sales volume and may result in fines and penalties from regulatory authorities. Any claims made against us could be costly to defend, result in substantial damage against us and divert the attention of our management team from our operations, which could have a material adverse effect on our business, financial condition, results of operations and reputation. In the event that such product liability or medical liability claims are attributable to our suppliers, registered physicians or other business partners, there can be no assurance that we will obtain full indemnification from them. Even if we do, our reputation may still be severely impaired.

### **We may fail to attract or retain sufficient users or registered physicians to our platform.**

We have built a broad user base for our comprehensive medical services and online retail pharmacy services. The number of paying users of our Jianke Platform grew from approximately 2.5 million in 2021 to 3.9 million and 4.4 million in 2022 and 2023, respectively. Our ability to acquire and retain sufficient paying users for our platform primarily depends on the overall experience we provide to our users as well as the actual or perceived effectiveness of our services. In order to attract and retain users for our services and increase the conversion rate of active users to paying users on our platform, we must continue to build our brand and reputation, as well as effectively market and precisely target our services to prospective users. To retain and engage our user base, we must provide personalized, superior user experience, offer quality services covering a wide range of user demands and cultivate users' stickiness to our platform. However, we cannot assure you that our users will consider their experience satisfactory or our services effective. In addition, some users may encounter difficulties in navigating our platform or experience technical difficulties.

We also need sufficient physicians to be registered and maintained on our Jianke Platform for the provision of our H2H services. As of December 31, 2023, we had more than 212,000 registered physicians on our H2H service platform, providing online consultation and e-prescription services. We cannot assure you that these registered physicians will stay on our platform or that we will be able to attract more physicians to be registered on our platform. For example, as physicians have responsibilities at the hospitals where they work, they may be unwilling or unable to set aside additional hours from their schedule to participate in our H2H services. Furthermore, they may not share our vision about online chronic disease management services and may prefer to focus on their traditional practices. Furthermore, our competitors

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## RISK FACTORS

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may offer more subsidies or compensation to attract our registered physicians to their platforms, and those physicians may not stay at our platform or their engagement in our platform may decrease. If we fail to attract or retain sufficient number of registered physicians, our online chronic disease management services may not further develop and we may not be able to provide satisfactory services or user experience.

If we fail to address any of the foregoing or other similar challenges, we may be unable to attract new users and existing users may become dissatisfied with our services and discontinue their engagement with us. As a result, our business, results of operations and financial condition could be materially and adversely affected.

**The potential reversion of patients to offline clinics and hospitals in a post-COVID-19 environment might impact our business and results of operations.**

As a result of the COVID-19 pandemic, consumers increasingly used online platforms for medical services such as online consultations and drug purchases. Although the COVID-19 pandemic abated in 2023, our revenue increased from RMB2,204.3 million in 2022 to RMB2,434.3 million in 2023, demonstrating the continued adoption of online healthcare services and development of consumer habits. However, we cannot guarantee the sustained adoption of online healthcare services in a post-COVID-19 environment, and the potential reversion of patients to offline clinics and hospitals might impact the business of our Jianke Platform.

**We recorded net liabilities during the Track Record Period.**

We recorded net liabilities of RMB1,340.3 million, RMB1,709.9 million and RMB1,901.5 million as of December 31, 2021, 2022 and 2023, respectively, primarily due to the convertible redeemable preferred shares of RMB1,368.8 million, RMB1,737.9 million and RMB1,911.5 million that we recorded as of December 31, 2021, 2022 and 2023, respectively. Upon the completion of the Global Offering, all of our convertible redeemable preferred shares will be re-classified from liabilities to equity as a result of the automatic conversion into ordinary shares, which is expected to reverse our net liabilities position into a net assets position. However, there can be no assurance that we will not experience liquidity problems in the future. If we fail to generate sufficient revenue from our operations, or if we fail to maintain sufficient cash and financing, we may not have sufficient cash flows to fund our business operations and capital expenditure, and our business, financial condition and results of operations will be adversely affected as a result.

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## RISK FACTORS

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**Changes to the carrying amount of our convertible redeemable preferred shares may materially and adversely affect our financial condition and results of operations.**

As of December 31, 2021, 2022 and 2023, the carrying amount of the convertible redeemable preferred shares we issued amounted to RMB1,368.8 million, RMB1,737.9 million and RMB1,911.5 million, respectively. Immediately prior to the completion of the Global Offering, all of our convertible redeemable preferred shares will be automatically converted to ordinary shares. However, the redemption price of our convertible redeemable preferred shares may change from time to time. We initially recognized our convertible redeemable preferred shares as financial liabilities at the present value of their redemption price, which represents the highest amount we would need to pay in case of the occurrence of any triggering events. Changes in the carrying amount of such financial liabilities are recognized in our consolidated statements of profit or loss and other comprehensive income, and may result in significant fluctuations in profit or loss from year to year.

**We are subject to risks associated with our relationship with pharmaceutical companies for our product sales and customized content and marketing solutions.**

Through our partnerships with pharmaceutical companies, we have access to a variety of pharmaceutical products at competitive prices. As of December 31, 2023, we had procured products from over 1,400 suppliers and had offered over 212,000 drug SKUs. In addition, our customized content and marketing solutions to pharmaceutical companies have become an important component of our overall business. Our customized content and marketing solutions serve as an extension of our supplier management strategy, which helps us forge mutually beneficial and synergistic relationships with pharmaceutical companies from whom we procure our pharmaceutical products. Our results of operations and prospects are thus significantly dependent on our relationship and continued collaboration with pharmaceutical companies. We cannot assure you that we will be able to maintain a good relationship with pharmaceutical companies or maintain our collaboration with them on terms acceptable to us. If we lose any of our current pharmaceutical company partners for any reason, we cannot assure you that we will be able to find alternative partners on terms acceptable to us, or at all.

We typically enter into purchase agreements with pharmaceutical companies, which generally do not ensure the availability of products or the continuation of particular pricing practices or payment terms beyond the end of the contractual term. In addition, our agreements with these companies typically do not restrict them from selling products to other buyers. We cannot assure you that the pharmaceutical companies we currently cooperate with will continue to sell products to us on commercially acceptable terms, or at all. Even if we maintain good relationships with these companies, their ability to supply products to us in sufficient quantity and at competitive prices may be adversely affected by economic conditions, labor actions, regulatory or legal decisions, customs and import restrictions, natural disasters or other matters beyond our control. In the event that we are not able to purchase pharmaceutical products at favorable prices, our revenue and cost of sales may be materially and adversely affected.

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## RISK FACTORS

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Moreover, we usually enter into service agreements with pharmaceutical companies to provide customized content and marketing solutions on a case-by-case basis. We cannot assure you that our partners will not terminate such relationship with us and divert part or all of their business to our competitors. In the event that we fail to maintain our relationship and collaboration with pharmaceutical companies, our results of operations, financial condition and prospects may be materially adversely affected.

**We source pharmaceutical products from suppliers, and our revenue and results of operations will be adversely affected if we fail to maintain and manage these relationships properly.**

Our business is dependent to a large extent upon the stable supply of pharmaceutical products from our suppliers. We mainly procure pharmaceutical products, including prescription drugs, OTC drugs, medical device and accessories, from authorized distributors of multinational and domestic pharmaceutical companies. In 2021, 2022 and 2023, purchases from our five largest suppliers accounted for 60.9%, 57.2% and 51.5% of our total purchases for the years, respectively, and purchases from our largest supplier accounted for 20.5%, 14.8% and 15.7% of our total purchases for the same years, respectively. Although we believe our reliance on our major suppliers is relatively limited as there are several other pharmaceutical companies in China with similar supply ability, in case of any significant delay in delivery, the inability of our key suppliers to meet their quantity and/or quality obligations or the unavailability of alternative suppliers could hinder our business plan, which could, in turn, have a material adverse effect on our business, financial condition and results of operations.

In addition, we typically do not enter into long-term arrangements with our suppliers, and most of our current agreements with our suppliers do not prohibit them from working with our competitors. Our competitors may be more effective in providing incentives to our suppliers to prioritize their orders in case of short supply. If these suppliers choose not to partner with us, our business and results of operations may be materially and adversely affected. If we fail to effectively maintain these relationships, our business and results of operations may be adversely affected.

**If we fail to keep up with rapid changes in big data analysis, AI technology and other technologies, our future success may be adversely affected.**

We utilize AI, big data analysis, and other advanced data technology tools to assist in our provision of online medical consultations, prescription verifications and realize smart supply chain management in our online retail pharmacy services. The efficiency of our business will depend, in part, on our ability to adapt and respond effectively to the technology development in AI and big data analysis on a timely basis. The healthcare sector has started to improve technology-oriented capabilities and leverage innovative applications to reshape the concept of prevention, diagnosis and treatments, such as AI-assisted medical services, online physician-patient communications and e-prescription verifications conducted with the assistance of AI technology. If we are unable to design products and solutions that catch up with such trend in a timely manner, our market share may shrink and our results of operations and financial conditions may be negatively impacted.

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## RISK FACTORS

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If we are unable to develop new solutions that satisfy our customers and provide enhancements and new features for our Jianke Platform and solutions that keep pace with rapid technological and industrial change, our business, results of operations and financial condition could be adversely affected. If our competitors are able to deliver more efficient, convenient and secure services and solutions at lower prices by using new technologies, it could adversely impact our ability to maintain and increase our market share.

We need to continuously modify and enhance our services and solutions to adapt to changes and innovation in these technologies. Technology issues relating to the operation of our platforms can negatively impact the performance of services. Our AI medical assistant could cause problems if it fails to deliver accurate information from its interaction with user and may further impact the physician's judgments in forming diagnosis and/or issuing prescriptions based on information provided by the AI medical assistant. Any failure of our big data analysis and AI technology to operate effectively with evolving or new technologies could reduce the demand for our services. We may need to continue to invest substantial resources in research and development to enhance our technology. If we are unable to respond to these changes in a cost-effective manner, our services may become less marketable and less competitive or obsolete, and our business, results of operations and financial condition could be adversely affected.

**We collect and process a large amount of data in the ordinary course of our business. Any improper use or disclosure of such data, security breaches or attacks against our platform, and any potential reach or failure to protect confidential and proprietary information, could damage our reputation and adversely impact our business, results of operations and financial condition.**

We process personal information of the users of our platforms when they register as users and use the services of our platforms. In 2021, 2022 and 2023, the number of paying users of our Jianke Platform was approximately 2.5 million, 3.9 million and 4.4 million, respectively. In order for our users to understand how their personal information is handled or processed in accordance with the relevant laws and regulations, we have developed our own privacy policy, which is embedded in our mobile applications and website. In addition, we have implemented internal policies to safeguard our users' personal information in accordance with the Personal Information Protection Law, which specify, among others, the requirements regarding identification and classification of personal information, measures on collection, storage, processing, use, transmission, provision, disclosure and deletion of personal information, mechanism to ensure individual's rights with respect to their privacy, and security incident response mechanisms. We have also adopted policies on personal information protection impact assessment, pursuant to which we would conduct assessment on our personal information processing activities that involve greater risks, especially when processing sensitive personal information. In addition, we have made significant efforts to deploy various cybersecurity techniques to improve our privacy and data security systems and processes. Even though we have already taken necessary organizational and technical measures in accordance with applicable laws to protect the safety of our network facilities and the data processed by us, we still face risks inherent in handling large volumes of data and in securing and protecting such data, in particular, the risks of protecting the data in and hosted on our system, including

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## RISK FACTORS

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against attacks on our system by external parties or improper behavior by our employees; addressing concerns related to privacy and sharing, safety, security and other factors; and complying with applicable laws, rules and regulations relating to the collection, use, disclosure or security of personal information, including any requests from regulatory and government authorities relating to such data. Any system failure or security breach or lapse that results in the unauthorized release of our user data could harm our reputation and brand and, consequently, our business, in addition to exposing us to potential legal liability.

**The proper functioning of our technology infrastructure is essential to our business, and any failure to maintain the satisfactory performance, security and integrity of our technology infrastructure would materially and adversely impair our ability to provide services and affect our business, reputation, financial condition and results of operations.**

The satisfactory performance, reliability and availability of our technology infrastructure are critical to our success and our ability to attract and retain users and provide superior user experience. Developing and maintaining technology platforms by ourselves is time-consuming, expensive and complex, and may involve unforeseen difficulties. We may encounter technical obstacles, and it is possible that we may discover additional problems that prevent our technologies from operating properly and, consequently, adversely affect our platforms and other aspects of our business where we apply our technologies. Any system interruptions caused by telecommunications failures, computer viruses, hacking or other attempts to harm our systems that result in the unavailability or slowdown of our infrastructure could reduce the volume of products sold and the attractiveness of service and product offerings on our platforms. Our servers may also be vulnerable to computer viruses, physical or electronic break-ins and similar disruptions, which could lead to system interruptions, website slowdown or unavailability, delays or errors in transaction processing, loss of data or the inability to accept and fulfill sales orders. Security breaches, computer viruses and hacking attacks have become more prevalent in our industry.

Material performance problems, defects or errors in our existing or new websites and mobile applications may arise in the future and may result from technical issues beyond our control or undetected in our testing. These defects and errors, and any failure by us to identify and address them, could result in loss of revenue or market share, diversion of development resources, harm to our reputation and increased service and maintenance costs. Defects or errors may discourage existing or potential users from utilizing our services and solutions. Correction of defects or errors could prove to be impossible or impracticable. The costs incurred in correcting any defects or errors may be substantial and could have a material adverse effect on our business, financial condition and results of operations. Defects or errors may also affect our registered physicians and pharmaceutical companies or other participants who rely on our technologies in the operation of their businesses, which may have a material adverse effect on our reputation, business, results of operations and prospects.

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## RISK FACTORS

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**Our operations depend on the performance of the Internet infrastructure, mobile networks and fixed telecommunications networks in China, and our business could be disrupted by network interruptions.**

Almost all access to the Internet and mobile networks in China is maintained through state-owned telecommunication operators under the administrative control and regulatory supervision of the MIIT. We primarily rely on a limited number of telecommunication service providers to provide us with data communications capacity through local telecommunications lines and Internet data centers to host our servers. We have limited access to alternative networks or services in the event of disruptions, failures or other problems with China's public communications networks, such as the Internet, mobile networks or the fixed telecommunications networks. With the expansion of our business, we may be required to upgrade our technology and infrastructure to keep up with the increasing traffic on our platforms. We cannot assure you that the public communications infrastructure in China will be able to support the demands associated with the continued growth in usage. In addition, we have no control over the costs of the services provided by public communications service providers. If the prices we pay for their services rise significantly, our financial performance may be adversely affected. Furthermore, if mobile network access fees or other charges to mobile users increase, our user traffic may decline, and our business may be adversely affected.

**The growth and activity of our customers and users who access or use our platforms through mobile devices depend on their effective use of mobile operating systems which we do not control.**

Customers and users can access our mobile applications and website through mobile devices. We depend on our customers and users to download specific mobile applications that are suited for their particular devices. As new mobile devices are released, it is difficult to predict the problems we may encounter in developing applications for new or alternative devices. We may need to devote significant resources to the development, support and maintenance of applications that can be integrated into such new or alternative devices, and may face increased costs to distribute or have customers use our mobile applications. In the event that it becomes more difficult for our customers and users to access and use our platforms on their mobile devices, or if our customers and users choose not to access or use our platforms through their mobile devices or to use mobile devices that do not offer access to our platforms, our customer and user growth could be harmed and our business, financial condition and results of operations may be materially and adversely affected.

**We may be held liable for information or content displayed on, retrieved from, or linked to our mobile applications or WeChat mini programs, which may materially and adversely affect our business and prospects, reputation, results of operations and financial condition.**

We offer chronic disease management services to individual users through our mobile applications and WeChat mini programs, which are regulated by the Administrative Provision on Mobile Internet Applications Information Services (the “**Mobile Applications Provisions**”), which was amended by the Cyberspace Administration of China (the “**CAC**”), on



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## RISK FACTORS

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June 14, 2022 and implemented on August 1, 2022. The Mobile Applications Provisions specifies specific obligations to be complied with by the application providers, including the obligation to authenticate users' real identity information, obligation to manage information content, obligation to protect personal information, requirement to obtain prior permission to provide Internet news and information services, prohibition of inducing users to download, fulfillment of obligation to protect network security, fulfillment of obligation to protect data security, fulfillment of obligation to protect minors, conduct security assessments of new technologies, applications and functions with public opinion attributes or social mobilization capacity in accordance with the law, formulate public management rules in accordance with the law, sign service agreements with registered users, and dispose of registered users in violation of the law and in breach of the contract in accordance with the law. We cannot assure you that all the information and contents uploaded onto, displayed on, retrieved from, or linked to our mobile applications and mini programs would be compliant with the Mobile Applications Provisions at all times. In the event of any violation, we may be subject to administrative penalties, including warning, service suspension, or removal of our mobile applications or mini programs, which would materially and adversely affect our business and prospects, reputation, results of operations and financial condition.

**We are subject to limitations in our publicity and promotion of healthcare-related services and products.**

Our in-house medical professionals, registered physicians and other relevant third parties involved in the provision of our online chronic disease management services are subject to rules and regulations restricting the promotion or dissemination of information about the professional healthcare services and practice provided by licensed doctors, and the publication or marketing efforts for the predominant purpose of promoting the products or services of doctors to users or potential users. In addition, we are subject to certain limitations in promoting services and products. Such restrictions may affect our ability to further enhance our brand recognition or secure new business opportunities in the future.

Under PRC laws and regulations, all advertisements published online containing drug names, applicable symptoms treated by such drugs (major functions) or other drug-related content, and advertisements published online containing medical device names and the applicable scope, performance, structure and composition, function and other contents relevant to medical device are subject to examination by relevant government authorities. We are prohibited from publishing advertisements of prescription drugs on the platforms that we operate and must ensure that any advertisement of medical treatments and drugs does not include any assertion or guarantee as to the function and safety or any statement of curative rate and effectiveness of such medical treatment, drugs or medical devices. Any violation of advertisement-related laws and regulations may subject us to fines, or even suspension of our business or revocation of our business license.

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## RISK FACTORS

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Our platform provides pharmaceutical companies with customized content and marketing solutions to better inform physicians and patients about chronic disease conditions and treatment options. Although we have implemented internal procedures to examine the contents displayed on the platforms we operate, we cannot guarantee that our existing practices of monitoring the information disseminated or published on our platforms would be effective in ensuring compliance with all relevant rules and regulations related to the promotion of healthcare-related services and products. Should there be any change in the relevant rules and regulations, or in the interpretation thereof, we and the third parties may be deemed to be in breach of such rules and regulations and be subject to regulatory penalties or disciplinary actions, which may materially and adversely affect our business and prospects, reputation, results of operations and financial condition.

**We may be subject to liability for content available on our platform that is alleged to be factually incorrect, socially destabilizing, obscene, defamatory, libelous or otherwise unlawful.**

Under PRC laws, we are required to monitor content available on our platform for content that may be factually incorrect, socially destabilizing, obscene, superstitious, defamatory or otherwise unlawful, and promptly take appropriate actions with respect to such content. Our burden to monitor content on our platform may increase as our platform activity grows and we introduce more features and functions on our platform. We may also be subject to potential liabilities for any unlawful actions of users of our websites or mobile applications. With respect to our customized content and marketing solutions, we and the relevant pharmaceutical companies may also be subject to liability for content distributed through our Jianke Platform by us, or by the relevant pharmaceutical companies, that are deemed unlawful by relevant authorities. It may be difficult to determine the type of content that may result in liability to us, and we may not always be able to identify non-compliant content through our monitoring and evaluation processes. While the terms of use of our platform requires our users to assume all responsibilities and legal consequences for the contents they post or distribute on our platform, we cannot guarantee their strict compliance with the same. If we are found to be liable, we may be subject to fines, have our relevant business operation licenses revoked, or be prevented from operating our websites or mobile applications in the PRC.

In addition, claims may be brought against us for defamation, libel, negligence, copyright, patent or trademark infringement, tort (including personal injury), other unlawful activity or other theories and claims based on the nature and contents of information posted on our websites and mobile applications, including articles, videos, product reviews and message boards, by our participants such as our users, registered physicians, suppliers and other business partners. Regardless of the outcome of such a dispute or lawsuit, we may suffer from negative publicity and reputational damage as a result, which may adversely affect our business.

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## RISK FACTORS

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### **Security and privacy breaches may hurt our business.**

Our platforms and solutions involve the storage and handling of a large volume of users' personal and medical data. We cannot guarantee that we will not experience cyber-attacks of varying degrees, including attempts to hack into our system which may lead to a leakage of sensitive personal medical information. The security measures we build may also be breached due to error, malfeasance or otherwise of employees of ours. Additionally, outside parties may attempt to fraudulently induce employees or physicians to disclose sensitive or account information in order to gain access to the system, or may otherwise obtain access. Any such breach or unauthorized access could result in significant legal and financial exposure, damage to our reputation and a loss of confidence in the security of our solutions and services that could have an adverse effect on our business and results of operations. Because the techniques used to obtain unauthorized access, disable or degrade service or sabotage systems change frequently and often are not recognized until launched against a target, we may be unable to anticipate these techniques or to implement adequate preventative measures. If an actual or perceived breach of security occurs, the market perception of the effectiveness of our security measures could be harmed, we could lose customers and we may be exposed to significant legal and financial risks, including legal claims and regulatory fines and penalties. Any of these actions could have a material and adverse effect on our business and results of operations.

### **If we are unable to compete effectively, our business, results of operations and financial condition may be materially and adversely affected.**

The industries we operate in are highly competitive. We face intense competition in the platforms, services and solutions we provide. Our competitors mainly include, but are not limited to, pharmaceutical retail companies (such as traditional offline pharmacies and online platforms) and companies that offer online chronic disease management services. See "Industry Overview" and "Business—Competition" for more details.

Some of these competitors may have longer operating histories, more project experience, more established brand names, larger user base and greater financial, technical and marketing resources than we do, and in turn may have an advantage in attracting and retaining customers. Meanwhile, large technology companies with substantial resources, technical expertise and greater brand power could enter or further expand in the markets where we operate to compete with us. Further, if one or more of our competitors and potential competitors were to merge or partner with another of our competitors, or if a new entrant emerged with substantial resources, the change in the competitive landscape could adversely affect our ability to compete effectively. If we fail to compete effectively, demand for our services may go down, which could result in a material and adverse impact on our results of operations, financial condition and growth prospects.

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## RISK FACTORS

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**We rely on third-party logistics and courier companies to fulfill and deliver orders placed on our Jianke Platform. If these logistics and courier companies fail to provide reliable delivery services, our business and results of operations may be adversely affected.**

We engage qualified third-party logistics and courier companies for delivery. Any failure by these third parties to timely and properly deliver our products may affect our business and reputation. These third parties' timely and proper delivery of products may also be interrupted or compromised due to events beyond our and their control, including extreme weather conditions, natural disasters, imposition of logistics-related regulatory measures and labor unrest. We may not be able to find alternative logistics and courier companies, whether on favorable terms or at all, to deliver and fulfill the orders placed through our online retail pharmacy platform. If orders are not delivered and fulfilled timely and in a proper condition, our business and reputation may suffer and cause material and adverse impact on our results of operation.

**Our delivery, return and exchange policies may affect our results of operations.**

We have adopted delivery policies that do not necessarily pass the full delivery costs on to our users. We have also adopted policies that permit the return and exchange of certain of our products in certain circumstances for specified reasons. We may also be required by law to adopt new or amend existing return and exchange policies from time to time. For example, pursuant to the Consumer Protection Law and relevant regulations and rules, users are generally entitled to return products purchased within seven days upon receipt without reason when they purchase the products from business operators on the Internet with certain exceptions, such as for pharmaceutical products. These policies subject us to additional costs and expenses which we may not recoup through increased revenue. Our ability to handle a large volume of returns is unproven. If we revise these policies to reduce our costs and expenses, our users may be dissatisfied, which may result in loss of existing users or failure to acquire users at a desirable pace, and may materially and adversely affect our results of operations.

In 2021, 2022 and 2023, our product return rate, representing the percentage of products returned after delivery for both comprehensive medical services and online retail pharmacy services, was 0.2%, 0.3% and 0.3%, respectively. The corresponding number of the return orders in each year of the Track Record Period was approximately 11,000, 21,000 and 33,300, respectively. If our product return rates increase or are higher than expected, our revenues and costs can be negatively impacted. Furthermore, as we may not be able to return some products to our suppliers pursuant to our contracts with them, or if return rates for such products increase significantly, we may experience an increase in our inventory balance, inventory impairment and fulfillment costs, which may materially and adversely affect our working capital. As a result, our business, financial condition and results of operations may be materially and adversely affected.

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## RISK FACTORS

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**Failure to manage our inventory effectively could have a material and adverse effect on our business, financial condition and results of operations.**

Our inventories have increased significantly from RMB111.5 million as of December 31, 2021 to RMB126.5 million as of December 31, 2022 and RMB136.0 million as of December 31, 2023. In 2021, 2022 and 2023, our inventory turnover days were 21.4 days, 23.8 days and 24.6 days, respectively. Inventory levels in excess of user demand may result in inventory write-downs, expiration of products or an increase in inventory holding costs and a potential negative effect on our liquidity. As we plan to continue expanding our product offerings, we expect to include more products in our inventory, which will make it more challenging for us to manage our inventory effectively and will put more pressure on our warehousing system.

If we fail to manage our inventory effectively, we may be subject to a heightened risk of inventory obsolescence, a decline in inventory values, and significant inventory write-downs or write-offs. In addition, we may be required to lower sale prices in order to reduce inventory level, which may lead to lower gross profit margins. A higher level of near-expiry drugs (which our internal policy categorizes as pharmaceutical products expiring in less than six months) in the future may also require us to sell such products at a discount, return them to upstream suppliers in accordance with the relevant supply agreements, or dispose of them due to inventory obsolescence. Such sale of near-expiry drugs may increase our exposure to product liability claims and result in potential negative perceptions of the Jianke Platform, which could in turn damage our reputation and affect our business. For details, see “—We may be subject to product liability or medical liability claims, or claims or administrative penalties for counterfeit, substandard or unauthorized products on our platform, which could cause us to incur significant expenses and be liable for significant damage” and “—Maintaining customers’ trust in our Jianke Platform is critical to our success, and any failure to do so could damage our reputation and brand.” High inventory levels may also require us to commit substantial capital resources, preventing us from using that capital for other important purposes. Any of the above may materially and adversely affect our results of operations and financial condition.

Conversely, if we underestimate user demand, or if our suppliers fail to provide products to us in a timely manner, we may experience inventory shortages, which may, in turn, require us to acquire inventories at higher costs or result in unfulfilled user orders, leading to a negative impact on our financial condition and user relationships.

We depend on our demand forecasts for various kinds of products to make purchase decisions and to manage our inventory. Demand for products, however, can change significantly between the time inventory is ordered and the date by which we target to sell it. Demand may be affected by seasonality, new product launches, changes in product life cycles and pricing, product defects, changes in customer spending patterns, manufacturer back orders and other vendor-related problems, as well as the volatile economic environment in China, and our users may not order products in the quantities that we expect. In addition, when we begin selling a new product, it may be difficult to establish supplier relationships, determine appropriate product selection, and accurately forecast the demand. The acquisition of certain

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types of inventory may require significant lead time and prepayment, and they may not be returnable. We cannot assure you that we will be able to maintain proper inventory levels for our online retail pharmacy services at all times, and any such failure may have a material and adverse effect on our business, financial condition and results of operations.

**If we are unable to fulfill our performance obligations in respect of contract liabilities, our business, financial condition and results of operations may be materially and adversely affected.**

We incurred contract liabilities of RMB18.1 million, RMB89.4 million and RMB19.9 million as of December 31, 2021, 2022 and 2023, respectively. Our contract liabilities relate to advance payments received from our customers in respect of sales of pharmaceutical and healthcare products or loyalty points program, which are recognized as revenue when users make payments by these loyalty points. See “Financial Information—Description of Certain Key Items of Consolidated Statements of Financial Position—Contract Liabilities” for details. If we fail to fulfill such performance obligations, our customers may also require us to refund the advance payments they have made, which may adversely affect our cash flow and our ability to meet our working capital requirements, and in turn cause our business, financial condition and results of operations to be materially and adversely affected. In addition, if we fail to fulfill our performance obligations under our contracts with customers, it may also adversely affect our relationship with such customers, which may in turn affect our reputation and results of operations.

**Our business and results of operations may be harmed by disruptions to our network or data center facilities, or by our failure to timely and effectively scale and adapt our existing technologies and infrastructure.**

We have experienced, and may experience in the future, network and service disruptions, outages and other performance problems due to a variety of factors, including infrastructure changes, human or software errors, hardware failure, computer viruses, fraud and security attacks. While we have disaster recovery plans in place, they might not adequately protect us in the event of a system failure.

Going forward, we intend to cooperate with various third-party entities, such as wearable device manufactures, and will explore the possibilities of new technologies, which will demand greater data storage and processing capacities. We cannot assure you that we will be able to adequately expand our data center facilities to meet the increased infrastructure capacity demand in a timely manner, or on favorable economic terms. Further, we do not have sufficient control over the operation of the data center facilities and therefore cannot afford the same level of protection to them as compared to those facilities that are owned by us or located within our premises. Data center facilities leased by us are vulnerable to damage or interruption from earthquakes, floods, fires, power loss, telecommunications failures, break-ins, sabotage, acts of terrorism, intentional acts of vandalism, operator errors and other similar events or misconduct. Despite precautions taken at these facilities and the disaster recovery plans we maintain, the occurrence of a natural disaster, an act of terrorism or other act of malfeasance,

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a decision to close the facilities without adequate notice, or other unanticipated problems at these facilities could result in lengthy interruptions in our service and solutions and the loss of data and our business, in which case we may not be able to switch to new data centers or move data from one data center to another on a timely basis, or at all.

Any disruption or failure in our system or the technology infrastructure could hinder our ability to deliver solutions and services, and the day-to-day management of our business, and could result in corruption, loss or unauthorized disclosure of proprietary, confidential or other data, which in turn may harm our reputation and business, entail claims and liabilities and deter prospective customers.

**Failure to deal effectively with any fictitious transactions or other fraudulent conduct would materially and adversely affect our business, financial condition and results of operations.**

We may face risks with respect to fraudulent activities on our platform. For example, our users may engage in fictitious transactions by submitting false prescription to purchase prescription drugs on our platforms. Users may also provide false information to medical professionals on our platforms in order to obtain prescriptions that they are not supposed to get. We typically verify the identity of patients using real-name authentication services provided by third parties, and we cannot guarantee the effectiveness of their operations and reliability of their services, over which we have no control. Although we have implemented various measures to detect and reduce the occurrence of fraudulent activities on our platform, there can be no assurance that such measures will be effective in combating fraudulent transactions or improving overall satisfaction of our users. Such fictitious transactions and fraudulent conduct may subject us to lawsuits, regulatory investigations, fines and penalties against us. Moreover, illegal, fraudulent or collusive activities by our employees, such as fraud, bribery or corruption, could also subject us to liability or negative publicity or cause losses. Although we have internal controls and policies with regard to quality control and other relevant matters, we cannot assure you that such controls and policies will prevent fraud or illegal activity by our employees. Negative publicity and user sentiment generated as a result of actual or alleged fraudulent or deceptive conduct on our platform or by our employees would severely diminish our users' confidence in us, reduce our ability to attract new or retain existing users, damage our reputation and diminish the value of our brand names, and materially and adversely affect our business, financial condition and results of operations.

**We invest significantly in research and development, and we may not be able to recoup the investments we make, which in turn could adversely impact our financial condition and results of operations.**

Our success depends in part on our ability to continually enhance our core capabilities and solutions. If we are unable to respond to rapid technological changes in a cost-effective manner and develop new features and functions that satisfy our customers' demands, our services and solutions may become less marketable and less competitive, and our business, results of operations and financial condition may be adversely affected.

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## RISK FACTORS

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We have made, and will continue to make, investments in research and development to enhance our technology which we believe to be helpful to our business, such as big data analysis and AI technology. Although investments in research and development are critical to our success, they may not yield the desired results. We may experience difficulties that could delay or impede the development, after having committed significant time and financial resources. Even if research and development projects successfully lead to new core capabilities or solutions, they may require a lengthy period of time for testing before commercial launch, and the final solutions we offer to the market may not be well-received by our customers or generate sufficient revenue to cover the expenses incurred.

**If we fail to obtain and maintain the requisite licenses, permits and approvals applicable to our business, or fail to obtain additional licenses that become necessary as a result of new enactment or promulgation of laws and regulations or the expansion of our business, our business and results of operations may be materially and adversely affected.**

Healthcare, chronic disease management and online chronic disease management industries in China are highly regulated, requiring multiple licenses, permits, filings and approvals to conduct and develop business. As of the Latest Practicable Date, we had obtained the following valid licenses which are crucial to our business through our Consolidated Affiliated Entities: value-added telecommunication business operation license for provision of Internet information services, or ICP License, license for radio and TV program production and operation, online drug information offering license, the license for practicing of medical institutions, medical devices operation license and pharmaceutical trade license. Some of the licenses we hold are subject to periodic renewal. If we fail to maintain or renew one or more of our licenses and certificates when their current term expires, or obtain such renewals on a timely manner, our operations could be disrupted. In addition, under relevant PRC laws and regulations, our Consolidated Affiliated Entities as license holders are required to update certain licenses if any change to their respective name, registered capital or legal representative during the validity period of such license. If we fail to properly renew and maintain all such requisite licenses on time, we may face penalties and in extreme circumstances, order to suspend or terminate our business.

In addition, the licenses we held may be deemed insufficient due to adoption of any new laws and regulations or any change to regulatory environment, which may restrain our ability to expand our business scope and may subject us to fines or other regulatory actions. Furthermore, as we develop and expand our business scope, we may need to obtain additional permits and licenses and we cannot assure that we will be able to obtain such permits on time or at all.



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### **We may be subject to penalties levied for loans extended to related parties during the Track Record Period.**

During the Track Record Period, we made advances to a number of related parties. See “Financial Information—Material Related Party Transactions” for details.

As advised by our PRC Legal Advisor, any financing arrangements or lending transactions between non-financial institutions is prohibited by Article 61 of the General Lending Provisions (《貸款通則》) promulgated by PBOC in June 1996. Furthermore, pursuant to Article 73 of the General Lending Provisions, PBOC may impose a fine on the non-compliant lender of one to five times of the income received by the lender from such loans. Notwithstanding the General Lending Provisions, the Supreme People’s Court has made new interpretations concerning financing arrangements and lending transactions between non-financial institutions under the Provisions of the Supreme People’s Court on Several Issues concerning the Application of Law in the Trial of Private Lending Cases (《最高人民法院關於審理民間借貸案件適用法律若干問題的規定》) (the “**Judicial Interpretations on Private Lending Cases**”), which came into effect on September 1, 2015 and was amended on August 19, 2020 and December 29, 2020. According to Article 10 of the Judicial Interpretations on Private Lending Cases, the Supreme People’s Court recognizes the validity and legality of financing arrangements and lending transactions between non-financial institutions so long as certain requirements, such as the interest rates charged, are satisfied and there is no violation of mandatory provisions of applicable laws and regulations. If PBOC imposes penalties against us under the General Lending Provisions, our business, financial position and results of operations could be adversely affected.

### **The continued and collaborative efforts of our senior management and key employees are crucial to our success, and our business may be harmed if we lose their services.**

Our success depends on the continued and collaborative efforts of our senior management and key employees. If, however, one or more of our executives or other key personnel are unable or unwilling to continue to provide services to us, we may not be able to find suitable replacements easily, or at all. Competition for management and key personnel is intense and the pool of qualified candidates is limited. We may not be able to retain the services of our executives or key personnel, or attract and retain experienced executives or key personnel in the future. If any of our executive officers or key employees joins a competitor or forms a competing business, we may lose crucial business secrets, know-hows, customers and other valuable resources. Our future success will also depend on our ability to attract and retain highly skilled AI and data analytics experts, quality professionals with medical education background or experience, and skilled employees in the areas of technology, managerial, editorial, finance, marketing, sales and customer service. Qualified individuals are in high demand, and we may not be able to successfully attract, assimilate or retain the personnel we need to succeed.

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## RISK FACTORS

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**We may be subject to intellectual property infringement claims or other allegations, which could result in payment of substantial damages, penalties and fines and removal of data or technology from our system.**

Our internal procedures and licensing practices may not be effective in completely preventing the unauthorized use of copyrighted materials or the infringement by us of other rights of third parties. The validity, enforceability and scope of protection of intellectual property rights in Internet-related industries is still evolving. As we face increasing competition and as litigation becomes a more common way to resolve disputes in China, we face a higher risk of being the subject of intellectual property infringement claims.

We cannot assure you that our operations or any aspects of our business do not or will not infringe upon or otherwise violate patents, copyrights or other intellectual property rights held by third parties. We may from time to time in the future be subject to legal proceedings and claims relating to the intellectual property rights of others. In addition, there could also be existing intellectual property of which we are not aware that our operations and business may inadvertently infringe. We cannot assure you, however, that we will not become subject to intellectual property laws in other jurisdictions. If a claim of infringement brought against us is successful, we may be required to pay substantial penalties or other damages and fines or to enter into license agreements which may not be available on commercially reasonable terms or at all, or we may be subject to injunctions or court orders. Even if allegations or claims lack merit, defending against them could be costly and time consuming and may significantly divert the efforts and resources of our management and other personnel.

Competitors and other third parties may claim as well that our officers or employees have infringed, misappropriated or otherwise violated their software, confidential information, trade secrets or other proprietary technology in the course of their employment with us. Although we take steps to prevent the unauthorized use or disclosure of such third-party information, intellectual property or technology by our officers and employees, we cannot guarantee that any policies or contractual provisions that we have implemented or may implement will be effective. If a claim of infringement, misappropriation or violation is brought against us or one of our officers or employees, we may suffer reputational harm and may be required to pay substantial damages, subject to injunction or court orders or be required to remove the data and redesign our technology, any of which could adversely affect our business, financial condition and results of operations.

**We may not be able to prevent unauthorized use of our intellectual property, which could harm our business and competitive position.**

We rely on a combination of copyright, trademark, patent and other intellectual property laws, trade secret protection and confidentiality and invention assignment agreements with our employees and third parties and other measures to protect our intellectual property rights. However, there can be no assurance that any of our pending patents, trademarks, software copyrights or other intellectual property applications will issue or be registered. Any intellectual property rights we have obtained or may obtain in the future may not be sufficient to provide us with a competitive advantage, and could be challenged, invalidated, circumvented, infringed or misappropriated.

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## RISK FACTORS

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Despite our efforts to protect our intellectual property rights, unauthorized parties may attempt to copy or otherwise obtain and use our copyrighted content and other intellectual property. Monitoring for infringement or other unauthorized use of our intellectual property rights is difficult and costly, and such monitoring may not be effective. From time to time, we may have to resort to courts or administrative proceedings to enforce our intellectual property rights, which may result in substantial cost and diversion of resources. We may not prevail in lawsuits we initiate and the damages or other remedies awarded, if any, may not be commercially meaningful.

**Failure to comply with anti-corruption laws and regulations, or effectively manage our employees, affiliates and business partners such as suppliers, could severely damage our reputation, and materially and adversely affect our business, financial condition, results of operations and prospects.**

We are subject to risks in relation to actions taken by us, our employees, affiliates or suppliers that constitute violations of the anti-corruption laws and regulations. There have been several instances of corrupt practices in the pharmaceutical industry, including, among other things, receipt of kickbacks, bribes or other illegal gains or benefits by pharmacies, hospitals and medical practitioners from manufacturers, distributors and pharmacies in connection with the prescription of pharmaceutical products. While we adopt strict internal procedures and work closely with relevant government agencies to ensure compliance of our business operations with relevant laws and regulations, our efforts may not be sufficient to ensure that we comply with relevant laws and regulations at all times. If we, our employees, affiliates, suppliers, or other business partners violate these laws, rules or regulations, we could be subject to fines and/or other penalties. In the case of our online retail pharmacy business, the products involved may be seized and our operations may be suspended. Actions by PRC regulatory authorities or the courts to provide an interpretation of PRC laws and regulations that differs from our interpretation or to adopt additional anti-bribery or anti-corruption related regulations could also require us to make changes to our operations. Our reputation, corporate image, and business operations may be materially and adversely affected if we fail to comply with these measures or become the target of any negative publicity as a result of actions taken by us, our employees, affiliates or suppliers, which may in turn have a material adverse effect on our business, financial condition, results of operations and prospects.

**Our business and prospects depend on our ability to build our brand and reputation. Any damage to the reputation and recognition of our brand names, including negative publicity against us or our directors, shareholders, officers, employees or business partners, may materially and adversely affect our business operations and prospects.**

We believe that maintaining and enhancing our brands is of significant importance to the success of our business. Well-recognized brands are important to enhancing our attractiveness to our customers. Since we operate in a highly competitive market, brand maintenance and enhancement directly affect our ability to maintain our market position. The successful promotion of our brand will depend on the effectiveness of our marketing efforts and amount of word-of-mouth referrals we received from satisfied customers. We may incur extra expenses

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## RISK FACTORS

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in promoting our brand. However, we cannot assure you that these activities are and will be successful or that we can achieve the brand promotion effect we expect. In addition, if incidents occur or are perceived to have occurred, whether or not such incidents are our fault, we could be subject to adverse publicity. In particular, given the popularity of social media, including WeChat in China, any negative publicity, whether true or not, could quickly proliferate and harm consumer perceptions and confidence in our brand. Negative publicity or any lawsuits and investigations against us, our services, our shareholders, directors, officers, employees or our business partners may harm our brand image and in turn adversely affect our business and results of operations. Certain of the negative publicity may come from malicious harassment or unfair competition acts by third parties, which are beyond our control. Intense negative publicity may divert our management's attention and may adversely impact our business. We cannot assure you that our brand, public image and reputation will not be materially and adversely affected in the future.

**We, our directors, management and employees may from time to time become party to litigation, regulatory investigations, other legal or administrative disputes and proceedings that may have an adverse impact to our reputation and business prospects.**

In the course of our ordinary business operations, we, our directors, management and employees may from time to time become a party to litigation, legal proceedings, claims, disputes or arbitration proceedings. Any ongoing litigation, legal proceedings, claims, disputes or arbitration proceedings may distract our senior management's attention and consume our time and other resources. In addition, even if we, our directors, management and employees ultimately succeed in such litigation, legal proceedings, claims, disputes or arbitration proceedings, there may be negative publicity attached to such litigation, legal proceedings, claims, disputes or arbitration proceedings, which may materially and adversely affect our reputation and brand names. As the Jianke mobile applications and website were at times historically operated by Guangdong Jianke under license and authorization from the Initial WFOE, and there were certain related parties who used "Jianke" or "健客" as part of their company names or trademarks, any negative publicity or disputes relating to these companies may be wrongly attributed to us, which may in turn materially and adversely affect the public perception of our brand, harm our reputation and materially and adversely affect our business, financial condition and results of operations. In addition, any claims made against us could be costly to defend against. In the case of an adverse verdict, we may be required to pay significant monetary damages, assume significant liabilities or suspend or terminate parts of our operations. As a result, our business, financial condition, results of operations and prospects may be materially and adversely affected. As a publicly listed company, we will face additional exposure to claims and lawsuits.

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**Future investments in and acquisitions of complementary assets, technologies and businesses may fail and may adversely affect our business, results of operations and financial performance.**

We may invest in or acquire assets, technologies and businesses that are complementary to our existing business. Our investments or acquisitions may not yield the results we expect. In addition, investments and acquisitions could result in the use of substantial amounts of cash, potentially dilutive issuances of equity securities, significant amortization expenses related to goodwill or intangible assets and exposure to potential unknown liabilities of the acquired business. Moreover, the cost of identifying and consummating investments and acquisitions, and integrating the acquired businesses into ours, may be significant, and the integration of acquired businesses may be disruptive to our existing business operations. We may also have to obtain approval from the relevant PRC governmental authorities for the investments and acquisitions and comply with any applicable PRC rules and regulations, which may be costly, and we cannot assure you that we will obtain such approvals timely or at all. In the event that our investments and acquisitions are not successful, our results of operations and financial condition may be materially and adversely affected.

**We are subject to credit risk with respect to trade and other receivables, and prepayments.**

Our trade and other receivables are generally due within 180 days from the date of billing. As of December 31, 2021, 2022 and 2023, we recorded net trade debtors and bills receivable of RMB7.6 million, RMB29.4 million and RMB24.1 million, respectively. We also recorded other receivables of RMB40.8 million, RMB57.0 million and RMB77.0 million as of those same dates. These primarily represent rebates from suppliers, receivables from third-party e-commerce platforms, and deposits in connection with our procurement of pharmaceutical products. Accordingly, we face credit risk in collecting trade receivables due from customers. Our performance, liquidity and profitability would be adversely affected if significant amounts due to us are not settled on time or substantial impairment is incurred. The bankruptcy or deterioration of the credit condition of any of these customers or suppliers could also materially and adversely affect our business, results of operations and financial condition.

We recognized impairment losses of RMB0.3 million, RMB0.2 million and RMB0.1 million in 2021, 2022 and 2023, respectively, which were related to trade receivables from enterprise customers for our customized content and marketing solution services. Such loss allowance was estimated based on available information that the management deems reasonable and applicable. As such estimation involves difficult subjective judgment and is subject to inherent limitations, we cannot guarantee any loss allowance we may make will be sufficient to cover all such actual losses, in which case our results of operations may be affected.

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We also face uncertainties arising from our prepayments. During the Track Record Period, we made prepayments for renovation, decoration, online promotional and advertising services, and for procurement of pharmaceutical and other products. As of December 31, 2021, 2022 and 2023, the balance of our prepayments was RMB10.2 million, RMB64.0 million and RMB18.5 million, respectively. However, there is no guarantee that the service providers and suppliers will perform their obligations in a timely manner. If they fail to provide the services or products to us in a timely manner or at all, we may be exposed to prepayment default and impairment loss risk in relation to the prepayments, which may in turn materially and adversely affect our business and financial position. While we did not incur impairment losses on prepayments during the Track Record Period, we cannot assure you that we will not incur such impairment losses in the future.

**We may not be able to obtain additional capital when desired, on favorable terms or at all.**

We may require additional cash resources if we incur operating losses or for future growth and development of our business, including any investments or acquisitions we may decide to pursue. If our cash resources are insufficient to satisfy our cash requirements, we may seek to issue additional equity or debt securities or obtain new or expanded credit facilities. Our ability to obtain external financing in the future is subject to a variety of uncertainties, including our future financial condition, results of operations, cash flows, share price performance, liquidity of international capital and lending markets and the PRC governmental regulations over foreign investment and the PRC healthcare and online chronic disease management industries. In addition, incurring indebtedness would subject us to increased debt service obligations and could result in operating and financing covenants that would restrict our operations. There can be no assurance that financing would be available in a timely manner or in amounts or on terms favorable to us, or at all. Any failure to raise needed funds on terms favorable to us, or at all, could severely restrict our liquidity as well as have a material adverse effect on our business, financial condition and results of operations. Moreover, any issuance of equity or equity-linked securities could result in significant dilution to our existing shareholders.

**The wide variety of payment methods that we accept subjects us to third-party payment processing related risks.**

We accept payments using a variety of methods, including payment on delivery, bank transfers, online payments through various third-party online payment platforms such as WeChat Pay and AliPay. We may be charged interchange and other fees for certain payment methods, which may increase over time and raise our operating costs and lower our profit margins. We may also be subject to fraud and other illegal activities in connection with the various payment methods we offer, including online payment and cash on delivery options. We are also subject to various rules, regulations and requirements governing electronic funds transfers, both in China and globally, which could change or be reinterpreted to make it difficult or impossible for us to comply with. If we fail to comply with these rules or requirements, we may be subject to fines and higher transaction fees and lose our ability to accept credit and debit card payments from our users, process electronic funds transfers or facilitate other types of online payments, and our business, financial condition and results of operations could be materially and adversely affected.

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## RISK FACTORS

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**Our risk management and internal control systems may not be thorough or effective in all respects.**

We seek to establish risk management and internal control systems consisting of an organizational framework, policies, procedures and risk management methods that are appropriate for our business operations, and seek to continue to improve these systems. See “Business—Risk Management and Internal Control” for further details. However, due to the inherent limitations in the design and implementation of risk management and internal control systems, we cannot assure that our risk management and internal control systems will be able to identify, prevent and manage all risks. Our internal procedures are designed to monitor our operations and ensure their overall compliance. However, our internal control procedures may be unable to identify all non-compliance incidents in a timely manner or at all. It is not always possible to timely detect and prevent fraud and other misconduct committed by our employees or third parties, and the precautions we take to prevent and detect such activities may not be effective.

Furthermore, we cannot assure you that our risk management and internal control systems will be effectively implemented. Since our risk management and internal control systems depend on their implementation by our employees, we cannot assure you that all of our employees will adhere to such policies and procedures, and the implementation of such policies and procedures may involve human errors or mistakes, which may materially and adversely affect our business and results of operations. Moreover, as we are likely to offer a broader and more diverse range of services and solutions in the future, the expansion and diversification of our service offerings will require us to continue to enhance our risk management capabilities. If we fail to adapt our risk management policies and procedures to our evolving business in a timely manner, our business, financial condition and results of operations could be materially and adversely affected.

**We have limited insurance coverage, which could expose us to significant costs and business disruption.**

We have obtained insurance to cover certain potential risks and liabilities. However, we do not have any business disruption insurance to cover all of our operations in the PRC, and we cannot guarantee you that our coverage will be adequate to compensate for all losses that may occur, particularly with respect to loss of business or operation. Any business disruption, litigation, regulatory action, outbreak of epidemic disease or natural disaster could also expose us to substantial costs and diversion of resources. There can be no assurance that our insurance coverage is sufficient to prevent us from any loss or that we will be able to successfully claim our losses under our current insurance policy on a timely basis, or at all. If we incur any loss that is not covered by our insurance policies, or the compensated amount is significantly less than our actual loss, our business, financial condition and results of operations could be materially and adversely affected.

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## RISK FACTORS

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**Failure to make adequate contributions to various statutory employee benefit plans as required by PRC regulations may subject us to penalties.**

Companies operating in China are required to participate in various statutory employee benefit plans, including certain social insurance, housing funds and other welfare-oriented payment obligations, complete related registration with the competent authorities and contribute to the plans in amounts equal to certain percentages of salaries, including bonuses and allowances, of employees up to a maximum amount specified by the local government from time to time at locations where our employees are based. During the Track Record Period, we had not made full contributions to the social insurance and housing provident fund based on the actual salary level of some of our employees as prescribed by relevant laws and regulations. As of December 31, 2021, 2022 and 2023, our accumulated provision for social insurance and housing provident fund contributions amounted to RMB19.1 million, RMB37.4 million and RMB36.8 million, respectively. See “Business—Employees” for details.

Pursuant to applicable PRC laws and regulations, under-contribution to social insurance within a prescribed period may subject us to a daily overdue charge of 0.05% of the delayed payment amount. If such payment is not made within the stipulated period, the competent authority may further impose a fine of one to three times of the overdue amount. Pursuant to relevant PRC laws and regulations, if there is a failure to pay the full amount of housing provident fund as required, the housing provident fund management center may require payment of the outstanding amount within a prescribed period. If the payment is not made within such time limit, an application may be made to the PRC courts for compulsory enforcement. We cannot assure you that the relevant government authorities will not require us to pay the outstanding amount within a prescribed time and impose late charges or fines on us, which may materially and adversely affect our business, financial condition and results of operations.

**Our allotment and issuance of Shares pursuant to the RSU Scheme may materially impact our results of operations.**

We have adopted the RSU Scheme to attract and retain key personnel by offering them incentives linked to the value of our Shares. The RSU Scheme permits the granting of RSUs to senior management, employees and advisors of our Group and other persons as approved by the Board or the authorized administrator of the RSU Scheme. Each RSU is a conditional right to receive a Share at the end of the vesting period, subject to vesting conditions provided for under the RSU Scheme. For details, see “Appendix IV—D. RSU Scheme” in this prospectus. As a result of the Shares that were allotted and issued pursuant to the RSU Scheme, we expect to incur significant expenses of equity settled share-based transactions in the future because we have adopted HKFRS 2 (*Share-based Payment*) for the accounting treatment of the RSU Scheme, which requires us to account for the Shares allotted and issued as share-based compensation using a fair-value-based method and recognize such expenses in our consolidated statement of profit or loss and other comprehensive income. As such, our results of operations may be materially impacted.



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**Any severe or prolonged slowdown in the economy may adversely affect our business and results of operations.**

COVID-19 had a severe and negative impact on the Chinese and the global economy. Whether this will lead to a prolonged downturn in the economy is still unknown. Even before the outbreak of COVID-19, the global macroeconomic environment was facing numerous challenges. There is considerable uncertainty over the long-term effects of the expansionary monetary and fiscal policies which had been adopted by the central banks and financial authorities of some of the world's leading economies. The recent global inflationary pressure and the conflicts in Ukraine and the imposition of broad economic sanctions on Russia could raise energy prices and disrupt global markets. Unrest, terrorist threats and the potential for war in the Middle East and elsewhere may increase market volatility across the globe. Any severe or prolonged slowdown in the economy may materially and adversely affect our business, results of operations and financial condition.

**Our results of operations may be subject to seasonal fluctuations.**

Our business and industry are subject to seasonality associated with spending activities and patterns related to the consumption of medical services and pharmaceutical products in China. For example, in first quarters which coincide with the Chinese New Year holiday, online and offline hospitals and pharmacies in China generally experience a lower volume of patient visits and other activities, and we typically expect a lower demand for our services and products as a result. As we continue to grow and expand our business and as the industry where we operate continues to evolve, the seasonality of our business is subject to a variety of uncertainties and may change in patterns in the future, and the impact of seasonality on our results of operations may also increase in the future. As a result, comparing our operating results on a period to period basis may not be meaningful, and our results of operations and the price of our Shares may fluctuate from time to time due to seasonality.

**Any catastrophe, including natural catastrophes, outbreaks of health epidemics and other extraordinary events, could disrupt our business operations.**

Since late January 2020, the outbreak of COVID-19 has materially and adversely affected the global economy. The COVID-19 pandemic has also resulted in temporary closures of many corporate offices, retail stores, manufacturing facilities and factories across China. During the period of regional lockdown, hospitals had limited operations for consultations and home delivery of our products to these areas has been temporarily disrupted. In addition, our Jingtai Hospital was temporarily closed and our supply of certain medications used to treat fever was temporarily disrupted during the COVID-19 outbreak. The effects of the continuing spread and prolonged occurrence of the COVID-19 on our business or our industry will depend on a number of factors outside our control, including any resurgence and the extent of its spread, and such effects could be material. To the extent COVID-19 adversely affects our business and results of operations, it may also have the effect of heightening many of the other risks described in this prospectus, such as those relating to our reliance on third parties for the provision of supplies and delivery services, and our ability to generate sufficient cash flows to fund our operational and financing needs.

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In addition to COVID-19, our business could be materially and adversely affected by natural disasters, other health epidemics or other public safety concerns. Natural disasters may give rise to server interruptions, breakdowns, system failures, technology platform failures or Internet failures, which could cause the loss or corruption of data or malfunctions of software or hardware as well as adversely affect our ability to operate our platforms and provide services and solutions. Our business could also be adversely affected if our employees are affected by health epidemics. In addition, our results of operations could be adversely affected to the extent that any health epidemic harms the economy in general. Our headquarters are located in Guangzhou, Guangdong province, where most of our management and the majority of our employees are based. Most of our system hardware and back-up systems are hosted in facilities located in our headquarters and Dongguan, Guangdong province. Consequently, if any natural disasters, health epidemics or other public safety concerns were to affect Guangdong province, our operation may experience material disruptions, which may materially and adversely affect our business, financial condition and results of operations.

### RISKS RELATING TO OUR CONTRACTUAL ARRANGEMENTS

**If the PRC government finds that the contractual agreements that establish the structure for operating certain of our business in China do not comply with applicable PRC regulations, or if these regulations or the interpretation of existing regulations change in the future, we could be subject to severe consequences, including the nullification of the contractual arrangements and being forced to relinquish our interests in those operations.**

Foreign ownership in entities that provide Internet and other related businesses, including the value-added telecommunication services, and that are engaged in medical institutions business and related businesses, including Internet medical institutions, is subject to provisions under current PRC laws and regulations, unless certain exceptions are available. See “Contractual Arrangements—Overview of Laws and Regulations of the PRC relating to Foreign Ownership Restrictions and the Application thereof to the Group’s Businesses” for further details.

We are a company incorporated in the Cayman Islands and our PRC subsidiaries are considered foreign-invested enterprises. To ensure compliance with the PRC laws and regulations, we conduct our business in China through our Consolidated Affiliated Entities based on the Contractual Arrangements. Such Contractual Arrangements enable us to (i) receive substantially all of the economic benefit from our Consolidated Affiliated Entities in consideration for the services provided by the WFOE to the Consolidated Affiliated Entities; (ii) exercise effective control over our Consolidated Affiliated Entities; and (iii) hold an exclusive option to purchase all or part of the equity interests in Consolidated Affiliated Entities when and to the extent permitted by the PRC laws. As a result of these Contractual Arrangements, we have control over and are the primary beneficiary of our Consolidated Affiliated Entities and hence consolidate their financial results under HKFRS. See “Contractual Arrangements—Summary of the Material Terms of the Contractual Arrangements” for further details.

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Our PRC Legal Advisor has advised us that (i) the ownership structure of the Consolidated Affiliated Entities does not violate any applicable PRC law, regulations or rules currently in effect in any material respects; and (ii) the Contractual Arrangements governed by PRC laws are not in violation of provisions of applicable PRC laws or regulations currently in effect, and valid and binding upon each party to such arrangements in accordance with their terms and applicable PRC laws and regulations currently in effect. However, we have been further advised by our PRC Legal Advisor that the interpretation and application of current and future PRC laws, rules and regulations may be amended from time to time. See “Contractual Arrangements—Legality of the Contractual Arrangements” for further details. Thus, the PRC governmental authorities may take a view contrary to the above-mentioned opinion. It is uncertain whether any new PRC laws or regulations relating to Contractual Arrangements will be adopted or if adopted, what they would provide. If the ownership structure, contractual arrangements, and businesses of our PRC subsidiaries or our Consolidated Affiliated Entities are found to be in violation of any existing or future PRC laws or regulations, or our PRC subsidiaries or our Consolidated Affiliated Entities fail to obtain or maintain any of the required permits or approvals to operate our business, the relevant PRC governmental authorities would have discretion to take action in dealing with such violations or failures, which could cause significant disruption to our business operations and severely damage our reputation, which would in turn have a material adverse effect on our financial condition and results of operations. If occurrences of any events results in our inability to direct the activities of our Consolidated Affiliated Entities in China that most significantly impact their economic performance and/or our failure to receive the economic benefits and residual returns from our Consolidated Affiliated Entities, and we are unable to restructure our ownership structure and operations in a satisfactory manner, we may not be able to consolidate the financial results of our Consolidated Affiliated Entities in our consolidated financial statements.

**Our Contractual Arrangements may not be as effective in providing operational control as direct ownership.**

We rely on a series of Contractual Arrangements with Fangzhou Yunkang and Fangzhou Yunkang Registered Shareholders to conduct our business operations in China, including online pharmaceutical products sale, medical consultation service and academic community service. For a description of these Contractual Arrangements, see “Contractual Arrangements—Summary of the material terms of the Contractual Arrangements.” However, the Contractual Arrangements may not be as effective as direct ownership in providing us with control over our Consolidated Affiliated Entities. Direct ownership would allow us, for example, to directly or indirectly exercise our rights as a shareholder to effect changes in the boards of directors of Fangzhou Yunkang, which, in turn, could effect changes, subject to any applicable fiduciary obligations at the management level. However, under the contractual arrangements, as a legal matter, if Fangzhou Yunkang or their respective equity holders fail to perform their respective obligations under the Contractual Arrangements, we may have to (i) incur substantial costs; (ii) expend significant resources to enforce those arrangements; and (iii) resort to litigation or arbitration and rely on legal remedies under PRC laws. These remedies may include seeking specific performance or injunctive relief and claiming damages, any of which may not be effective. In the event we are unable to enforce these contractual

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arrangements or we experience significant delays or other obstacles in the process of enforcing these contractual arrangements, we may not be able to exert effective control over Fangzhou Yunkang and may lose control over the assets owned by our Consolidated Affiliated Entities. As a result, we may be unable to consolidate our Consolidated Affiliated Entities in our consolidated financial statements, which could materially and adversely affect our financial condition and results of operations.

**Any failure by Fangzhou Yunkang or Fangzhou Yunkang Registered Shareholders to perform their obligations under our contractual arrangements with them would have a material adverse effect on our business.**

If Fangzhou Yunkang or their shareholders fail to perform their respective obligations under the contractual arrangements, we may have to incur substantial costs and expend additional resources to enforce such arrangements. We may also have to rely on legal remedies under PRC law, including seeking specific performance or injunctive relief, and contractual remedies, which we cannot assure you will be sufficient or effective. For example, if Fangzhou Yunkang Registered Shareholders were to refuse to transfer their equity interests in Fangzhou Yunkang to us or our designee if we exercise the purchase option pursuant to these Contractual Arrangements, or if they were otherwise to act in bad faith toward us, then we may have to take legal actions to compel them to perform their contractual obligations.

All the agreements under our Contractual Arrangements are governed by PRC law and provide for the resolution of disputes through arbitration in China. Accordingly, these contracts would be interpreted in accordance with PRC law and any disputes would be resolved in accordance with PRC legal procedures. The legal system in the PRC is different from those in some other jurisdictions. See “—Risks Relating to Regulations—Developments in the PRC legal system may affect our business and limit the legal protection available to you.” Meanwhile, there are very few precedents and little formal guidance as to how contractual arrangements in the context of a consolidated variable interest entity should be interpreted or enforced. There remain uncertainties regarding the ultimate outcome of such proceeding if legal action becomes necessary. In addition, under PRC law, although rulings by arbitrators are final, if the losing parties fail to carry out the arbitration awards within a prescribed time limit, the prevailing parties may only resort to PRC courts for enforcement of the arbitration awards through arbitration award recognition proceedings, which would require additional expenses and delay. In the event we are unable to enforce these contractual arrangements, or if we suffer significant delay or other obstacles in the process of enforcing these contractual arrangements, we may not be able to exert effective control over Fangzhou Yunkang, and our ability to conduct our business may be negatively affected.

In addition, Fangzhou Yunkang Registered Shareholders may be involved in personal disputes with third parties or other incidents that may have an adverse effect on their respective equity interests in Fangzhou Yunkang and the validity or enforceability of our Contractual Arrangements with Fangzhou Yunkang and their respective shareholders. For example, if any of the equity interests of Fangzhou Yunkang is inherited by a third party with whom the current

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Contractual Arrangements are not binding, we could lose our control over Fangzhou Yunkang or have to maintain such control by incurring unpredictable costs, which could cause significant disruption to our business and operations and harm our financial condition and results of operations.

**We may lose the ability to use, or otherwise benefit from, the licenses, approvals and assets held by our Consolidated Affiliated Entities if any of our Consolidated Affiliated Entities declares bankruptcy or becomes subject to a dissolution or liquidation proceeding.**

As part of our Contractual Arrangements, our Consolidated Affiliated Entities are holding or in the future may hold certain assets that are critical to the operation of our business, including intellectual property and premise and licenses of value-added telecommunication services or the Practice License of Medical Institution. If our Consolidated Affiliated Entities go bankrupt and all or part of their assets become subject to liens or rights of third-party creditors, we may be unable to continue some or all of our business activities we currently conduct through the Contractual Arrangement, which could materially and adversely affect our business, financial condition and results of operations. Under the Contractual Arrangements, our Consolidated Affiliated Entities may not, in any manner, sell, transfer, mortgage or dispose of their assets or legal or beneficial interests in the business without our prior consent. In addition, if our Consolidated Affiliated Entities undergo a voluntary or involuntary liquidation proceeding, independent third-party creditors may claim rights to some or all of these assets, thereby hindering our ability to operate our business, which could materially and adversely affect our business, financial condition and results of operations.

**The Fangzhou Yunkang Registered Shareholders may have potential conflicts of interest with us.**

Fangzhou Yunkang Registered Shareholders may have actual or potential conflicts of interest with us. These shareholders may breach, or cause Fangzhou Yunkang to breach, or refuse to renew, the existing Contractual Arrangements we have with them and Fangzhou Yunkang, which would have a material and adverse effect on our ability to effectively control Fangzhou Yunkang and receive economic benefits from them. For example, Fangzhou Yunkang Registered Shareholders may be able to cause our agreements with Fangzhou Yunkang to be performed in a manner adverse to us by, among other things, failing to remit payments due under the contractual arrangements to us on a timely basis. We cannot assure you that when conflicts of interest arise any or all of these shareholders will act in the best interests of our Company or such conflicts will be resolved in our favor.

Currently, we could exercise our purchase option under the exclusive option agreements with these shareholders to request them to transfer all of their equity interests in Fangzhou Yunkang to a PRC entity or individual designated by us, to the extent permitted by PRC law. For individuals who are also our directors and officers, we rely on them to abide by the laws of the Cayman Islands, which provide that directors and officers owe a fiduciary duty to the company that requires them to act in good faith and in what they believe to be the best interests

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of the company and not to use their position for personal gains. Fangzhou Yunkang Registered Shareholders have executed powers of attorney to appoint the New WFOE or a person designated by the New WFOE to vote on their behalf and exercise voting rights as Fangzhou Yunkang Registered Shareholders. If we cannot resolve any conflict of interest or dispute between us and Fangzhou Yunkang Registered Shareholders, we would have to rely on legal proceedings, which could result in disruption of our business and subject us to substantial uncertainty as to the outcome of any such legal proceedings.

**Our Contractual Arrangements may be subject to scrutiny by the PRC tax authorities and a finding that we owe additional taxes could negatively affect our financial condition and the value of your investment.**

Under PRC laws, rules and regulations, arrangements and transactions among related parties, such as the Contractual Arrangements, may be subject to audit or inquiry by the PRC tax authorities. We could face material and adverse tax consequences, if the PRC tax authorities determine that our Contractual Arrangements do not represent an arms-length price and adjust our Consolidated Affiliated Entities' income in the form of a transfer pricing adjustment. A transfer pricing adjustment could, among other things, result in a reduction, for PRC tax purposes, of expense deductions recorded by our Consolidated Affiliated Entities, which could in turn increase their tax liabilities. In addition, the PRC tax authorities may impose late payment fees and other penalties to our Consolidated Affiliated Entities for under-paid taxes. Our results of operations may be materially and adversely affected if our tax liabilities increase or if we are found to be subject to late payment fees or other penalties.

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

On March 15, 2019, the National People's Congress promulgated the Foreign Investment Law, which took effect on January 1, 2020. Since it is relatively new, uncertainties exist in relation to its interpretation and implementation. The Foreign Investment Law does not explicitly classify whether variable interest entities that are controlled through contractual arrangements would be deemed as foreign invested enterprises if they are ultimately "controlled" by foreign investors. However, it has a catch-all provision under definition of "foreign investment" that includes investments made by foreign investors in China through other means as provided by laws, administrative regulations or the State Council. Therefore, it still leaves leeway for future laws, administrative regulations or provisions of the State Council to provide for contractual arrangements as a form of foreign investment, until when it remains uncertain whether our Contractual Arrangements will be deemed to be in violation of the market access requirements for foreign investment in the PRC and if yes, how our contractual arrangements should be dealt with.

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The Foreign Investment Law grants national treatment to foreign-invested entities, except for those foreign-invested entities that operate in industries specified as either “restricted” or “prohibited” from foreign investment in the Special Administrative Measures (Negative List) for Access of Foreign Investment jointly promulgated by Ministry of Commerce, or MOFCOM, and the National Development and Reform Commission, or the NDRC, and the latest version of which took effect in December 2021. The Foreign Investment Law provides that foreign-invested entities are not allowed to operate in “prohibited” industries and their operating in “restricted” industries shall satisfy certain conditions and will require market entry clearance and other approvals from relevant PRC government authorities. For example, foreign-invested entities are not allowed to engage in the domestic express delivery of letters business. We are a company incorporated in the Cayman Islands and our PRC subsidiaries are considered foreign-invested enterprises. Accordingly, none of these subsidiaries are eligible to operate domestic express delivery of letters business in the PRC. As a result, our engagement in such business activities (if any) will be conducted through our Consolidated Affiliated Entities and their subsidiaries in the PRC. On December 26, 2019, the Supreme People’s Court issued the Interpretations on Certain Issues Regarding the Applicable of Foreign Investment Law, or the FIL Interpretations, which came into effect on January 1, 2020. In accordance with the FIL Interpretations, any claim to invalidate an investment agreement will be supported by courts if such agreement is found to be entered into for purposes of making investments in the “prohibited industries” under the negative list or for purposes of investing in “restricted industries” while failing to satisfy the conditions set out in the negative list. If our control over our Consolidated Affiliated Entities through contractual arrangements are deemed as foreign investment in the future, and any business of our Consolidated Affiliated Entities is “restricted” or “prohibited” from foreign investment under the “negative list” effective at the time, we may be deemed to be in violation of the Foreign Investment Law, the contractual arrangements that allow us to have control over our Consolidated Affiliated Entities may be deemed as invalid and illegal, and we may be required to unwind such contractual arrangements and/or restructure our business operations, any of which may have a material adverse effect on our business operations.

Furthermore, if future laws, administrative regulations or provisions mandate further actions to be taken by companies with respect to existing contractual arrangements, we may face substantial uncertainties as to whether we can complete such actions in a timely manner, or at all. Failure to take timely and appropriate measures to cope with any of these or similar regulatory compliance challenges could materially and adversely affect our current corporate structure and business operations.

### **Certain terms of the Contractual Arrangements may not be enforceable under PRC laws.**

The Contractual Arrangements provide for dispute resolution by way of arbitration in the Shenzhen Court of International Arbitration (the “SCIA”), in accordance with the then effective arbitration rules. The arbitration shall be conducted in Shenzhen. The Contractual Arrangements contain provisions to the effect that the arbitral body may award remedies over the shares and/or assets of the Consolidated Affiliated Entities, injunctive relief and/or order the winding up of the Consolidated Affiliated Entities. These agreements also contain

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provisions to the effect that courts of competent jurisdictions are empowered to grant interim remedies in support of the arbitration pending the formation of an arbitral tribunal. However, under PRC laws, these terms may not be enforceable. Under PRC laws, an arbitral body does not have the power to grant injunctive relief or to issue a provisional or final liquidation order for the purpose of protecting assets of or equity interests in the Consolidated Affiliated Entities in case of disputes. In addition, interim remedies or enforcement order granted by overseas courts such as Hong Kong and the Cayman Islands may not be recognizable or enforceable in the PRC. PRC laws allow the arbitral body to grant an award of transfer of assets of or equity interests in the Consolidated Affiliated Entities in favor of an aggrieved party. In the event of non-compliance with such award, enforcement measures may be sought from the court. However, the court may or may not support the award of an arbitral body when deciding whether to take enforcement measures. In case the Contractual Arrangements provide that courts in competent jurisdictions may grant and/or enforce interim remedies or in support of arbitration, such interim remedies (even if granted by courts in competent jurisdictions in favor of an aggrieved party) may not be recognized, or enforced by PRC courts. As a result, in the event that Fangzhou Yunkang and Fangzhou Yunkang Registered Shareholders breach any of the Contractual Arrangements, we may not be able to obtain sufficient remedies in a timely manner, and our ability to exert effective control over our Consolidated Affiliated Entities and conduct our business could be materially and adversely affected.

### **RISKS RELATING TO REGULATIONS**

**Changes in the political and economic policies, as well as the interpretation and enforcement of laws, rules and regulations, may affect our business, financial condition, results of operations and prospects.**

Since substantially all of our operations are based in the PRC, our business, financial condition, results of operations and prospects are affected by economic, political, and legal developments in the PRC. The overall economic growth may be influenced by the governmental regulations and policies in relation to resource allocation, monetary policies, regulations of financial services and institutions, preferential treatment to particular industries or companies and others. For example, the Chinese government has implemented various measures to encourage economic growth and guide the allocation of resources; however, we cannot guarantee the extent to which our business operations will be able to benefit from such measures, if at all. Laws, rules and regulations may also be amended from time to time, and the application, interpretation and enforcement of such evolving laws, rules and regulations may affect our business operations. Any of the foregoing may have a material and adverse effect on our business, financial condition, results of operations and prospects.



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**We are subject to a variety of laws and other obligations regarding cybersecurity and data protection in China, and our failure to comply with any of them could result in proceedings against us by government authorities or others and harm our public image and reputation, which could materially and adversely affect our business, financial condition, and results of operations.**

We are subject to PRC laws relating to the collection, use, sharing, retention, security, and transfer of confidential and private information, such as personal information and other data. These laws continue to develop, and the PRC government may adopt other rules and restrictions in the future. Non-compliance could result in penalties or other significant legal liabilities.

Pursuant to the PRC Cybersecurity Law, which was promulgated by the Standing Committee of the National People's Congress on November 7, 2016 and took effect on June 1, 2017, we, as an online chronic disease management service provider, are obligated to provide technical assistance and support to public security and national security authorities to protect national security or assist with criminal investigations. In addition, the PRC Cybersecurity Law stipulates that personal information and important data collected and generated by a critical information infrastructure operator in the course of its operations in China must be stored in China.

On September 14, 2022, the CAC, issued the Decision on Amending the PRC Cybersecurity Law (Draft for Comments), increased the penalty cap, so after the amendment comes into effect, it could have an increased impact on our financial condition if we breach the PRC Cybersecurity Law.

In addition, the PRC Data Security Law, which was promulgated by the Standing Committee of the National People's Congress on June 10, 2021 and took effect on September 1, 2021, which applies to data processing activities, including the collection, storage, use, processing, transmission, availability and disclosure of data, and security supervision of such activities within the territory of the PRC. Moreover, the Personal Information Protection Law, which was issued by the SCNPC on August 20, 2021, stipulated the general rules and principles on personal information processing and further increased the potential liability of personal information processor.

To further clarify the cross-border data transfer mechanism established by the Personal Information Protection Law, on July 7, 2022, the CAC promulgated the Measures for the Security Assessment of Data Cross-border Transfer (《數據出境安全評估辦法》) (the "Measures"), which became effective on September 1, 2022. The Measures outline the requirements and procedures for security assessments on cross-border transfer of important data or personal information collected within the PRC. We operate business within the PRC and all the data and personal information collected and generated during our operation is stored within the PRC. We do not transfer data collected and generated in the course of our domestic operations abroad. We do not expect the Measures to have material impact on our business operations in respect of the cross-border data transfer. However, since the Measures was newly

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promulgated, there are uncertainties as to its interpretation and application. We cannot assure you that relevant regulatory authorities will take the same view as ours. In the event if the regulatory authorities deem certain of our activities as a cross-border data transfer, we will be subject to the relevant requirements.

Regulatory requirements on cybersecurity and data privacy are constantly evolving and can be subject to significant changes, which may result in uncertainties about the scope of our responsibilities in that regard. For example, The Regulations on Network Data Security Management (Draft for Comments) (the “**Draft Network Data Regulations**”) was released by CAC on November 14, 2021. According to the Draft Network Data Regulations, data processors seeking a public listing in Hong Kong that affect or may affect national security are required to apply for cybersecurity review. The CAC has solicited comments on this draft until December 13, 2021, however, as of the Latest Practicable Date, the Network Data Regulations had not yet been formally adopted and there is no timetable as to when it will be enacted. As such, substantial uncertainties exist with respect to the interpretation and implementation of the Draft Network Data Regulations, including the standards for determining whether a listing in Hong Kong “affects or may affect national security.” At this stage, we are unable to predict the possible consequences of these drafts, if any, and we are monitoring and assessing the rule-making process closely. Any failure, or perceived failure to maintain the security of our user data or to comply with applicable PRC privacy, data security and personal information protection laws and obligations may result liabilities, including governmental or data protection authority enforcement actions and investigations, fines, penalties, enforcement orders requiring us to cease operating in a certain way, litigation, or adverse publicity, and may require us to expend significant resources in responding to and defending allegations and claims.

On December 28, 2021, Measures for Cybersecurity Review was issued by CAC jointly with other governmental authorities, which took effect on February 15, 2022. Under the Measures for Cybersecurity Review, the procurement of network products and services by critical information infrastructure operators and the data processing activities conducted by network platform operators which affect or may affect national security shall be subject to cybersecurity review. Besides, according to Article 7 of the Measures for Cybersecurity Review, a network platform operator who processes the personal information of more than one million users and is seeking for listing in a foreign country must apply for a cybersecurity review. In addition, according to Article 16 of the Measures for Cybersecurity Review, member organizations of the cybersecurity review working mechanism (the “**Working Members**”) may initiate cybersecurity review towards network products, network services, and data processing activities ex officio, which means we may be also subject to cybersecurity review when the Working Members initiate such cybersecurity review ex officio. According to Article 10 of Regulations on the Security Protection of Critical Information Infrastructure, the security protection departments of critical information infrastructure will timely notify the identification results to the operators. As of the Latest Practicable Date, we had not received such notification.

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Subject to further official guidance and implementation rules relating to the Measures for Cybersecurity Review, we may be required to apply for cybersecurity review in consideration of the provisions of the Draft Network Data Regulations and Article 16 of the Measures for Cybersecurity Review. Any failure to comply with applicable cybersecurity, privacy, and data protection laws and regulations could result in proceedings against us by government authorities or others, including notification for rectification, confiscation of illegal earnings, fines, or other penalties and legal liabilities against us, which could materially and adversely affect our business, financial condition, and results of operations. In addition, any negative publicity on our website or platform's safety or privacy protection mechanism and policy could harm our public image and reputation and materially and adversely affect our business, financial condition, and results of operations.

**Developments in the PRC legal system may affect our business and limit the legal protection available to you.**

Our operating subsidiary and operations are mainly located in the PRC. Our business in the PRC is subject to the PRC laws and regulations applicable to foreign investment in the PRC. The PRC legal system is a civil law system based on written statutes. Unlike the common law legal system, prior court decisions in a civil law system have little precedential value and can only be used as a reference. Laws, rules and regulations in relation to economic matters are promulgated from time to time, including those related to such as foreign investment, corporate organization and governance, commerce, taxation, finance, foreign exchange and trade, so as to develop a comprehensive system of commercial law. Many of these laws and regulations are relatively new and are subject to further implementation and interpretation. There may also be new laws and regulations to cover new economic activities in the PRC, and we cannot assure you that our business operations will not be adversely affected in the future.

In addition, we cannot assure you that we have obtained all the permits or licenses required for conducting our business in China or will be able to maintain our existing licenses or obtain new ones. If the PRC government considers that we were operating without the requisite approvals, licenses or permits or promulgates new laws and regulations that require additional approvals or licenses or imposes additional restrictions on the operation of any part of our business, it has the power, among other things, to levy fines, confiscate our income, revoke our business licenses, and require us to discontinue our relevant business or impose restrictions on the affected portion of our business. Any of the foregoing actions may have a material adverse effect on our business and results of operations. Due to the evolving regulatory landscape, changes in interpretation of laws and regulations could also subject us to non-compliance risks and potential penalties and fines. For example, there is uncertainty as to the characterization of income received by our registered physicians through our platform. If the tax authority's interpretation of current regulations is clarified and is different from ours, we may potentially be required to pay any arrears and be subject to penalties of up to three times the amount of individual income tax that we failed to withhold for registered physicians on our platform, although our PRC Legal Advisor has advised us that such possibility is remote because: (i) the legal liability to pay PRC individual income tax, which technically cannot be shifted, falls on the registered physicians, and not us. As such, the possibility of us being required to pay PRC individual income tax for the physicians registered on our platform is remote; and (ii) we do not have any obligation to withhold tax in respect of business income of our registered physicians. Since the income received by registered physicians is deemed to

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be business income (instead of labor service income) under the current framework of the PRC Individual Income Tax Law, and the recharacterization of such income as labor service income is remote under the current practice of the tax authorities, the possibility of us being subject to penalties for failing to withhold taxes is also remote.

**China’s M&A Rules and certain other PRC regulations establish complex procedures for some acquisitions of PRC companies by foreign investors, which could make it more difficult for us to pursue growth through acquisitions in China.**

On August 8, 2006, six PRC regulatory authorities, including the MOFCOM and other government authorities jointly issued the Rules on Mergers and Acquisitions of Domestic Enterprise by Foreign Investors (《關於外國投資者併購境內企業的規定》) which was effective as of September 8, 2006, and amended on June 22, 2009 (the “M&A Rules”). The M&A Rules, and other recently adopted regulations and rules concerning mergers and acquisitions established additional procedures and requirements that could make merger and acquisition activities by foreign investors more time consuming and complex. For example, the M&A Rules require that MOFCOM be notified in advance of any change-of-control transaction in which a foreign investor takes control of a PRC domestic enterprise, if (i) any important industry is concerned, such transaction involves factors that impact or may impact national economic security, or such transaction will lead to a change in control of a domestic enterprise which holds a famous trademark or PRC time-honored brand. Moreover, the Anti-monopoly Law of the PRC (《中華人民共和國反壟斷法》) promulgated by the SCNPC effective in August 2008, which was recently amended on June 24, 2022 and effective on August 1, 2022, and the Provisions of the State Council on the Thresholds for Declaring Concentration of Business Operators (《國務院關於經營者集中申報標準的規定》) require that transactions which are deemed concentrations and involve parties with specified turnover thresholds (meaning during the previous fiscal year, (i) the total global turnover of all operators participating in the transaction exceeds RMB12 billion and at least two of these operators each had a turnover of more than RMB800 million within China; or (ii) the total turnover within China of all the operators participating in the concentration exceeded RMB4 billion, and at least two of these operators each had a turnover of more than RMB800 million within China) must be cleared by anti-monopoly enforcement authority of the State Council before they can be completed. On December 14, 2020, the SAMR announced three cases of administrative penalties for the failures of acquirers to make proper concentration declarations to authorities about their past acquisitions.

In addition, in 2011, the General Office of the State Council promulgated a Notice on Establishing the Security Review System for Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《國務院辦公廳關於建立外國投資者併購境內企業安全審查制度的通知》), also known as Circular 6, which officially established a security review system for mergers and acquisitions of domestic enterprises by foreign investors. Further, MOFCOM promulgated the Regulations on Implementation of Security Review System for the Merger and Acquisition of Domestic Enterprises by Foreign Investors (《商務部實施外國投資者併購境內企業安全審查制度的規定》), effective in September 2011, to implement Circular 6. Under Circular 6, a security review is required for mergers and acquisitions by foreign investors having “national defense and security” concerns and mergers and acquisitions by which foreign investors may acquire the “de facto control” of domestic enterprises with “national security”

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concerns. Under the foregoing MOFCOM regulations, MOFCOM will focus on the substance and actual impact of the transaction when deciding whether a specific merger or acquisition is subject to security review. If MOFCOM decides that a specific merger or acquisition is subject to a security review, it will submit it to the Inter-Ministerial Panel, an authority established under Circular 6 led by the NDRC, and MOFCOM under the leadership of the State Council, to carry out security review. The regulations prohibit foreign investors from bypassing the security review by structuring transactions through entrustment, trusts, indirect investments, leases, loans, control through contractual arrangements or offshore transactions. On December 19, 2020, the NDRC and MOFCOM jointly promulgated the Measures on the Security Review of Foreign Investment (《外商投資安全審查辦法》), effective on January 18, 2021, setting forth provisions concerning the security review mechanism on foreign investment, including the types of investments subject to review, review scopes and procedures, among others. The Office of the Working Mechanism of the Security Review of Foreign Investment (外商投資安全審查工作機制辦公室) (the “**Office of the Working Mechanism**”) will be established under NDRC, who will lead the task together with MOFCOM. Foreign investor or relevant parties in China must declare the security review to the Office of the Working Mechanism prior to the investments in, among other industries, important information technology and Internet products and services, important financial services, key technologies and other important fields relating to national security, and obtain de facto control in the target enterprise.

In the future, we may grow our business by acquiring complementary businesses. Complying with the requirements of the above-mentioned regulations and other relevant rules to complete such transactions could be time consuming, and any required approval processes, including obtaining approval from MOFCOM, NDRC or its local counterparts may delay or inhibit our ability to complete such transactions. It is unclear whether our business would be deemed to be in an industry that raises national defense and security or national security concerns. However, MOFCOM, NDRC or other government agencies may publish explanations in the future determining that our business is in an industry subject to the security review, in which case our future acquisitions in China, including those by way of entering into contractual control arrangements with target entities, may be closely scrutinized or prohibited.

**We may be required to obtain prior approval or subject to filings or other requirements from the CSRC, CAC or other PRC regulatory authorities for the listing and trading of our Shares on the Stock Exchange.**

The M&A Rules include, among other things, provisions that purport to require that an offshore special purpose vehicle formed for the purpose of an overseas listing of securities in a PRC company obtain the approval of the CSRC prior to the listing and trading of such special purpose vehicle’s securities on an overseas stock exchange. On September 21, 2006, the CSRC published on its official website procedures regarding its approval of overseas listings by special purpose vehicles. However, uncertainty remains regarding the scope and applicability of the M&A Rules to offshore special purpose vehicles. For details, see “History, Reorganization and Corporate Structure—Regulatory Requirements of the PRC.”

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Furthermore, on February 17, 2023, the CSRC released the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) (the “**Trial Measures**”) and five supporting guidelines (collectively, the “**Trial Measures and Supporting Guidelines**”), which came into effect on March 31, 2023. The Trial Measures and Supporting Guidelines will regulate both direct and indirect overseas offering and listing of PRC domestic companies’ securities by adopting a filing-based regulatory regime. Pursuant to the Trial Measures and Supporting Guidelines, where an issuer submits an application for initial public offering to competent overseas regulators, such issuer must file with the CSRC within three business days after such application is submitted. The Trial Measures and Supporting Guidelines also require subsequent reports to be filed with the CSRC on material events, such as change of control or voluntary or forced delisting of the issuer(s) who have completed overseas offerings and listings.

On the same day, the CSRC also held a press conference for the release of the Trial Measures and issued the Notice on Administration for the Filing of Overseas Offering and Listing by Domestic Companies (《關於境內企業境外發行上市備案管理安排的通知》), which, among others, clarifies that (i) the domestic companies that have already been listed overseas on or before March 31, 2023 are not required to complete the filing procedures immediately, and they shall be required to file with the CSRC when subsequent matters such as refinancing are involved; (ii) on or prior to March 31, 2023, domestic companies that have already submitted valid applications for overseas offering and listing but have not obtain an approval from overseas regulatory authorities or stock exchanges may reasonably arrange the timing for submitting their filing applications with the CSRC, and must complete the filing before the completion of their overseas offering and listing; and (iii) a six-month transition period will be granted to domestic companies which, prior to March 31, 2023, have already obtained the approval from overseas regulatory authorities or stock exchanges (such as pass of hearing for listing in Hong Kong), but have not completed the overseas listing; if such domestic companies complete their overseas offering and listing on or prior to September 30, 2023, they are not required to complete the filing procedures immediately.

In addition, on February 24, 2023, the CSRC, the MOF, the National Administration of State Secrets Protection and the National Archives Administration of China jointly issued the Provisions on Strengthening Confidentiality and Archives Administration of Overseas Securities Offering and Listing by Domestic Companies (《關於加強境內企業境外發行證券和上市相關保密和檔案管理工作的規定》) (the “**Confidentiality and Archives Administration Provisions**”), which took effect on March 31, 2023, according to which, overseas securities regulators and competent overseas authorities may request to inspect, investigate or collect evidence from a domestic company concerning its overseas offering and listing or from the domestic securities companies and securities service providers that undertake relevant businesses for such domestic companies, such inspection, investigation and evidence collection shall be conducted under a cross-border regulatory cooperation mechanism, and the CSRC or other competent Chinese authorities will provide necessary assistance pursuant to bilateral and multilateral cooperation mechanisms. The domestic company, securities companies and securities service providers shall first obtain approval from the CSRC or other competent Chinese authorities before cooperating with the inspection and investigation by the overseas securities regulator or competent overseas authority, or providing documents and materials requested in such inspection and investigation. As the Confidentiality and Archives

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Administration Provisions are relatively new, and therefore there are substantial uncertainties with respect to their interpretation and implementation. For details, see “Regulatory Overview—Regulations on Overseas Listing.”

If the CSRC, CAC or other relevant PRC regulatory agencies subsequently determine that approval or filing is required for this Global Offering, we cannot guarantee that we will be able to obtain such approval or filing in a timely manner, or at all. The CSRC, CAC or other PRC regulatory agencies also may take actions requiring us, or making it advisable for us, not to proceed with this Global Offering. If we proceed with any of such offering without obtaining the CSRC’s or other relevant PRC regulatory agencies’ approval or filing to the extent it is required, or if we are unable to comply with any new approval or filing requirements, we may face regulatory actions or other sanctions from the CSRC, CAC or other PRC regulatory agencies. These regulatory agencies may impose fines and penalties on our operations in China, limit our ability to pay dividends outside of China, limit our operating privileges in China, delay or restrict the repatriation of the proceeds from this Global Offering into China or take other actions that could have a material adverse effect on our business, financial condition, results of operations and prospects.

Furthermore, if there are any other approvals, filings and/or other administration procedures to be obtained from or completed with the CSRC, CAC or other PRC regulatory agencies as required by any new laws and regulations for this Global Offering, we cannot assure you that we can obtain the required approval or complete the required filings or other regulatory procedures in a timely manner, or at all. Any failure to obtain the relevant approvals or complete the filings and other relevant regulatory procedures may subject us to regulatory actions or other sanctions from relevant PRC regulatory agencies, which may have a material adverse effect on our business, financial condition or results of operations.

**We may be classified as a “PRC resident enterprise” for PRC enterprise income tax purposes, which could result in unfavorable tax consequences to us and our Shareholders and have a material adverse effect on our results of operations and the value of your investment.**

Under the PRC Enterprise Income Tax Law and its implementation rules, an enterprise established outside of the PRC with a “de facto management body” within the PRC is considered a “resident enterprise” and will be subject to the enterprise income tax on its global income at the rate of 25%. The implementation rules define the term “de facto management body” as the body that exercises full and substantial control over and overall and substantial management of the business, productions, personnel, accounts and properties of an enterprise. In 2009, the STA issued a circular (the “**STA Circular 82**”), which provides certain specific criteria for determining whether the “de facto management body” of a PRC-controlled enterprise that is incorporated offshore is located in China. Although this circular only applies to offshore enterprises controlled by PRC enterprises or PRC enterprise groups, not those controlled by PRC individuals or foreigners, the criteria set forth in the circular may reflect the STA’s general position on how the “de facto management body” test should be applied in determining the tax resident status of all offshore enterprises. According to STA Circular 82, an offshore incorporated enterprise controlled by a PRC enterprise or a PRC enterprise group will be regarded as a PRC tax resident by virtue of having its “de facto management body” in China and will be subject to PRC enterprise income tax on its global income only if all of the

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following conditions are met: (i) the primary location where senior management personnel and departments that are responsible for the day-to-day operational management is in the PRC; (ii) decisions relating to the enterprise's financial and human resource matters are made or are subject to approval by organizations or personnel in the PRC; (iii) the enterprise's primary assets, accounting books and records, company seals, and board and shareholder resolutions, are located or maintained in the PRC; and (iv) at least 50% of voting board members or senior executives habitually reside in the PRC.

We believe that neither we nor any of our offshore subsidiaries are a PRC resident enterprise for PRC tax purposes. However, the tax resident status of an enterprise is subject to determination by the PRC tax authorities and uncertainties remain with respect to the interpretation of the term "de facto management body." If the PRC tax authorities determine that we and/or our offshore subsidiaries are a PRC resident enterprise for enterprise income tax purposes, we and/or our offshore subsidiaries will be subject to the uniform 25% enterprise income tax on our world-wide income, which could materially reduce our net income. In addition, we and/or our offshore subsidiaries will also be subject to PRC enterprise income tax reporting obligations. Furthermore, if the PRC tax authorities determine that we are a PRC resident enterprise for enterprise income tax purposes, gains realized on the sale or other disposition of our Shares may be subject to PRC tax, and dividends we pay may be subject to PRC withholding tax, at a rate of 10% in the case of non-PRC enterprises or 20% in the case of non-PRC individuals (in each case, subject to the provisions of any applicable tax treaty). It is unclear whether non-PRC Shareholders of our company would be able to claim the benefits of any tax treaties between their country of tax residence and the PRC in the event that we are treated as a PRC resident enterprise. Any such tax may reduce the returns on your investment in our Shares.

**The heightened scrutiny over acquisition transactions by PRC tax authorities may have a negative impact on our business operations, our acquisition or restructuring strategy or the value of your investment in us.**

Pursuant to the Notice on Strengthening the Administration of Enterprise Income Tax Concerning Proceeds from Equity Transfers by Non-Resident Enterprises, or STA Circular 698, issued by the STA in December 2009 with retroactive effect from January 1, 2008, where a non-resident enterprise transfers the equity interests of a PRC resident enterprise indirectly by disposition of the equity interests of an overseas non-public holding company, or an Indirect Transfer, and such overseas holding company is located in a tax jurisdiction that (i) has an effective tax rate of less than 12.5% or (ii) does not impose income tax on the foreign income of its residents, the non-resident enterprise, being the transferor, must report to the competent tax authority of the PRC resident enterprise this Indirect Transfer. Using a "substance over form" principle, the PRC tax authority may disregard the existence of the overseas holding company if it lacks a reasonable commercial purpose and was established for the purpose of reducing, avoiding or deferring PRC tax.

On February 3, 2015, the STA issued the Announcement on Several Issues Concerning Enterprise Income Tax for Indirect Transfer of Assets by Non-Resident Enterprises, or STA Circular 7, which abolished certain provisions in STA Circular 698, as well as certain other rules providing clarification on STA Circular 698. STA Circular 7 provided comprehensive guidelines relating to, and also heightened the PRC tax authorities' scrutiny over, indirect



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transfers by a non-resident enterprise of PRC taxable assets. Under STA Circular 7, the PRC tax authorities are entitled to reclassify the nature of an indirect transfer of PRC taxable assets, when a non-resident enterprise transfers PRC taxable assets indirectly by disposing of equity interests in an overseas holding company directly or indirectly holding such PRC taxable assets, by disregarding the existence of such overseas holding company and considering the transaction to be a direct transfer of PRC enterprise without any other reasonable commercial purpose. However, STA Circular 7 contains certain exemptions, including (i) where a non-resident enterprise derives income from the indirect transfer of PRC taxable assets by acquiring and selling shares of an overseas listed company which holds such PRC taxable assets on a public market; and (ii) where the income from a transfer of PRC taxable assets by the non-resident enterprise would have been exempted from PRC enterprise income tax under an applicable tax treaty or arrangement.

On October 17, 2017, the STA issued the Announcement on Matters Concerning Withholding and Payment of Income Tax of Non-resident Enterprises from Source, or STA Circular 37, which became effective on December 1, 2017 and abolished STA Circular 698 as well as certain provisions in STA Circular 7. STA Circular 37 further clarifies the practice and procedure of withholding non-resident enterprise income tax. Pursuant to STA Circular 37, where the party responsible for deducting such income tax did not or was unable to make such deduction, or the non-resident enterprise receiving such income failed to declare and pay the taxes that should have been deducted to the relevant tax authority, both parties may be subject to penalties.

We may conduct acquisitions or sales involving changes in offshore corporate structures, and historically our Shares were transferred by certain then Shareholders to our current Shareholders. We face uncertainties as to the reporting and other implications of certain past and future transactions where PRC taxable assets are involved, including transfer of our Shares by non-PRC resident enterprise Shareholders unless such Shareholders acquire and sell such Shares on the public market after we are listed. We may be subject to filing obligations or taxed or subject to withholding obligations in such transactions under STA Circular 7 and STA Circular 37. For transfer of Shares in us by Shareholders that are non-PRC resident enterprises, our PRC subsidiaries may be requested to assist in the filing under STA Circular 7 and STA Circular 37. We cannot assure you that the PRC tax authorities will not adjust any capital gains and impose tax return filing obligations on us or require us to provide assistance for the investigation of PRC tax authorities with respect thereto. Any PRC tax imposed on a transfer of our Shares or any adjustment of such gains would cause us to incur additional costs and may have a negative impact on the value of your investment in us.

**You may be subject to PRC income tax on dividends from us or on any gain realized on the transfer of our Shares.**

Under the EIT Law and its implementation rules, PRC withholding tax at the rate of 10% is generally applicable to dividends from PRC sources paid to investors that are resident enterprises outside of China, which do not have an establishment or place of business in China, or which have such establishment or place of business if the relevant income is not effectively connected with the establishment or place of business. Any gain realized on the transfer of shares by such investors is subject to 10% PRC income tax if such gain is regarded as income derived from sources within China. Under the PRC Individual Income Tax Law and its

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implementation rules, dividends from sources within China paid to foreign individual investors who are not PRC residents are generally subject to a PRC withholding tax at a rate of 20% and gains from PRC sources realized by such investors on the transfer of shares are generally subject to 20% PRC income tax. Any such PRC tax liability may be reduced by the provisions of an applicable tax treaty.

We may be classified as a PRC resident enterprise for PRC enterprise income tax purposes. For details, see “—We may be classified as a “PRC resident enterprise” for PRC enterprise income tax purposes, which could result in unfavorable tax consequences to us and our Shareholders and have a material adverse effect on our results of operations and the value of your investment.” As substantially all of our business operations are in China, it is unclear whether dividends we pay with respect to our Shares, or the gain realized from the transfer of our Shares, would be treated as income derived from sources within China and as a result be subject to PRC income tax if we are considered a PRC resident enterprise. If PRC income tax is imposed on gains realized through the transfer of our Shares or on dividends paid to our non-resident investors, the value of your investment in our Shares may be materially and adversely affected. Furthermore, our Shareholders whose jurisdictions of residence have tax treaties or arrangements with China may not qualify for benefits under such tax treaties or arrangements.

In addition, pursuant to the Arrangement Between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation on Income (the “**Double Tax Avoidance Arrangement**”) and the Notice of the State Taxation Administration on Certain Issues with Respect to the Enforcement of Dividend Provisions in Tax Treaties issued on February 20, 2009 by STA, if a Hong Kong resident enterprise owns more than 25% of the equity interest in a PRC company at all times during the twelve-month period immediately prior to obtaining a dividend from such company, the 10% withholding tax on dividends is reduced to 5% provided certain other conditions and requirements under the Double Tax Avoidance Arrangement and other applicable PRC laws are satisfied at the discretion of the relevant PRC tax authority. However, based on the Notice of the State Taxation Administration on Certain Issues with Respect to the Enforcement of Dividend Provisions in Tax Treaties, if the relevant PRC tax authorities determine, in their discretion, that a company benefits from such reduced income tax rate due to a structure or arrangement that is primarily tax-driven, the PRC tax authorities may adjust the preferential tax treatment. Based on the Notice of the State Taxation Administration on the Recognition of Beneficial Owners in Tax Treaties, or Circular 9, issued on February 3, 2018 by STA and effective from April 1, 2018, when determining the applicant’s status of the “beneficial owner” regarding tax treatments in connection with dividends, interests or royalties in the tax treaties, several factors, including without limitation, whether the applicant is obligated to pay more than 50% of his or her income in twelve months to residents in a third country or region, whether the business operated by the applicant constitutes the actual business activities, and whether the counterparty country or region to the tax treaties does not levy any tax or grant tax exemption on relevant incomes or levies tax at an extremely low rate, will be taken into account, and it will be analyzed according to the actual circumstances of the specific cases. If our Hong Kong subsidiaries are determined by PRC government authorities as receiving benefits from reduced income tax rates due to a structure or arrangement that is primarily tax-driven, it would materially and adversely affect the amount of dividends.

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**PRC regulations of loans and direct investment by offshore holding companies to PRC and regulations on currency conversion may delay or prevent us from using the proceeds of the Global Offering to make loans or additional capital contributions to our PRC subsidiaries, which could materially and adversely affect our liquidity and our ability to fund and expand our business.**

We may transfer funds to our PRC subsidiaries or finance our PRC subsidiaries by means of Shareholders' loans or capital contributions after completion of the Global Offering. According to the relevant PRC regulations on foreign invested enterprises in China, capital contributions to our PRC subsidiaries are subject to the registration with the SAMR or its local counterpart and registration with a local bank authorized by SAFE. Any loans to our PRC subsidiaries, which are foreign-invested enterprises, or FIEs, cannot exceed a statutory limit, or as an alternative, subject to the calculation approach and limitation as provided by the People's Bank of China, and shall be filed with SAFE or its local counterparts through the online filing system of SAFE after the loan agreement is signed and at least three business days before the borrower withdraws any amount from the foreign loan. Additionally, any medium or long-term loans to be provided by us to our PRC subsidiaries must be registered with the NDRC. We may not be able to obtain these government registrations or approvals, or complete these government filings on a timely basis, if at all. If we fail to receive such registrations or approvals or complete such filings, our ability to provide loans or capital contributions to our PRC subsidiaries in a timely manner may be negatively affected, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

On March 30, 2015, SAFE promulgated the Circular on Reforming the Administration Measures on Conversion of Foreign Exchange Registered Capital of Foreign-invested Enterprises, or Circular 19. Circular 19, however, allows foreign-invested enterprises in China to use their registered capital settled in Renminbi converted from foreign currencies to make equity investments, but the registered capital of a foreign-invested company settled in Renminbi converted from foreign currencies remains not allowed to be used for investment in the security markets, offering entrustment loans or purchases of any investment properties, unless otherwise regulated by other laws and regulations. On June 9, 2016, SAFE further issued the Circular of the State Administration of Foreign Exchange on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Accounts, or Circular 16, which, among other things, amended certain provisions of Circular 19. According to Circular 19 and Circular 16, the flow and use of the Renminbi capital converted from foreign currency-denominated registered capital of a foreign-invested company is regulated such that Renminbi capital may not be used for business beyond its business scope or to provide loans to persons other than affiliates unless otherwise permitted under its business scope. If our Consolidated Affiliated Entities require financial support from us or our PRC subsidiaries in the future, and we find it necessary to use foreign currency-denominated capital to provide such financial support, our ability to fund our Consolidated Affiliated Entities' operations will be subject to statutory limits and restrictions, including those described above. The applicable foreign exchange circulars and rules may limit our ability to transfer the net proceeds from the Global Offering to our PRC subsidiaries and convert the net proceeds into Renminbi, which may adversely affect our business, financial condition and results of operations.

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**We may be subject to penalties, including restrictions on our ability to inject capital into our PRC subsidiaries and our PRC subsidiaries' ability to distribute profits to us, if our resident Shareholders or beneficial owners in China fail to comply with relevant PRC foreign exchange regulations.**

SAFE issued the Notice on Relevant Issues Relating to Domestic Residents' Investment and Financing and Round-Trip Investment through Special Purpose Vehicles, or Circular 37, effective on July 4, 2014. Circular 37 requires PRC residents, including PRC individuals and institutions, to register with SAFE or its local branches in connection with their direct establishment or indirect control of an offshore special purpose vehicle, for the purpose of overseas investment and financing, with such PRC residents' legally owned assets or equity interests in domestic enterprises or offshore assets or interests. In addition, such PRC residents must update their foreign exchange registrations with SAFE or its local branches when the offshore special purpose vehicle in which such residents directly hold the equity interests undergoes material events relating to any change of basic information (including change of such PRC individual shareholder, name and operation term), increases or decreases in investment amount, share transfers or exchanges, or mergers or divisions.

If any shareholder holding interest in an offshore special purpose vehicle, who is a PRC resident as determined by Circular 37, fails to fulfill the required foreign exchange registration with the local SAFE branches, the PRC subsidiaries of that offshore special purpose vehicle may be prohibited from distributing their profits and dividends to their offshore parent company or from carrying out other subsequent cross-border foreign exchange activities, and the offshore special purpose vehicle may be restricted in its ability to contribute additional capital to its PRC subsidiaries. Moreover, failure to comply with the SAFE registration described above could result in liability under PRC laws for evasion of applicable foreign exchange restrictions.

On February 13, 2015, SAFE promulgated the Notice of the State Administration of Foreign Exchange on Further Simplifying and Improving the Policies of Foreign Exchange Administration Applicable to Direct Investment, or SAFE Circular 13, effective June 1, 2015. In accordance with SAFE Circular 13, entities and individuals are required to apply for foreign exchange registration of foreign direct investment and overseas direct investment, including those required under Circular 37, with qualified banks, instead of SAFE. The qualified banks, under the supervision of SAFE, directly examine the applications and conduct the registration.

We may not be fully informed of the identities of all our Shareholders or beneficial owners who are PRC residents, and therefore, we may not be able to identify all our Shareholders or beneficial owners who are PRC residents to ensure their compliance with Circular 37 or other related rules. In addition, we cannot provide any assurance that all of our Shareholders and beneficial owners who are PRC residents will comply with our request to make, obtain or update any applicable registrations or comply with other requirements required by Circular 37 or other related rules in a timely manner. Even if our Shareholders and beneficial owners who are PRC residents comply with such request, we cannot provide any assurance that they will successfully obtain or update any registration required by Circular 37 or other related rules in a timely manner due to many factors, including those beyond our and

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their control. If any of our Shareholders who is a PRC resident as determined by Circular 37 fails to fulfill the required foreign exchange registration, our PRC subsidiaries may be prohibited from distributing their profits and dividends to us or from carrying out other subsequent cross-border foreign exchange activities, and we may be restricted in our ability to contribute additional capital to our PRC subsidiaries, which may adversely affect our business.

**We principally rely on dividends and other distributions on equity paid by our PRC subsidiaries to fund any cash and financing requirements we may have. Any limitation on the ability of our PRC subsidiaries to make payments to us could have a material adverse effect on our ability to conduct our business or financial condition.**

We are a holding company, and we principally rely on dividends and other distributions on equity that may be paid by our PRC subsidiaries and remittances from our Consolidated Affiliated Entities, for our cash and financing requirements, including the funds necessary to pay dividends and other cash distributions to the holders of our Shares and service any debt we may incur. If our PRC subsidiaries or our Consolidated Affiliated Entities incur debt on their own behalf in the future, the instruments governing the debt may restrict their ability to pay dividends or make other distributions to us.

Under PRC laws and regulations, wholly foreign-owned enterprises in China may pay dividends only out of their retained earnings as determined in accordance with PRC accounting standards and regulations. In addition, a wholly foreign-owned enterprise is required to set aside at least 10% of its after-tax profits each year, after making up previous years' accumulated losses, if any, to fund certain statutory reserve funds, until the aggregate amount of such a fund reaches 50% of its registered capital. Our PRC subsidiaries may also allocate a portion of their respective after-tax profits based on PRC accounting standards to discretionary reserve funds. These reserve funds are not distributable as cash dividends.

More restrictions and substantial vetting process may be put forward for cross-border transactions falling under both the current account and the capital account. Any limitation on the ability of our Consolidated Affiliated Entities to make remittance to our wholly-owned PRC subsidiaries to pay dividends or make other distributions to us could materially and adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our business, pay dividends, or otherwise fund and conduct our business.

**Restrictions on the remittance of Renminbi into and out of China and regulations on currency conversion may limit our ability to pay dividends and other obligations, and affect the value of your investment.**

We receive substantially all of our revenue in Renminbi. Under our current corporate structure, our income is primarily derived from dividend payments from our PRC subsidiaries. We may convert a portion of our revenue into other currencies to meet our foreign currency obligations, such as payments of dividends declared in respect of our Shares, if any. Shortages in the availability of foreign currency may restrict the ability of our PRC subsidiaries to remit sufficient foreign currency to pay dividends or other payments to us, or otherwise satisfy their foreign currency denominated obligations.

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Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior SAFE approval by complying with certain procedural requirements. However, approval from or registration or filings with competent government authorities is required where Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. Pursuant to the SAFE Circular 19, a foreign-invested enterprise may convert up to 100% of the foreign currency in its capital account into Renminbi on a discretionary basis according to the actual needs. The SAFE Circular 16 provides for an integrated standard for conversion of foreign exchange under capital account items on a discretionary basis, which applies to all enterprises registered in China. In addition, the SAFE Circular 16 has narrowed the scope of purposes for which an enterprise must not use the Renminbi funds so converted, which include, among others, (i) payment for expenditure beyond its business scope or otherwise as prohibited by the applicable laws and regulations; (ii) investment in securities or other financial products other than banks' principal-secured products; (iii) provision of loans to non-affiliated enterprises, except where it is expressly permitted in the business scope of the enterprise; and (iv) construction or purchase of non-self-used real properties, except for real estate developers. If the foreign exchange management system affects our ability from obtaining sufficient foreign currencies to satisfy our foreign currency needs, we may not be able to pay dividends in foreign currencies to our Shareholders.

### **Fluctuations in exchange rates could result in foreign currency exchange losses.**

The Renminbi has fluctuated against the U.S. dollar, at times significantly and unpredictably. During the Track Record Period, we recorded foreign exchange gain of RMB27.6 million in 2021 and foreign exchange losses of RMB134.7 million and RMB28.4 million in 2022 and 2023, respectively. The value of Renminbi against the U.S. dollar and other currencies is affected by changes in China's political and economic conditions and by China's foreign exchange policies, among other things. We cannot assure you that Renminbi will not appreciate or depreciate significantly in value against the Hong Kong dollar or U.S. dollar in the future. It is difficult to predict how market forces or PRC or U.S. government policy may impact the exchange rate between Renminbi and the Hong Kong dollar or U.S. dollar in the future.

The proceeds from the Global Offering will be received in Hong Kong dollars. As a result, any appreciation of the Renminbi against the U.S. dollar, the Hong Kong dollar or any other foreign currencies may result in the decrease in the value of our proceeds from the Global Offering. Conversely, any depreciation of the Renminbi may adversely affect the value of, and any dividends payable on, our Shares in foreign currency. In addition, there are limited instruments available for us to reduce our foreign currency risk exposure at reasonable costs. Furthermore, we are also currently required to complete filings with and obtain approvals from SAFE before converting significant sums of foreign currencies into Renminbi. All of these factors could materially and adversely affect our business, financial condition, results of operations and prospects, and could reduce the value of, and dividends payable on, our Shares in foreign currency terms.

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**You may experience difficulties in effecting service of process upon or enforcing foreign judgments against us or our Directors or officers.**

Most of our assets are situated in the PRC and most of our directors and officers reside and most of their respective assets are located in the PRC. Therefore, there remains the possibility that it may be difficult to effect service of process outside the PRC upon most of our directors and officers, including with respect to matters arising under applicable securities laws. The PRC does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with the United States and many other countries. Consequently, you may experience difficulties in enforcing against us or our directors or officers in the PRC any judgments obtained from courts outside of the PRC.

On July 14, 2006, Hong Kong and the PRC entered into the Arrangement between the Courts of the Mainland and Courts of the Hong Kong Special Administrative Region on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters Where the Parties Involved Have a Choice of Court Agreement (the “**2006 Arrangement**”), effective from August 1, 2008. Pursuant to the 2006 Arrangement, a party with an enforceable final court judgment rendered by any designated PRC court or any designated Hong Kong court requiring payment of money in a civil and commercial case according to a written choice of court agreement, may apply for recognition and enforcement of the judgment in the relevant PRC court or Hong Kong court. A written choice of court agreement is defined as any agreement in writing entered into between parties after the effective date of the 2006 Arrangement in which a Hong Kong court or a PRC court is expressly designated as the court having sole jurisdiction for the dispute. Therefore, it may not be possible to enforce a judgment rendered by a Hong Kong court in the PRC pursuant to the 2006 Arrangement if the parties in the dispute did not enter into a written choice of court agreement. In January 2019, Hong Kong and the PRC entered into another arrangement on court judgment recognition and enforcement—the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (the “**2019 Arrangement**”), which took effect on January 29, 2024 and superseded the 2006 Arrangement, save for contracts containing exclusive jurisdiction agreements signed before January 29, 2024. The Mainland Judgments in Civil and Commercial Matters (Reciprocal Enforcement) Ordinance (Chapter 645 of the Laws of Hong Kong), which implements the 2019 Arrangement, came into operation on January 29, 2024 as well. The new regime no longer limits enforceable judgments to those granting monetary awards and whose parties have written and exclusive choice of forum agreement. However, uncertainties exist with respect to the interpretation and enforcement of the newly implemented laws in practice.

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**Failure to comply with PRC regulations regarding the registration requirements for employee share ownership plans or share option plans may subject the PRC plan participants or us to fines and other legal or administrative sanctions.**

In February 2012, the State Administration of Foreign Exchange, or SAFE, promulgated the Notices on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plan of Overseas Publicly Listed Company, replacing earlier rules promulgated in 2007. Pursuant to these rules, PRC citizens and non-PRC citizens who reside in China for a continuous period of not less than one year and participate in any stock incentive plan of an overseas publicly listed company are required to register with SAFE through a domestic qualified agent, which could be the PRC subsidiaries of such overseas-listed company, and complete certain other procedures, unless certain exceptions are available. In addition, an overseas-entrusted institution must be retained to handle matters in connection with the exercise or sale of stock options and the purchase or sale of shares and interests. We and our executive officers and other employees who are PRC citizens or non-PRC citizens living in China for a continuous period of not less than one year and have been granted options will be subject to these regulations when our company becomes an overseas-listed company upon the completion of the Global Offering. Failure to complete SAFE registrations may subject them or us to fines or supervision measures. We also face regulatory uncertainties that could restrict our ability to adopt additional incentive plans for our directors, executive officers and employees under PRC law.

In addition, the STA, has issued certain circulars concerning employee share options and restricted shares. Under these circulars, our employees working in China who exercise share options or are granted restricted shares will be subject to PRC individual income tax. Our PRC subsidiary has obligations to file documents related to employee share options or restricted shares with relevant tax authorities and to withhold individual income taxes for those employees who exercise their share options. If our employees fail to pay or we fail to withhold their income taxes according to relevant laws and regulations, we may face sanctions imposed by the tax authorities or other PRC government authorities.

**It may be difficult for overseas regulators to conduct investigation or collect evidence within China.**

Shareholder claims or regulatory investigation that are common in jurisdictions outside China are difficult to pursue as a matter of law or practicality in China. Cooperation mechanism with the securities regulatory authorities of another country or region to implement cross-border supervision and administration may not be efficient in the absence of mutual and practical cooperation mechanism. Furthermore, according to Article 177 of the PRC Securities Law, or Article 177, which became effective in March 2020, no overseas securities regulator is allowed to directly conduct investigation or evidence collection activities within the territory of the PRC, and without the consent by the PRC securities regulatory authorities and the other competent governmental agencies, no entity or individual may provide documents or materials related to securities business to any foreign party. While detailed interpretation of or implementation rules under Article 177 have yet to be promulgated, the inability for an overseas securities regulator to directly conduct investigation or evidence collection activities within China may further increase difficulties faced by you in protecting your interests.



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In addition, on February 24, 2023, CSRC and other three PRC regulatory authorities jointly issued the Confidentiality and Archives Administration Provisions, which will take effect on March 31, 2023, according to which, overseas securities regulators and competent overseas authorities may request to inspect, investigate or collect evidence from a domestic company concerning its overseas offering and listing or from the domestic securities companies and securities service providers that undertake relevant businesses for such domestic companies, such inspection, investigation and evidence collection shall be conducted under a cross-border regulatory cooperation mechanism, and the CSRC or other competent Chinese authorities will provide necessary assistance pursuant to bilateral and multilateral cooperation mechanisms. The domestic company, securities companies and securities service providers shall first obtain approval from the CSRC or other competent Chinese authorities before cooperating with the inspection and investigation by the overseas securities regulator or competent overseas authority, or providing documents and materials requested in such inspection and investigation. As the Confidentiality and Archives Administration Provisions are relatively new, there are uncertainties with respect to their interpretation and implementation.

**Any failure or perceived failure by us to comply with the anti-monopoly laws and regulations may result in governmental investigations or enforcement actions, litigation or claims against us and could have an adverse effect on our business, financial condition and results of operations.**

The PRC anti-monopoly enforcement agencies have in recent years strengthened enforcement under the Anti-monopoly Law of PRC (《中華人民共和國反壟斷法》). In March 2018, the SAMR was formed as a new governmental agency to take over, among other things, the anti-monopoly enforcement functions from the relevant departments under the MOFCOM, the NDRC and the SAIC, respectively. Since its inception, the SAMR has continued to strengthen anti-monopoly enforcement. On December 28, 2018, the SAMR issued the Notice on Anti-monopoly Enforcement Authorization (《關於反壟斷執法授權的通知》), which grants authorities to its province-level branches to conduct anti-monopoly enforcement within their respective jurisdictions. On September 11, 2020, the SAMR issued Anti-monopoly Compliance Guideline for Operators (《經營者反壟斷合規指南》), which requires, under the Anti-monopoly Law of the PRC, operators to establish anti-monopoly compliance management systems to prevent anti-monopoly compliance risks. On February 7, 2021, the Anti-Monopoly Commission of the State Council promulgated the Guidelines to Anti-Monopoly in the Field of Internet Platforms (《國務院反壟斷委員會關於平台經濟領域的反壟斷指南》), (the “**Anti-Monopoly Guidelines**”), which took effect on the same date and operate as a compliance guidance for platform economy operators under the existing PRC anti-monopoly laws and regulations. The Anti-Monopoly Guidelines aim at specifying some of the circumstances under which an activity of Internet platforms may be identified as monopolistic conduct as well as setting out filing procedures for concentration of undertakings involving variable interest entities. The Anti-Monopoly Guidelines mainly covers five aspects, including general provisions, monopoly agreements, abusing market dominance, concentration of undertakings, and abusing of administrative powers eliminating or restricting competition.

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Recently, the SAMR has imposed administrative penalties in a number of anti-monopoly cases in the Internet industry, and the regulatory environment for anti-monopoly in the Internet industry has been tightening. Given the uncertainties of the interpretation and implementation of the Anti-Monopoly Guidelines and considering the evolving legislative activities and varied local implementation practices of anti-monopoly and competition laws and regulations in the PRC, we may be required to make expenditures and adjust our business practice to comply with existing or future laws and regulations, which may increase our costs and limit our ability to operate our business. In addition, failure or perceived failure to comply with Anti-Monopoly Guidelines or other anti-monopoly related laws and regulations may result in investigations or enforcement actions, litigation or claims against us and could have an adverse effect on our business, financial conditions and results of operations.

**Failure to comply with PRC property-related laws and regulations regarding certain of our leased properties may adversely affect our business, financial condition and results of operations.**

We leased certain properties in the PRC in connection with our business operations. Some of these properties do not meet certain property-related requirements under PRC laws and regulations. For example, as of the Latest Practicable Date, leasing agreements of 12 of our leased properties for operation had not been registered and filed with the competent PRC government authorities as required by applicable PRC laws and regulations. We cannot assure you that the lessors will cooperate and complete the registration in a timely manner. Our PRC Legal Advisor has advised us that failure to complete the registration and filing of lease agreements will not affect the validity of such leases but could result in the imposition of fines up to RMB10,000 for each leased property that is unregistered if we fail to rectify the noncompliance within the time frame prescribed by the relevant authorities.

Furthermore, as of the Latest Practicable Date, some of the lessors of our lease properties had not provided us with their property ownership certificates, and some lease agreements had expired without renewal, for most of which we were in the process of obtaining relevant property ownership certificates and renewing relevant lease agreements. If our lessors are not the owners of the properties and they have not obtained consents from the owners or their lessors, our leases could be invalidated or terminated as a result of challenges by third parties. If that occurs, we may have to renegotiate the leases with the owners or other parties who have the right to lease the properties, and the terms of the new leases may be less favorable to us. Although we may seek damages from such lessors, such leases may be void and we may be forced to relocate, which may negatively influence our operations.

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### RISKS RELATING TO THE GLOBAL OFFERING

**There has been no prior public market for our Shares prior to the Global Offering, and you may not be able to resell our Shares at or above the price you pay, or at all.**

Prior to the completion of the Global Offering, there has been no public market for our Shares. There can be no guarantee that an active trading market for our Shares will develop or be sustained after completion of the Global Offering. The Offer Price is the result of negotiations between our Company and the Overall Coordinators (for themselves and on behalf of the Underwriters), which may not be indicative of the price at which our Shares will be traded following completion of the Global Offering. The market price of our Shares may drop below the Offer Price at any time after completion of the Global Offering. We have applied to the Stock Exchange for the listing of, and permission to deal in the Share. A Listing on the Stock Exchange, however, does not guarantee that an active and liquid trading market for our Shares will develop, or if it does develop, that it will be sustained following the Global Offering, or that the market price of the Shares will not decline following the Global Offering.

In addition, the trading volume and the trading price of our Shares may be volatile and could fluctuate widely in response to factors beyond our control, including general market conditions of the securities markets in Hong Kong, China, the United States and elsewhere in the world. In particular, the performance and fluctuation of the market prices of other companies with business operations located mainly in China that have listed their securities in Hong Kong may affect the volatility in the price of and trading volumes for our Shares. A number of China-based companies have listed their securities, and some are in the process of preparing for listing their securities, in Hong Kong. Some of these companies have experienced significant volatility. The trading performances of the securities of these companies at the time of or after their offerings may affect the overall investor sentiment towards China-based companies listed in Hong Kong and consequently may impact the trading performance of our Shares. These broad market and industry factors may significantly affect the market price and volatility of our Shares, regardless of our actual operating performance, and may result in losses on your investment in our Shares.

In addition to market and industry factors, the price and trading volume for our Shares maybe highly volatile for specific business reasons. In particular, factors such as variations in our revenue, earnings, and cash flow could cause the market price of our Shares to change substantially. Any of these factors may result in large and sudden change in the volume and trading price of our Shares.

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## RISK FACTORS

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**The actual or perceived sale or availability for sale of substantial amounts of our Shares, especially by our directors, executive officers and substantial Shareholders, could adversely affect the market price of our Shares.**

Future sales of a substantial number of our Shares, especially by our directors, executive officers and existing Shareholders, or the perception or anticipation of such sales, could negatively impact the market price of our Shares in Hong Kong and our ability to raise equity capital in the future at a time and price that we deem appropriate.

The Shares held by our existing Shareholders, excluding the RSU Platforms, are subject to certain lock-up periods. See “Underwriting—Underwriting Arrangements and Expenses.” While we currently are not aware of any intention of such persons to dispose of significant amounts of their Shares after the expiry of the lock-up periods, we cannot assure you that they will not dispose of any Shares they may own now or in the future. The effect of such disposal, if any, on the market price of the Shares cannot be predicted.

**You will incur immediate and substantial dilution and may experience further dilution in the future.**

As the Offer Price of Shares is higher than the net tangible book value per share of our Shares immediately prior to the Global Offering, purchasers of our Shares in the Global Offering will experience an immediate dilution. If we issue additional Shares in the future, purchasers of our Shares in the Global Offering may experience further dilution in their shareholding percentage.

**We cannot assure you that we will declare and distribute any amount of dividends in the future and you may have to rely on price appreciation of our Shares for return on your investment.**

We currently intend to retain most, if not all, of our available funds and any future earnings to fund the development and growth of our business. As a result, we have not yet adopted a dividend policy with respect to future dividends. Therefore, you should not rely on an investment in our Shares as a source for any future dividend income.

Our Board has discretion as to whether to distribute dividends, subject to certain restrictions under Cayman Islands law, namely that our Company may pay dividends out of profits or share premium, provided always that in no circumstances may a dividend be paid out of share premium if this would result in our Company being unable to pay its debts as they fall due in the ordinary course of business. In addition, our Shareholders may by ordinary resolution declare a dividend, but no dividend may exceed the amount recommended by our Board. Even if our Board decides to declare and pay dividends, the timing, amount and form of future dividends, if any, will depend on, among other things, our future results of operations and cash flow, our capital requirements and surplus, the amount of distributions, if any, received by us from our subsidiary, our financial condition, contractual restrictions and other factors deemed relevant by our board of directors. Accordingly, the return on your investment

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## RISK FACTORS

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in our Shares will likely depend entirely upon any future price appreciation of our Shares. There is no guarantee that our Shares will appreciate in value or even maintain the price at which you purchased the Shares. You may not realize a return on your investment in our Shares and you may even lose your entire investment in our Shares.

**The industry facts, statistics and forecasts in this prospectus that were obtained from various government publications and the industry report have not been independently verified.**

This prospectus, particularly the section headed “Industry Overview,” contains information and statistics relating to the healthcare market. Such information and statistics have been derived from third-party reports, either commissioned by us or publicly accessible, and other publicly available sources. The information and statistics from such sources have not been independently verified by us, the Controlling Shareholders, the Joint Sponsors, the Sponsor-Overall Coordinators, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, the Capital Market Intermediaries, any of our or their respective directors, officers or representatives or any other party, other than CIC, involved in the Global Offering and no representation is given as to its accuracy. Collection methods of such information may be flawed or ineffective, or there may be discrepancies between published information and market practice, which may result in the statistics being inaccurate. You should therefore not place undue reliance on such information. In addition, we cannot assure you that such information is stated or compiled on the same basis or with the same degree of accuracy as similar statistics presented elsewhere. In any event, you should consider carefully the importance placed on such information or statistics.

**You should read the entire document carefully and should not rely on any information contained in press articles or other media regarding us and the Global Offering.**

We strongly caution you not to rely on any information contained in press articles or other media regarding us and the Global Offering. Prior to the publication of this prospectus, there has been press and media coverage regarding us. Such press and media coverage may include references to certain information that does not appear in this prospectus, including certain operating and financial information and projections, valuations and other information. We have not authorized the disclosure of any such information in the press or media and do not accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information or publication. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information is inconsistent or conflicts with the information contained in this prospectus, we disclaim responsibility for it and you should not rely on such information.

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## RISK FACTORS

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**Our Controlling Shareholders have significant influence over our Company and their interests may not be aligned with the interests of our other Shareholders.**

Our Controlling Shareholders have substantial influence over our business and operations, including matters relating to management and policies, decisions in relation to acquisitions, expansion plans, business consolidation, the sale of all or substantially all of our assets, nomination of directors, dividends or other distributions, as well as other significant corporate actions. Following the completion of the Global Offering and assuming that the Over-allotment Option is not exercised, our Controlling Shareholders will collectively control approximately 57.34% of the voting power of our outstanding share capital. The concentration of voting power and the substantial influence of our Controlling Shareholders over our Company may discourage, delay or prevent a change in control of our Company, which could deprive other Shareholders of an opportunity to receive a premium for their Shares as part of a sale of our Company and reduce the price of our Shares. In addition, the interests of our Controlling Shareholders may differ from the interests of our other Shareholders. Subject to the Listing Rules, our Articles of Association and other applicable laws and regulations, our Controlling Shareholders will continue to have the ability to exercise substantial influence over us and to cause us to enter into transactions or take, or fail to take, actions or make decisions which conflict with the best interests of our other shareholders.

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## WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

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In preparation for the Global Offering, we have sought the following waivers from strict compliance with the relevant provisions of the Listing Rules.

### WAIVER IN RELATION TO MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, an issuer must have sufficient management presence in Hong Kong. This normally means that at least two of its executive directors must be ordinarily resident in Hong Kong.

We do not have sufficient management presence in Hong Kong for the purposes of satisfying the requirements under Rule 8.12 of the Listing Rules. The headquarters, senior management, business operations and assets of our Company are primarily located, managed and conducted in the PRC. Currently, though one of our executive Directors, namely Mr. ZOU Yuming (鄒宇鳴), is ordinarily resident in Hong Kong, none of the other executive Directors of our Company principally resides in Hong Kong, and our Company does not and, for the foreseeable future, will not have sufficient management presence in Hong Kong. The Directors consider that the appointment of additional executive Directors who will be ordinarily resident in Hong Kong, or relocation of another existing executive Directors to Hong Kong, would not be beneficial to, or appropriate for, our Group and therefore would not be in the best interests of our Company and the Shareholders as a whole. Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements under Rule 8.12 of the Listing Rules. We will put in place the following adequate and efficient arrangements to achieve regular and effective communication with the Stock Exchange as well as compliance with the Listing Rules:

- (a) pursuant to Rule 3.05 of the Listing Rules, we have appointed and will continue to maintain two authorized representatives, namely Mr. Xie and Mr. Zhou, each an executive Director, to be the principal communication channel at all times between the Stock Exchange and our Company. Each of our authorized representatives is available to meet with the Stock Exchange in Hong Kong within a reasonable timeframe upon the request of the Stock Exchange and will be readily contactable by telephone, facsimile and/or e-mail to deal promptly with enquiries from the Stock Exchange. Both of our authorized representatives are authorized to communicate on our behalf with the Stock Exchange;
- (b) each of our Directors has provided his/her respective contact details (such as mobile phone numbers, office phone numbers, residential phone numbers, email addresses and fax numbers) to each of the authorized representatives and to the Stock Exchange. This will ensure that each of the authorized representatives and the Stock Exchange will have the means to contact all the Directors (including the independent non-executive Directors) promptly as and when required, including means to communicate with the Directors when they are traveling;

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## WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

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- (c) all Directors who are not ordinarily resident in Hong Kong have confirmed they have or can apply for valid travel documents to visit Hong Kong and will be able to come to Hong Kong to meet with the Stock Exchange within a reasonable period of time when required;
- (d) we have retained the services of a compliance advisor, being Somerley Capital Limited (the “**Compliance Advisor**”), in accordance with Rule 3A.19 of the Listing Rules. The Compliance Advisor will serve as an additional channel of communication with the Stock Exchange in addition to the authorized representatives of our Company. The Compliance Advisor will provide our Company with professional advice on ongoing compliance with the Listing Rules. We will ensure that the Compliance Advisor has prompt access to our Company’s authorized representatives and Directors who will provide to the Compliance Advisor such information and assistance as the Compliance Advisor may need or may reasonably request in connection with the performance of the Compliance Advisor’s duties. The Compliance Advisor will also provide advice in compliance with Rule 3A.23 of the Listing Rules;
- (e) meetings between the Stock Exchange and the Directors could be arranged through the authorized representatives or the Compliance Advisor, or directly with the Directors within a reasonable time frame. Our Company will inform the Stock Exchange as soon as practicable in respect of any change in the authorized representatives and/or the Compliance Advisor in accordance with the Listing Rules; and
- (f) our Company will also appoint other professional advisors (including legal advisors in Hong Kong) after the Listing to assist us in addressing any enquiries which may be raised by the Stock Exchange and to ensure that there will be prompt and effective communication with the Stock Exchange.

### WAIVER IN RELATION TO JOINT COMPANY SECRETARIES

Pursuant to Rules 8.17 and 3.28 of the Listing Rules, the company secretary must be an individual who, by virtue of his or her academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of the company secretary. Pursuant to Note 1 to Rules 3.28 of the Listing Rules, the Stock Exchange considers the following academic or professional qualifications to be acceptable:

- (a) a Member of The Hong Kong Chartered Governance Institute;
- (b) a solicitor or barrister as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong); and



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## WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

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- (c) a certified public accountant as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong).

Pursuant to Note 2 to Rule 3.28 of the Listing Rules, in assessing “relevant experience”, the Stock Exchange will consider the individual’s:

- (a) length of employment with the issuer and other issuers and the roles he or she played;
- (b) familiarity with the Listing Rules and other relevant laws and regulations including the Securities and Futures Ordinance, Companies Ordinance, Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Takeovers Code;
- (c) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Listing Rules; and
- (d) professional qualifications in other jurisdictions.

Our Company has appointed Mr. ZOU Yuming (鄒宇鳴) (“**Mr. Zou**”) and Ms. FUNG Po Ting (馮寶婷) (“**Ms. Fung**”) of TMF Hong Kong Limited as joint company secretaries of our Company. Ms. Fung is an associate member of The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom and therefore meets the qualification requirements under Note 1 to Rule 3.28 of the Listing Rules and is in compliance with Rule 8.17 of the Listing Rules.

Mr. Zou joined our Group as vice president of strategic development in August 2018 and was appointed as our chief financial officer in April 2021. He is responsible for corporate finance and financial management of the Group, investor relations, and secretarial affairs of the Board. Prior to joining our Group, he served as a trader and an executive director in JP Morgan Chase & Co. from July 2003 to July 2018.

Accordingly, while Mr. Zou does not possess the formal qualifications required of a company secretary under Rule 3.28 of the Listing Rules, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules such that Mr. Zou may be appointed as a joint company secretary of our Company.

The waiver was granted for a three-year period on the condition that Ms. Fung, as a joint company secretary of our Company, will work closely with, and provide assistance to, Mr. Zou in the discharge of his duties as a joint company secretary and in gaining the relevant experience under Rule 3.28 of the Listing Rules. The waiver will be revoked immediately if Ms. Fung ceases to provide assistance to Mr. Zou as the joint company secretary for the three-year period after the Listing. In addition, Mr. Zou will comply with the annual professional training requirement under Rule 3.29 of the Listing Rules and will enhance his knowledge of the Listing Rules during the three-year period from the Listing Date. Our

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## **WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES**

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Company will further ensure that Mr. Zou has access to the relevant training and support that would enhance his understanding of the Listing Rules and the duties of a company secretary of an issuer listed on the Stock Exchange. Before the end of the three-year period, our Company must demonstrate and seek for the Stock Exchange's confirmation that Mr. Zou, having had the benefits from Ms. Fung's assistance during the three-year period, has attained the relevant experience under Note 2 to Rule 3.28 of the Listing Rules and is capable of discharging the function of a company secretary, so that a waiver will not be necessary.

Please refer to the section headed "Directors and Senior Management" for further information regarding the qualifications of Mr. Zou and Ms. Fung.

### **WAIVER IN RELATION TO CONTINUING CONNECTED TRANSACTIONS**

We have entered into transactions which will constitute continuing connected transactions of our Company under the Listing Rules following the completion of the Global Offering. We have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with (where applicable) (i) the announcement and independent shareholders' approval requirements, (ii) the annual cap requirement, and (iii) the requirement of limiting the term of the continuing connected transactions set out in Chapter 14A of the Listing Rules for such continuing connected transactions. For further details in this respect, see the section headed "Connected Transactions."

### **WAIVER IN RELATION TO PUBLIC FLOAT**

Rule 8.08 of the Listing Rules provides that there must be an open market in the securities for which listing is sought. Rule 8.08(1)(a) of the Listing Rules provides that this will normally mean that at least 25% of the issuer's total number of issued shares must at all times be held by the public. Rule 8.08(1)(d) of the Listing Rules provides that the Stock Exchange may, subject to certain conditions and at its discretion, accept a lower percentage of public float of between 15% and 25% in the case of issuers with an expected market capitalization at the time of listing of over HK\$10 billion.

Based on an Offer Price of HK\$7.60 per Offer Share (being the lower end of the indicative Offer Price range stated in this prospectus), we will have a market capitalization at the time of Listing of over HK\$10 billion.

Accordingly, we have applied to the Stock Exchange for it to exercise its discretion under Rule 8.08(1)(d) of the Listing Rules to grant, and the Stock Exchange has granted us, a waiver from strict compliance with the requirement under Rule 8.08(1)(a) of the Listing Rules, such that the minimum percentage of Shares from time to time held by the public shall be the higher of (i) 18.59%, being the percentage of Shares to be held by the public immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised) or (ii) such percentage of Shares to be held by the public immediately following the exercise

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## WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

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of the Over-allotment Option, on the conditions that we shall make appropriate disclosure of such lower prescribed percentage of public float in this prospectus and confirm sufficiency of public float in our successive annual reports after Listing.

In support for the application of the waiver, we have confirmed to the Stock Exchange that:

- (a) we have an expected market capitalization at the time of Listing of over HK\$10 billion;
- (b) there will be an open market in the Shares, and the number of Shares and the extent of their distribution would enable the market to operate properly with a lower percentage of public float;
- (c) we will make appropriate disclosure of the lower prescribed percentage of public float in this prospectus;
- (d) we will implement appropriate measures and mechanisms to ensure continual maintenance of the minimum public float prescribed by the Stock Exchange;
- (e) we will confirm sufficiency of public float in our successive annual reports after the Listing; and
- (f) in the event that the public float percentage falls below the minimum percentage prescribed by the Stock Exchange, we will take appropriate steps to ensure that the minimum percentage of public float prescribed by the Stock Exchange is complied with.

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## **INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING**

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### **DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS**

This prospectus, for which our Directors (including any proposed director who is named as such in this prospectus) collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information to the public with regard to our Group. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this prospectus misleading.

### **GLOBAL OFFERING**

This prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering. For applicants under the Hong Kong Public Offering, this prospectus contain the terms and conditions of the Hong Kong Public Offering.

The Hong Kong Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and on the terms and subject to the conditions set out herein and therein. No person is authorised to give document information in connection with the Global Offering or to make any representation not contained in this prospectus, and any information or representation not contained herein and therein must not be relied upon as having been authorised by our Company, the Joint Sponsors, the Sponsor-Overall Coordinators, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, the Capital Market Intermediaries, any of their respective directors, agents, employees or advisors or any other party involved in the Global Offering.

The Listing is sponsored by the Joint Sponsors and the Global Offering is managed by the Overall Coordinators. Pursuant to the Hong Kong Underwriting Agreement, the Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement, subject to agreement on the Offer Price to be determined between the Overall Coordinators (for themselves and on behalf of the Underwriters) and our Company on the Price Determination Date. The International Placing is expected to be fully underwritten by the International Underwriters subject to the terms and conditions of the International Underwriting Agreement, which is expected to be entered into on or about the Price Determination Date.

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## **INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING**

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The Offer Price is expected to be determined by agreement between the Overall Coordinators (for themselves and on behalf of the Underwriters) and our Company by 12:00 noon on **Friday, July 5, 2024**. If, for any reason, the Offer Price is not agreed between the Overall Coordinators (for themselves and on behalf of the Underwriters) and our Company by 12:00 noon on **Friday, July 5, 2024**, the Global Offering will not proceed and will lapse.

See the section headed “Underwriting” for further information about the Underwriters and the underwriting arrangements.

### **PROCEDURES FOR APPLICATION FOR HONG KONG OFFER SHARES**

The application procedures for the Hong Kong Offer Shares are set forth in “How to Apply for Hong Kong Offer Shares” in this prospectus.

### **STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING**

Details of the structure of the Global Offering, including its conditions, are set forth in the section headed “Structure of the Global Offering” in this prospectus.

### **RESTRICTIONS ON OFFER AND SALE OF SHARES**

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to, or be deemed by his acquisition of the Shares to, confirm that he is aware of the restrictions on offers and sales of the Shares described in this prospectus.

No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, without limitation to the following, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering and sales of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom. In particular, the Hong Kong Offer Shares have not been publicly offered or sold, directly or indirectly, in the PRC or the United States.

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## INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

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### APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in our Shares in issue and to be issued pursuant to the Global Offering (including the additional Shares which may be issued pursuant to the exercise of the Over-allotment Option).

Dealings in the Shares on the Stock Exchange are expected to commence on **Tuesday, July 9, 2024**. Save as disclosed in this prospectus, no part of our share or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought on the Stock Exchange or any other stock exchange as of the date of this prospectus. All the Offer Shares will be registered on the Hong Kong share register of our Company in order to enable them to be traded on the Stock Exchange.

Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, the Shares on the Stock Exchange is refused before the expiration of three weeks from the date of the closing of the application lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to our Company by or on behalf of the Stock Exchange.

### PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisors as to the taxation implications of subscribing for, purchasing, holding or disposal of, and/or dealing in the Shares or exercising rights attached to them. None of us, the Joint Sponsors, the Sponsor-Overall Coordinators, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, the Capital Market Intermediaries, any of their respective directors, officers, employees, agents or representatives or any other person or party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription, purchase, holding, disposition of, or dealing in, the Shares or exercising any rights attached to them.

### OVER-ALLOTMENT OPTION AND STABILIZATION

Details of the arrangements relating to the Over-allotment Option and stabilization are set out in the section headed “Structure of the Global Offering” in this prospectus.

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## INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

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### HONG KONG REGISTER OF MEMBERS AND HONG KONG STAMP DUTY

The Company's principal register of members will be maintained by its principal share registrar, Conyers Trust Company (Cayman) Limited in the Cayman Islands. All of the Shares issued pursuant to the Global Offering will be registered on the Company's Hong Kong share register to be maintained in Hong Kong by its Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited. Dealings in the Shares registered in our Company's Hong Kong share register will be subject to Hong Kong stamp duty. Unless determined otherwise by our Company, dividends payable in Hong Kong dollars in respect of Shares will be paid to the shareholders listed on the Hong Kong share register of our Company, by ordinary post, at the shareholders' risk, to the registered address of each shareholder.

### SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the listing of, and permission to deal in, the Shares on the Stock Exchange and compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between Exchange Participants is required to take place in CCASS on the second settlement day after any trading day. All activities under CCASS are subject to the General Rules of HKSCC and HKSCC Operational Procedures in effect from time to time.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS. Investors should seek the advice of their brokers or other professional advisors for details of those settlement arrangements as such arrangements may affect their rights and interests.

### EXCHANGE RATE CONVERSION

Solely for your convenience, this prospectus contains translations of certain Renminbi amounts into Hong Kong dollars, of Renminbi amounts into U.S. dollars and of Hong Kong dollars into U.S. dollars at specified rates. Unless we indicate otherwise, the translation of Renminbi into Hong Kong dollars, of Renminbi into U.S. dollars and of Hong Kong dollars into U.S. dollars, and vice versa, in this prospectus was made at the following rates:

RMB0.9120	to HK\$1.00
RMB7.1192	to US\$1.00
HK\$7.8062	to US\$1.00

No representation is made that any amounts in Renminbi, Hong Kong dollars or U.S. dollars can be or could have been at the relevant dates converted at the above rates or any other rates or at all.

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## **INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING**

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### **LANGUAGE**

If there is any inconsistency between the English version of this prospectus and the Chinese translation of this prospectus, the English version of this prospectus shall prevail unless otherwise stated. However, if there is any inconsistency between the names of any of the entities mentioned in this English document which are not in the English language and their English translations, the names in their respective original languages shall prevail.

### **ROUNDING**

Any discrepancies in any table in this prospectus between total and sum of amounts listed therein are due to rounding.



## **DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING**

### **DIRECTORS**

<b>Name</b>	<b>Address</b>	<b>Nationality</b>
<b>Executive Directors</b>		
XIE Fangmin (謝方敏)	Flat 1102 215 Huangpu Avenue Central Tianhe District, Guangzhou Guangdong Province the PRC	Chinese
ZHOU Feng	151 Stevens Rd #07-08 Singapore 257872	Singaporean
ZOU Yuming (鄒宇鳴)	Flat C, 10F, Block 2 20 Shan Kwong Rd Happy Valley Hong Kong	American
<b>Non-executive Director</b>		
David McKee HAND	10 Ridley Park Singapore 248485	American
<b>Independent non-executive Directors</b>		
WANG Haizhong (王海忠)	2201, No. 1 Manluyuan Sixth Street Zhucun Street Zengcheng District, Guangzhou Guangdong Province the PRC	Chinese
KANG Wei (康韋)	Room 202, Unit 2, Building 8 88 North East 4th Ring Road Chaoyang District, Beijing the PRC	Chinese
ZHU Xiaolu (朱小路)	Flat 1001, Unit 2, Block 2 9th Court Naoshikou Avenue Xicheng District, Beijing the PRC	Chinese

Please see the section headed “Directors and Senior Management” in this prospectus for further details of our Directors.

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## DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

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### PARTIES INVOLVED IN THE GLOBAL OFFERING

#### Joint Sponsors

**Citigroup Global Markets Asia Limited**  
50/F, Champion Tower  
Three Garden Road  
Central  
Hong Kong

**ABCI Capital Limited**  
11/F, Agricultural Bank of China Tower  
50 Connaught Road Central  
Hong Kong

#### Sponsor-Overall Coordinators

**Citigroup Global Markets Asia Limited**  
50/F, Champion Tower  
Three Garden Road  
Central  
Hong Kong

**ABCI Capital Limited**  
11/F, Agricultural Bank of China Tower  
50 Connaught Road Central  
Hong Kong

#### Overall Coordinators

**Citigroup Global Markets Asia Limited**  
50/F, Champion Tower  
Three Garden Road  
Central  
Hong Kong

**ABCI Capital Limited**  
11/F, Agricultural Bank of China Tower  
50 Connaught Road Central  
Hong Kong

**Essence International Securities  
(Hong Kong) Limited**  
39/F, One Exchange Square  
Central  
Hong Kong

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## DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

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### Joint Global Coordinators

#### **Citigroup Global Markets Asia Limited**

50/F, Champion Tower  
Three Garden Road  
Central  
Hong Kong

#### **ABCI Capital Limited**

11/F, Agricultural Bank of China Tower  
50 Connaught Road Central  
Hong Kong

#### **Essence International Securities (Hong Kong) Limited**

39/F, One Exchange Square  
Central  
Hong Kong

#### **ICBC International Securities Limited**

37/F, ICBC Tower  
3 Garden Road  
Hong Kong

#### **China Galaxy International Securities (Hong Kong) Co., Limited**

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**China Everbright Securities (HK) Limited**

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## DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

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### Capital Market Intermediaries

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#### **Essence International Securities**

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#### **China Galaxy International Securities**

##### **(Hong Kong) Co., Limited**

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**Auditor and Reporting Accountants****KPMG**

*Certified Public Accountants*  
8/F, Prince's Building  
10 Chater Road  
Central  
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## DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

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### Legal Advisors to the Company

*As to Hong Kong and U.S. laws:*

**Kirkland & Ellis**

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The Landmark  
15 Queen's Road Central  
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*As to PRC laws:*

**Zhong Lun Law Firm**

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*As to Cayman Islands laws:*

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### Legal Advisors to the Joint Sponsors and the Underwriters

*As to Hong Kong and U.S. laws:*

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*As to PRC laws:*

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88 Puji Road, Jing'an District  
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### Receiving Bank

**The Hongkong and Shanghai Banking  
Corporation Limited**

1 Queen's Road Central  
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## CORPORATE INFORMATION

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<b>Registered Office</b>	Cricket Square Hutchins Drive PO Box 2681 Grand Cayman KY1-1111 Cayman Islands
<b>Head Office and Principal Place of Business in the PRC</b>	Floor 1-2, 4th Street Building S, Kehui Jingu No. 99, Science Avenue Luogang Science City Huangpu District Guangzhou Guangdong Province the PRC
<b>Principal Place of Business in Hong Kong</b>	31/F, Tower Two, Times Square 1 Matheson Street Causeway Bay Hong Kong
<b>Company's Website</b>	<b><u><a href="http://investors.jianke.com">investors.jianke.com</a></u></b> <i>(A copy of this prospectus is available on the Company's website. Except for the information contained in this prospectus, none of the other information contained on the Company's website forms part of this prospectus.)</i>
<b>Joint Company Secretaries</b>	ZOU Yuming (鄒宇鳴) Flat 10C 20 Shan Kwong Road Happy Valley Hong Kong  FUNG Po Ting (馮寶婷) (ACG, HKACG) 31/F, Tower Two, Times Square 1 Matheson Street Causeway Bay Hong Kong

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### Authorised Representatives

XIE Fangmin (謝方敏)  
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ZHOU Feng  
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Singapore 257872

### Audit Committee

ZHU Xiaolu (*Chairman*)

WANG Haizhong

KANG Wei

### Remuneration Committee

KANG Wei (*Chairlady*)

ZHU Xiaolu

David McKee HAND

### Nomination Committee

XIE Fangmin (*Chairman*)

ZHU Xiaolu

WANG Haizhong

### Compliance Advisor

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### Hong Kong Share Registrar

**Computershare Hong Kong  
Investor Services Limited**  
Shops 1712-1716, 17th Floor  
Hopewell Centre  
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## CORPORATE INFORMATION

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**Principal Share Registrar and  
Transfer Office**

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Limited**  
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**Principal Banks**

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**China Merchants Bank Guangzhou  
Branch Development District Sub-branch**  
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## INDUSTRY OVERVIEW

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*The information and statistics set out in this section and other sections of this prospectus were extracted from the report prepared by CIC, which was commissioned by us, and from various official government publications and other publicly available publications. We engaged CIC to prepare the CIC Report, an independent industry report, in connection with the Global Offering. The information from official government sources has not been independently verified by us, the Joint Sponsors, the Sponsor-Overall Coordinators, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, the Capital Market Intermediaries, any of their respective directors and advisers, or any other persons or parties involved in the Global Offering, and no representation is given as to its accuracy.*

### SOURCE OF INFORMATION

We commissioned CIC, a market research and consulting company and an Independent Third Party, to conduct research and analysis of, and to produce a report on, the chronic disease management market in China for the period from 2015 to 2030 (the “**CIC Report**”). The CIC Report has been prepared by CIC independent of the influence of our Group and other interested parties. We have agreed to pay CIC a total fee of RMB1,090,000 for the preparation and use of the CIC Report, and we believe that such fees are consistent with the market rate. CIC is a consulting firm founded in Hong Kong and provides professional industry consulting services across multiple industries. CIC’s services include industry consultancy services, commercial due diligence and strategic consulting.

In compiling and preparing the report, CIC conducted both primary and secondary research using a variety of resources. Primary research involved interviewing key industry experts and leading industry participants. Secondary research involved analyzing data from various publicly available data sources, including but not limited to the National Bureau of Statistics, National Healthcare Security Administration, National Medical Products Administration, the NHC, World Health Organization, and CIC’s database. The market projections in the CIC report are based on the following key assumptions: (i) the overall social, economic and political environment in China is expected to remain stable during the forecast period; (ii) China’s economic and industrial development is likely to maintain a steady growth trend over the next decade; (iii) related key industry drivers are likely to propel continued growth in China’s healthcare industry throughout the forecast period; (iv) the negative impact caused by COVID-19 outbreak on the industry is expected to be limited, taking into account the COVID-19 pandemic has driven a sharp increase in demand and supply of online healthcare services and fostered the habit of physicians and patients using online platforms for consulting, drug ordering and health/disease management; and (v) there is no extreme force majeure or industry regulation in which the market may be affected dramatically or fundamentally.

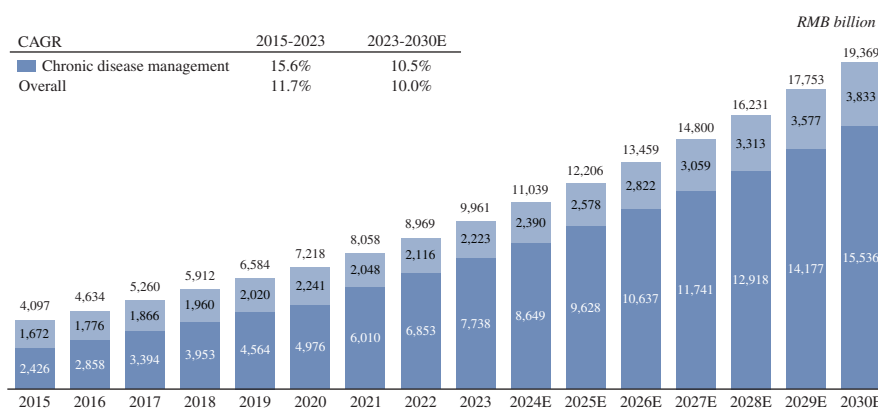


## INDUSTRY OVERVIEW

### OVERVIEW OF THE HEALTHCARE INDUSTRY IN CHINA

China has a significant healthcare sector, with sizable and steadily increasing healthcare expenditure. According to CIC, China’s healthcare expenditure grew from RMB4,097 billion in 2015 to RMB9,961 billion in 2023, representing a CAGR of 11.7%, and is expected to reach RMB19,369 billion in 2030, representing a CAGR of 10.0%. Chronic disease management expenditure as a percentage of total healthcare expenditure in China increased from 59.2% in 2015 to 77.7% in 2023 and is expected to continue to increase and reach 80.2% in 2030, according to CIC. The following chart illustrates China’s historical and projected expenditure from 2015 to 2030.

**Healthcare expenditures in China, 2015-2030E**



Source: the CIC report

According to CIC, China’s healthcare expenditure is primarily driven by the following factors:

- Aging population.* China’s population aged 65 and above reached 216.8 million in 2023, accounting for 15.4% of China’s total population, and is expected to reach 259.1 million in 2030, or 18.3% of the total population. China’s demographic shift is expected to create significant demand for healthcare products and healthcare services, particularly as the elderly population generally have a greater need for medication and disease management. The growing incidence of chronic disease in China is primarily due to population aging and lifestyle changes.

## INDUSTRY OVERVIEW

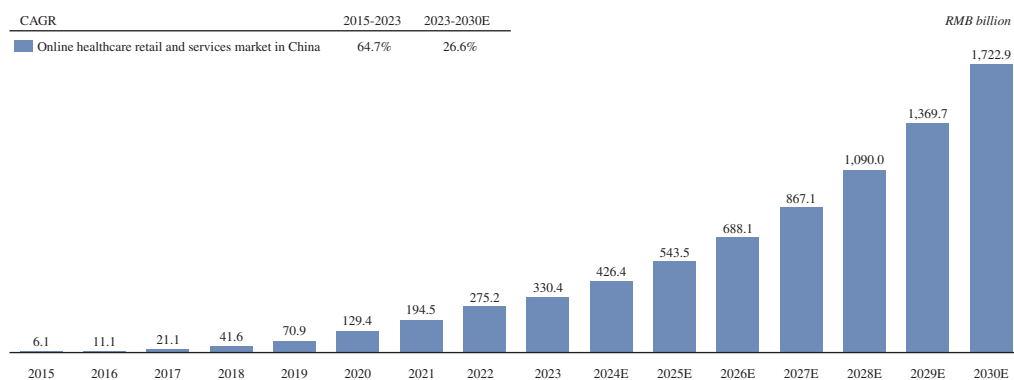
- Rising per capita disposable income.* Along with economic growth and urbanization, Chinese residents' disposable income has continued to rise. From 2015 to 2023, annual per capita disposable income increased from RMB21,966.2 to RMB39,218.0, representing a CAGR of 7.5%. Personal medical spending is expected to represent an increasingly meaningful portion in an individual's consumption, reaching an estimated 11.1% of total per capita consumption expenditure in China by 2030 according to CIC.
- Growing health awareness.* Individuals are increasingly demanding greater control over the management of their health and well-being, driven by shifting demographics, a growing prevalence of chronic diseases, as well as technological advancement that have enabled more diseases to be treated, or be preventable or detectable at an earlier stage.

Despite the increasing healthcare demand and expenditures in China, quality medical resources remain scarce and unevenly distributed.

### Online Healthcare Retail and Services Market in China

The online healthcare retail and services market in China represents healthcare services provided through to-consumer pharmaceutical retail and online-to-offline (O2O) retail, as well as online medical consultation services. The market size of online healthcare retail and services market in China in terms of sales revenue grew significantly from RMB6.1 billion in 2015 to RMB330.4 billion in 2023, and is expected to further increase at a CAGR of 26.6% from 2023 to reach RMB1,722.9 billion in 2030, according to CIC. The chart below sets forth the online healthcare retail and services market in China in terms of sales revenue from 2015 to 2030.

#### Online healthcare retail and services market in China, in terms of sales revenue, 2015-2030E



Source: the CIC Report

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## INDUSTRY OVERVIEW

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The online healthcare retail and services market in China is fragmented. The following table sets out the competitive landscape of the online healthcare retail and services market in China in terms of sales revenue in 2023.

### Competitive landscape of online healthcare retail and services market in China

	Company	Market share in terms of sales revenue	Listing status	Business focus
1	Company A <sup>(1)</sup>	~19.3%	Listed	Online retail pharmacy
2	Company B <sup>(2)</sup>	~10.7%	Listed	Online retail pharmacy
3	Company C <sup>(3)</sup>	~1.3%	Listed	Pharmaceutical O2O and drug express business
4	<b>Our Group</b>	0.8%	Not listed	Chronic disease management
5	Company D <sup>(4)</sup>	~0.7%	Listed	Online medical consultation

*Notes:*

1. Company A, founded in 2019, is a leading online business-to-consumer platform, which provides pharmaceutical products in China. It is a listed company on the Hong Kong Stock Exchange, with its business focusing on online retail pharmacy, online medical consultation and health management services.
2. Company B, founded in 2014, is a leading online business-to-consumer platform, which provides pharmaceutical products in China. It is a listed company on the Hong Kong Stock Exchange, with its business focusing on online retail pharmacy, online medical consultation and digital medical marketing services.
3. Company C, founded in 2014, is a pioneer in providing express digital healthcare service in China. It is a listed company on the Hong Kong Stock Exchange, with its business focusing on pharmaceutical retail and medical consultation, primarily with online-to-offline solutions.
4. Company D, founded in 2014, is a leading online platform, which provides online medical services in China. It is a listed company on the Hong Kong Stock Exchange, with its business focusing on online medical consultation, health management and online pharmaceutical retail services.

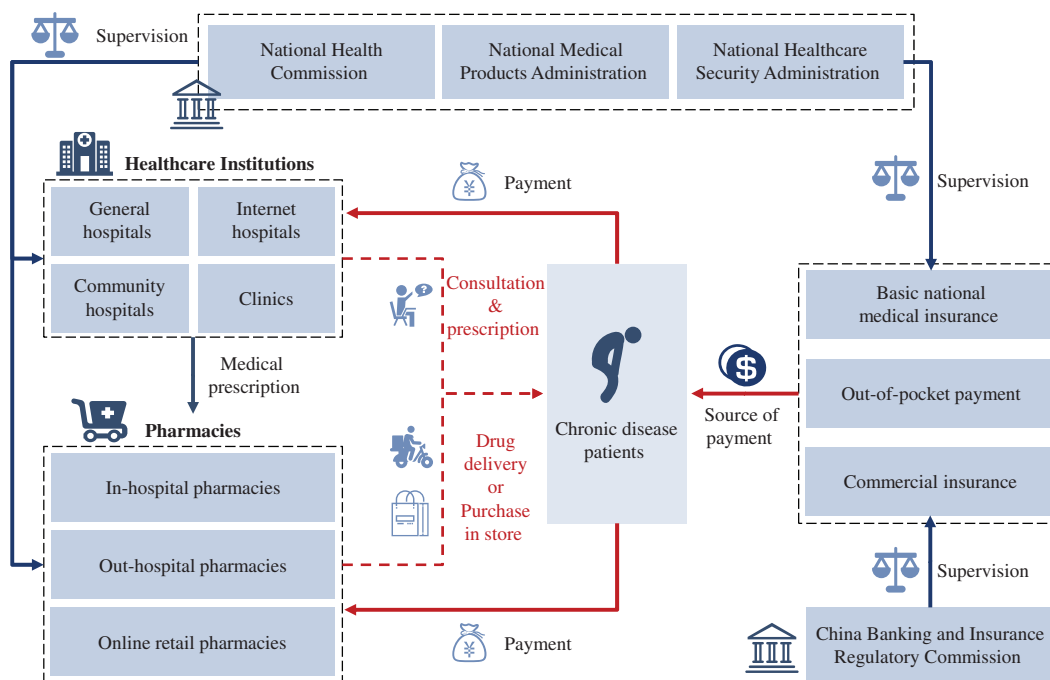
## CHINA'S CHRONIC DISEASE MANAGEMENT MARKET

### Introduction to Chronic Disease Management

Chronic disease management (CDM) is the consistent care and support for chronic disease patients, requiring professional medical care, in-depth knowledge and various additional resources from the entire healthcare system. Chronic disease management provides patients with a wide spectrum of medical services and products, including physician consultation, medical treatment and prescription drugs. The success of CDM usually involves the engagement of multiple stakeholders, including, but not limited to, physicians, patients, healthcare institutions, relevant government sectors, pharmaceutical companies, pharmacies, insurance companies, as well as online platforms.

## INDUSTRY OVERVIEW

The prevalence of chronic disease in China continues to rise. According to CIC, the most common chronic diseases in China primarily include hypertension, chronic respiratory diseases, diabetes and hepatitis B. Due to China's rising prevalence of chronic diseases, demand for healthcare services and products is expected to continue to grow with a strong momentum. Patients with chronic diseases require periodic medical consultations and regular drug refills to manage the disease. According to CIC, although prescription drugs for chronic disease patients are available at online or offline retail pharmacies, the majority of patients with chronic diseases in China tend to seek treatment in offline hospitals and obtain prescription drugs from offline hospital pharmacies. The chart below illustrates the CDM system in China.



Source: the CIC report

The chronic disease management system in China faces a number of challenges, including the lack of professional medication instruction, inconvenience in drug purchase and refills, and inadequate treatment adherence. Due to the uneven distribution of medical resources in China, patients typically need to spend substantial time commuting to hospitals and queuing for follow-up consultations. After the conclusion of each consultation session, the connection between patients and physicians is typically not maintained. As a result, patients face difficulty in making a follow-up appointment with the same physician and may lose treatment continuity. In the absence of ongoing medical guidance, patients may fail to follow physicians' instructions for taking medications or obtaining timely prescription refills.

Despite increasing demand and expenditure for CDM services, quality medical resources remain scarce in China and their distribution is uneven, which has become a structural weakness in CDM. In addition, long queuing times at hospitals, lack of maintenance mechanisms for the long-term physician-patient relationships, lack of effective patient management tools and limited selection of prescription drugs also pose challenges to effective CDM.

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## INDUSTRY OVERVIEW

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### Market Size of China's Chronic Disease Management Market

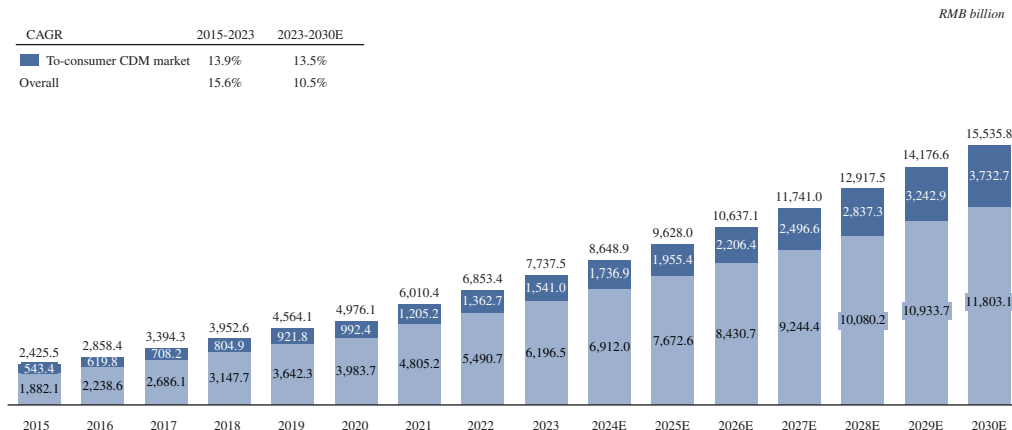
The overall market size of CDM market in China in terms of GMV grew rapidly from RMB2,425.5 billion in 2015 to RMB7,737.5 billion in 2023, representing a CAGR of 15.6%, and is expected to continue to grow at a CAGR of 10.5% from 2023 to 2030 and reach RMB15,535.8 billion in 2030. Our GMV refers to gross merchandise volume, the total value of all orders placed on the Jianke Platform and through third-party e-commerce platforms.

Major segments of the CDM market in China include services provided to individual consumers, businesses and hospitals. To-consumer CDM services include medical consultation and retail pharmacy services provided through either online or offline channels to individual patients, while online to-consumer CDM services only represent those to-consumer CDM services provided through online channels. Revenue generated from to-consumer CDM services are directly paid by the individual patients. The rest of CDM market include CDM-related services provided to other types of customers (such as businesses and medical institutions) as well as medical treatments and physical examinations provided for chronic disease patients that could only be conducted by offline medical institutions. To-consumer CDM market includes all services that can be extended online in order to leverage the market potential of online platforms. Since physical examinations that can only be conducted in offline medical institutions, such services are not included in the to-consumer CDM market. To-business CDM services are provided to business customers and the revenue generated from such services are paid by the businesses instead of individuals. Typical to-business CDM services include distribution services of chronic disease drugs, where service providers purchase drugs from manufacturers or other sources, and distribute such drugs to other businesses, such as pharmacies or hospitals. Such a business model is more similar to a trading and distribution business, which is fundamentally different from to-consumer CDM services that serve individual patients. To-hospital CDM services refer to the construction of information system (such as SaaS) for hospitals that facilitates the treatment and management of chronic disease patients. Typical functions of such information system include online registration, electronic prescription and personal digital records for chronic disease patients. Other segments of CDM market include physical examinations and treatment for patients with chronic diseases that can only be conducted in offline medical institutions. These services cannot be provided through Internet hospitals or online CDM platforms.

To-consumer CDM market has significant potential, which is primarily driven by the increasing aging population with chronic disease in China, while the capacity of Class III hospitals which provide better medical services in China is limited. The market size of to-consumer CDM market grew at a CAGR of 13.9% from RMB543.4 billion in 2015 to RMB1,541.0 billion in 2023, and is expected to continue to grow and reach RMB3,732.7 billion in 2030, representing a CAGR of 13.5%. According to CIC, the market size of to-consumer CDM market is projected to grow at a faster pace than the overall CDM market in China from 2023 to 2030. The following diagram sets forth the historical and forecast market size of China's CDM market from 2015 to 2030.

## INDUSTRY OVERVIEW

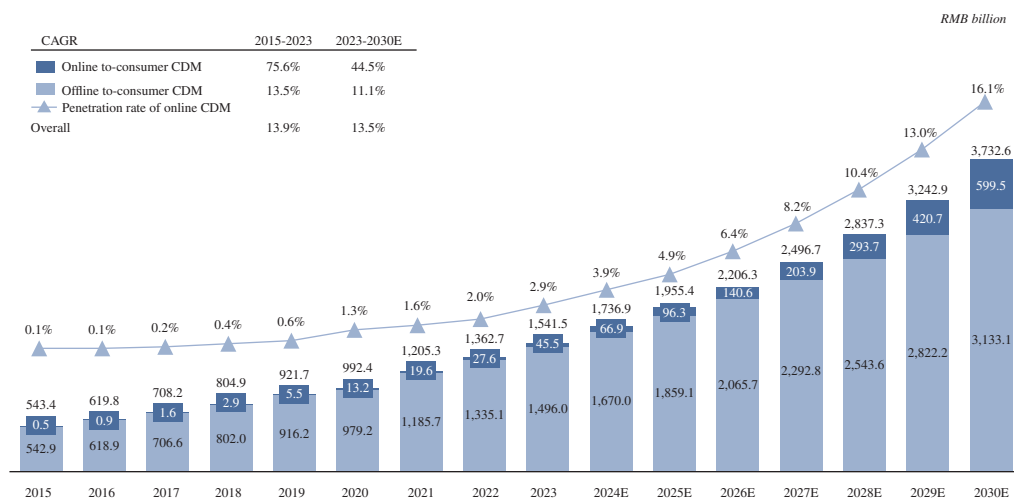
### China's chronic disease management market, 2015-2030E



Source: the CIC report

The to-consumer CDM market in China consists of online and offline sectors, which represent the medical consultations and retail pharmacy services provided to individual end customers through online and offline channels, respectively. According to CIC, online to-consumer CDM platforms primarily provide online consultation and retail pharmacy services to end customers. The market size of online to-consumer CDM market in terms of GMV grew significantly from RMB0.5 billion in 2015 to RMB45.5 billion in 2023, representing a CAGR of 75.6%, and is expected to further increase at a CAGR of 44.5% from 2023 to 2030 and reach RMB599.5 billion in 2030. In addition, the penetration rate of online to-consumer CDM market increased from 0.1% in 2015 to 2.9% in 2023 and is expected to continue to grow and reach 16.1% in 2030, according to CIC. The chart below sets forth the to-consumer CDM market in terms of GMV from 2015 to 2030.

### China's chronic disease management (to-consumer) market, in terms of GMV, 2015-2030E



Source: the CIC report

## INDUSTRY OVERVIEW

### CHINA'S ONLINE CHRONIC DISEASE MANAGEMENT MARKET

#### Introduction of Online Chronic Disease Management

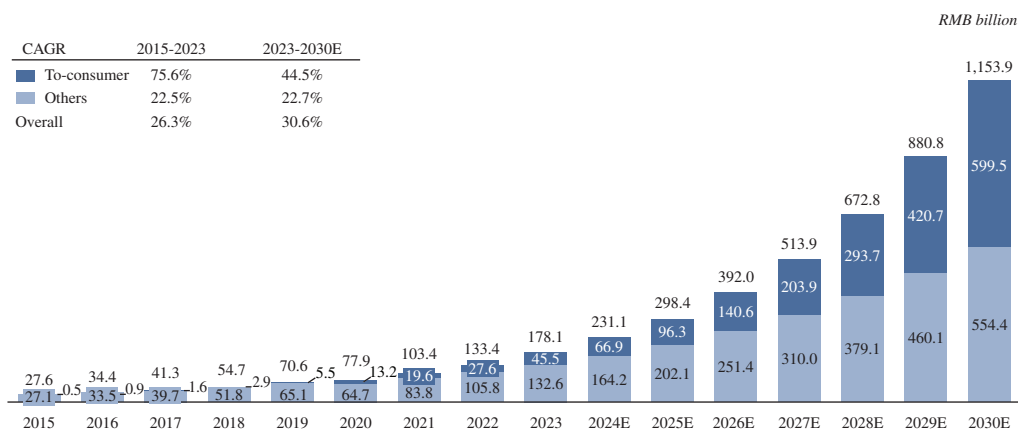
Online chronic disease management refers to the provision of chronic disease management services through an online platform, typically including online consultation and sales of chronic disease medicines through online pharmacies. Online CDM platforms are online platforms that focus on providing an efficient and effective solution to address the needs of chronic disease patients, with revenue primarily contributed by CDM. Compared to traditional offline chronic disease management platforms, including public hospitals, online platforms streamlines the CDM process by saving patients' time spent on traffic and queues to obtain drugs from hospitals or pharmacies, and making face-to-face appointment with physicians for follow-up consultations or repeat prescriptions. It provides particular convenience for elderly patients who face greater transportation barriers to offline CDM platforms. In addition, online platforms usually have access to more pharmaceutical products than hospitals or offline pharmacies, providing physicians and patients a greater variety of treatment options. Due to the convenience and benefits that online CDM platforms provide, users of online CDM platforms typically make repeat purchase of pharmaceutical products or repeat appointment for physician consultations.

Moreover, online CDM platforms typically have databases to store patients' medical records, making it easy for patients to share their past medical history with registered physicians on the platform, which in turn facilitate patient consultation and communications with physicians. By accumulating and conducting analysis on collected user data, online platforms can obtain deeper insights into patients' habits and preferences. Such insights enable multiple players in the industry chain, including pharmaceutical companies, hospitals, as well as the online platforms themselves, to provide better services tailored to the needs of chronic disease patients.

#### Market Size of China's Online Chronic Disease Management Services

Driven by the vast needs of chronic disease patients in China, the total GMV generated from the online CDM market in China increased from RMB27.6 billion in 2015 to RMB178.1 billion in 2023, at a CAGR of 26.3%, and is expected to reach RMB1,153.9 billion in 2030 at a CAGR of 30.6%.

**China's online chronic disease management market,  
in terms of GMV, 2015-2030E**



Source: the CIC report

## INDUSTRY OVERVIEW

The online CDM market comprises both online to-consumer platforms and online platforms that provide CDM services to businesses and hospitals. Online to-consumer CDM platform mainly offers online medical consultation and online retail pharmacy services to individual customers with chronic conditions, allowing patients to purchase prescription drugs online and obtain drug refills in time. Online to-consumer CDM services are typically provided through websites, mobile applications and WeChat mini programs. Among these channels or interfaces, the mobile application interface is growing rapidly in line with the mobile trend. Although the COVID-19 pandemic has come under control, the user adoption of online to-consumer healthcare services and the consumer habits cultivated will continue to persist. After experiencing the convenience brought by online consultations, online drug purchase and online chronic disease management services during the pandemic years, consumers have developed behavioral changes and will continue to maintain this habit in the future. Moreover, driven in part by the pandemic, the infrastructure for online to-consumer healthcare services has matured, with the ability to support more services online, thereby driving market growth. The total GMV generated from China's online to-consumer CDM market grew from RMB0.5 billion in 2015 to RMB45.5 billion in 2023, representing a CAGR of 75.6%, and is expected to reach RMB599.5 billion in 2030, representing a CAGR of 44.5%.

### Competitive Landscape of China's Online Chronic Disease Management Market

As of December 31, 2023, there were over 50 service providers in the online chronic disease management market in China, according to CIC. Our Group was the largest online chronic disease management platform in China in terms of MAU in 2023. We ranked third in the online to-consumer chronic disease management market in China in terms of GMV generated from online direct CDM sales with a market share of approximately 1.3%, according to CIC.

The table below sets forth the top five players in China's online to-consumer CDM market in terms of GMV generated from online direct sales in 2023:

	Company	GMV related to CDM business <sup>(1)</sup> (RMB billion)	Market share in China's to-consumer online CDM market	Market share in China's online CDM market	Listing status	Specialized online CDM platform <sup>(2)</sup>
1	Company A	~3.4	~7.5%	~1.9%	Listed	×
2	Company B	~2.6	~5.7%	~1.5%	Listed	×
3	<b>Our Group</b>	<b>2.3</b>	<b>5.1%</b>	<b>1.3%</b>	<b>Not listed</b>	√
4	Company E <sup>(3)</sup>	~2.2	~4.8%	~1.2%	Not listed	√
5	Company D	~1.0	NA	~0.6%	Listed	×

*Notes:*

1. Only include GMV generated from online direct sales of each company, including online direct sales through third-party platforms. GMV generated by third-party retailers on the company's platform is not included.
2. A platform is defined as a specialized online CDM platform if it is primarily dedicated to providing service, such as online consultations and online retail pharmacy services to patients with chronic diseases, and the GMV associated with CDM business accounts for over 50.0% of its total GMV.
3. Company E is a specialized online CDM platform that mainly provides online consultation, online retail pharmacy services and health management services to chronic disease patients, as well as AI assistance and data support services to physicians in medical institutions.



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## INDUSTRY OVERVIEW

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### Drivers and Future Trends of Online Chronic Disease Management in China

According to CIC, the following factors are drivers and trends for the growth of online chronic disease management in China:

- *Limited capacity of Class III hospitals.* China has a large population with chronic diseases, driving the demand for chronic disease management services. According to CIC, chronic disease patients in China tend to visit large hospitals, especially Class III hospitals, expecting to receive better medical services. As a result, patients with chronic diseases have long taken up a substantial portion of medical resources in Class III hospitals for medicine and follow-up consultations, over-burdening the resource-constrained public hospitals. Undertaking most of the chronic disease management services, Class III hospitals have become overloaded and inefficient, failing to meet patients' expectation. By offering chronic disease patients convenient access to follow-up consultations and prescriptions, online chronic disease management platforms can help alleviate the burden on Class III hospitals and improve their efficiency. As such, the PRC government supports the use of Internet hospital services as part of its overarching public health goal of relieving the burden on major hospitals in China, and promoting online options for patients who only need routine consultations and periodic prescriptions.
- *Growing out-of-hospital prescription market.* The PRC government has promulgated a series of policies limiting pharmaceutical sales through public hospitals. As a result, it has become increasingly difficult for pharmaceutical companies to distribute their products through hospital pharmacies. Pharmaceutical companies have sought alternative distribution channels, such as online platforms, to expand sales and obtain accurate market data for marketing analysis. Meanwhile, hospital pharmacies have reduced their selection of available drugs, often excluding high-priced chronic disease medications, such as imported originator drugs and specialty drugs. Online CDM platforms has been playing a more important role to address the needs of both pharmaceutical companies and chronic disease patients. Although national reimbursement provides coverage for the broadest population on fundamental medical care, it does not fully cover the innovative drugs for chronic or critical diseases. As a result, chronic disease patients still need to pay out-of-pocket for medical services beyond the basic level covered by national reimbursement. In addition, national reimbursement has relatively low coverage rate in rural areas, and for patients treated in non-local hospitals, especially those in other provinces, they cannot directly be reimbursed for the medical expenses, and it is complicated to apply for reimbursement. Considering the limited coverage of national reimbursement, online CDM platforms, in contrast, which face patients nationwide and provide more choices of innovative chronic disease drugs, have more advantages than offline hospitals.

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- *National reimbursement payment available for online medication.* The growth of online chronic disease management has been limited by China's medical insurance system, which only allows for reimbursement for drugs purchased from hospitals or offline pharmacies. Since September 2019, the National Medical Insurance Administration has issued a series of policies allowing Internet-based medical services to be covered by the medical insurance system. The COVID-19 pandemic outbreak has further accelerated the development of China's online healthcare services in various aspects, including the online payment and reimbursement for drug purchases, thereby further promote the development of the online chronic disease management platforms.
- *Increasing acceptance of online medical services.* Younger patients are generally more willing to accept online medical services compared to elderly patients. However, the suspension of most of the non-emergency services at public hospitals during the COVID-19 outbreak led to elderly patients' increasing adoption of online medical services. As a result, the number of consultations on various online platforms has increased significantly. According to CIC, patients across a range of age groups are expected to adopt online chronic disease management in the future.

### **Challenges for Online CDM Platforms in China**

According to CIC, market challenges for online CDM platforms in China include:

- In order to ensure successful treatment, patients with chronic diseases should adhere to their medication schedule and provide feedback to their physicians on a regular basis. Unfortunately, due to inadequate disease condition awareness, a significant portion of chronic disease patients may fail to comply with their physician's prescribed treatment regimen. To promote sustained patient adherence, online chronic disease management (CDM) platforms can provide reminders for patients to purchase and take their medication on time, and physicians on these platforms can conduct regular follow-up consultations with their patients.
- Managing chronic diseases necessitates the involvement of licensed physicians who can offer medical consultations and medication instructions to patients. In addition, professional pharmacists are required to review prescriptions and supervise drug management. Establishing such a professional team and refining overall chronic disease management procedures typically takes a significant amount of time for a platform.

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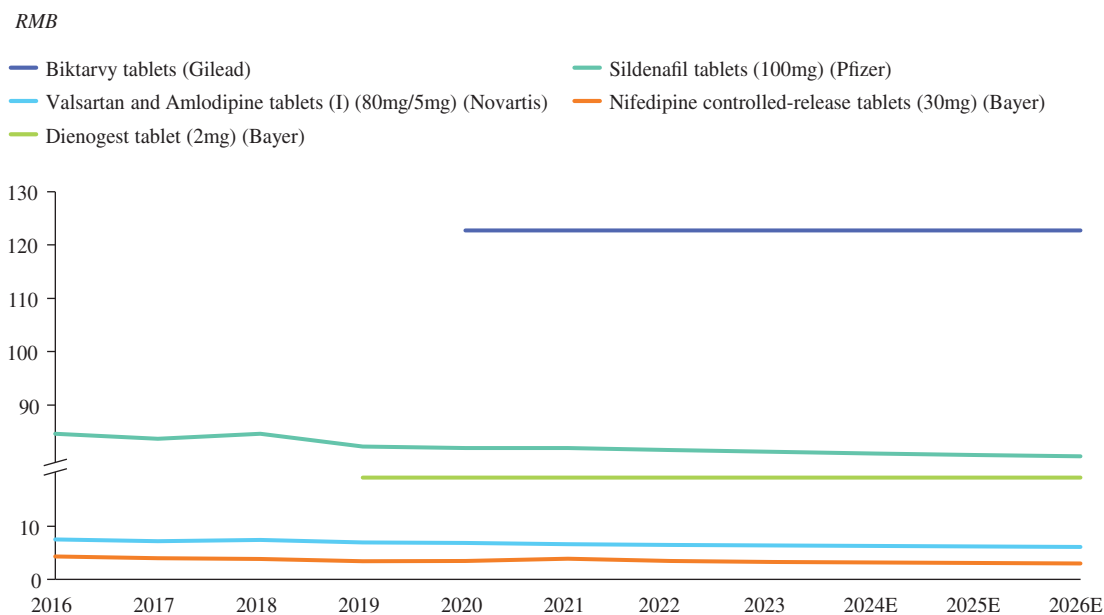
## INDUSTRY OVERVIEW

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### Costs and Price Trend for the Online CDM Platform Market in China

The costs for online CDM platforms in China primarily consist of the procurement costs for chronic disease drugs. The diagram below sets forth the historical and expected bid prices of some best-selling chronic disease drugs at retail pharmacies:

#### Average Bid Prices (Per Tablet) of Best-Selling Chronic Disease Drugs in Retail Pharmacies, 2016-2026E



Source: the CIC report

The procurement prices of most chronic disease drugs have remained relatively stable in recent years and are expected to keep constant in the future.

### Key Entry Barriers in Online Chronic Disease Management Platform in China

New market entrants to the online chronic disease management market are confronted with a number of barriers, including those relating to:

- *Physician resources.* To manage the long-term healthcare needs of users, platforms providing online services to patients require substantial amount of resources on the supply side and in-depth collaboration with physicians. Such resources typically include collaboration with physicians with expertise in certain diseases, access to hospitals and other healthcare institutions (such as medical imaging centers), as well as in-house experts responding to users' consultation requests. It would be difficult and expensive for new entrants to establish an extensive network with practicing physicians and hospitals and recruit a team of capable medical professionals in the short term.

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## INDUSTRY OVERVIEW

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- *Accumulation of data.* As online chronic disease management platforms are data-driven, a market player's capabilities in collecting and processing data are crucial to its success. All these capabilities, however, are relatively difficult for market entrants to obtain within a short period of time. Information in relation to medical cases is also important for online chronic disease management platform industry participants, including physicians, hospitals, pharmaceutical companies, and online healthcare platforms. Physicians and medical institutions require customer feedback to conduct research, and pharmaceutical companies require customer feedback to formulate their business strategies. Online chronic disease management platforms could build up connection and strengthen the collaboration with such industry participants through data accumulation and analysis. However, it takes substantial time for an online chronic disease management platform to accumulate data, thereby becoming a barrier to their success.
- *Infrastructure to ensure data privacy.* Security and confidentiality of patient data is critically important to online chronic disease management platforms. Any failure or perceived failure to protect patients' confidential information may result in the loss of substantial or all users on the platform. An online chronic disease management platform needs to develop a robust IT infrastructure and continuously strengthen its data protection system to ensure the protection of users' data. The establishment and implementation of a stringent internal control over data collection, processing and sharing is also critical for an online chronic disease management platform to protect user's privacy. It takes substantial capital and technical resources to build up, maintain and continuously strengthen such system, which poses challenges for new entrants.
- *Reputation and customer retention.* According to CIC, patients tend to consult physicians and purchase drugs from familiar sources, such as established chronic disease management platforms with solid reputation or platforms/physicians referred by trusted persons. Therefore, new platforms with limited operating history and little market recognition may find it difficult to attract customers. Chronic disease patients tend to establish a long-term relationship with one or a few physicians on a certain chronic disease management platform for follow-up consultations. The records of the patients' long term health conditions as well as prescription and treatment history accumulated on such platform would be difficult to transfer to another platform. As a result, chronic disease patients are likely to stay with a chronic disease management platform. Online chronic disease management platforms with long operating history and wide customer base are likely to develop high customer retention, making it difficult for new entrants to attract customers.
- *Regulatory barriers.* According to CIC, chronic disease patients have a solid demand for prescription drugs. Selling prescription drugs to patients online can provide convenient access to drug refills for patients and can bring stable source of revenue to the platform. However, sales of prescription drug is strictly regulated in China. Companies that distribute and sell prescription and/or OTC drugs are required to obtain licenses to do so, and abide by various laws and regulations, which is a barrier for new entrants.

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## INDUSTRY OVERVIEW

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- *Relationship with pharmaceutical companies.* Online chronic disease management platforms require substantial amount of resources on the supply side in order to fulfill the long-term healthcare and treatment demands of users. Large-scale players are more likely to succeed in building online CDM platforms as they usually have built up and maintained good relationships with pharmaceutical companies, which enable them to have a stable supply of drugs with competitive prices.

### OVERVIEW OF DIGITAL HEALTHCARE MARKETING SERVICES IN CHINA

Healthcare marketing services primarily refer to promotional outreach and communications by healthcare product and service providers that are designed to drive sales for pharmaceutical and medical device companies. According to CIC, digital healthcare marketing solutions in China can be categorized into (i) patient education services; (ii) medical content creation services; and (iii) digital detailing services.

- Patient education services are designed to help healthcare companies educate patients by distributing customized content produced by qualified physicians about medical knowledge or healthcare information on their platforms (including websites, mobile applications, WeChat mini programs and official accounts). This service is committed to improving patient medication adherence, and ultimately increase sales for pharmaceutical companies. Service providers can utilize their patient management services to provide patients with guidance and regular follow-ups after online consultations and help them follow their treatment regimens, which can ultimately increase the sales for pharmaceutical companies.
- Medical content creation services are mainly online medical education courses sponsored by healthcare companies which are designed in text and multimedia formats to help patients gain medical knowledge. Sponsored medical programs can also be offered to physicians, allowing the pharmaceutical and medical device companies to increase their brand awareness. Sponsored medical programs can take a variety of forms, including recorded lectures, live lectures, online medical conferences hosted by physicians and interviews with physicians.
- Digital detailing services help pharmaceutical companies deliver customized content, including, among others, drug information and indication, treatment methods and medical academic research to their target physicians through multiple channels, such as websites, mobile applications or WeChat mini programs, thereby increasing physicians' awareness and understanding of the pharmaceutical companies' products, which in turn influences their prescribing decisions and drives the sales of the pharmaceutical companies' prescription drugs. In addition, digital detailing services allow medical representatives to directly connect with target physicians to present the benefits of the companies' products and communicate product updates through digital platforms.

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### Key Benefits and Market Drivers

#### *Increased Efficiency*

Compared to traditional marketing relying on face-to-face interactions with medical representatives, digital marketing can reach a wider group of physicians more efficiently and achieve better return on marketing spending. Digital marketing is less expensive for than traditional marketing. For example, the customized content can be directly delivered to many physicians and patients at the same time through an online platform and online academic conferences or online visits can save significant costs that would otherwise be incurred in offline events. In addition, online marketing campaigns can be implemented more rapidly than traditional marketing campaigns that require in-person interaction. Corporate customers are also able to obtain feedback on their online marketing campaigns on a real-time basis.

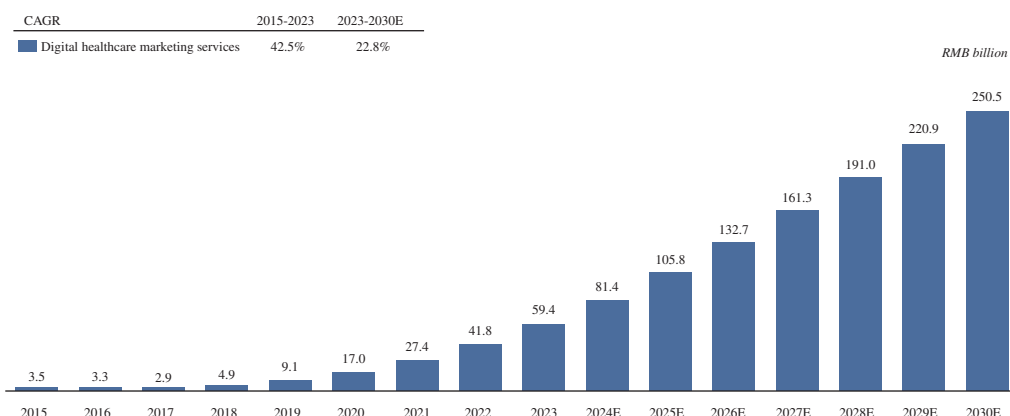
#### *Favorable Government Policies*

China has adopted various policies including centralized procurement and the “two-invoice” policy to improve the financial sustainability of its basic medical insurance. Since the rollout of these policies, drug and medical device prices have been on a downward trend and healthcare companies are in urgent need of controlling sales costs, increasing the demand for cost-effective marketing tools, such as precision digital marketing.

### Market Size of Digital Healthcare Marketing Services in China

The market size of digital healthcare marketing services in China in terms of service fees grew rapidly from RMB3.5 billion in 2015 to RMB59.4 billion in 2023, representing a CAGR of 42.5%, and is expected to continue to grow at a CAGR of 22.8% from 2023 to 2030 and reach RMB250.5 billion in 2030. The following diagram sets forth the historical and forecast market size of the digital healthcare marketing services in China from 2015 to 2030.

#### Market Size of Digital Healthcare Marketing Services in China, 2015-2030E



Source: the CIC report

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## INDUSTRY OVERVIEW

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### Competitive Landscape of Digital Healthcare Marketing Services Market in China

The digital healthcare marketing services market in China is highly fragmented. The top five service providers had a total market share of approximately 10.5% in terms of revenue in 2023. Our Group had a market share of approximately 0.1% in the digital healthcare marketing services market in China as measured by revenue generated from such services in 2023, according to CIC. The table below sets forth the five largest digital healthcare marketing service providers in China in terms of revenue in 2023.

	Company	Revenue generated from digital healthcare marketing services (RMB million)	Market share in China's digital healthcare marketing services market	Listing status
1	Company A	~3,900	~6.5%	Listed
2	Company B	~1,300	~2.2%	Listed
3	Company F <sup>(1)</sup>	~470	~0.8%	Listed
4	Company G <sup>(2)</sup>	~370	~0.7%	Listed
5	Company H <sup>(3)</sup>	~160	~0.3%	Listed

*Notes:*

1. Company F, founded in 2014, is a leading online medical service platform in China with its business focusing on providing pharmaceutical products and SaaS services to medical institutions and pharmacies, digital healthcare marketing services to pharmaceutical companies and online medical consultation and e-prescription services to patients. Company F is listed on the Hong Kong Stock Exchange.
2. Company G, founded in 2013, is a leading online professional physician platform in China with its business focusing on providing digital health marketing services for pharmaceutical companies, medical literature and information to physicians, information system services to hospitals and online CDM services to patients. Company G is listed on the Hong Kong Stock Exchange.
3. Company H, founded in 2012, is a leading online professional physician platform in China. Company H focuses its business on providing medical literature and information to physicians as well as real-world study (RWS) solutions and digital health marketing services to pharmaceutical companies. Company H is listed on the Hong Kong Stock Exchange.

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## REGULATORY OVERVIEW

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### REGULATIONS ON FOREIGN INVESTMENT AND OVERSEAS INVESTMENT

#### Regulations on Company Establishment and Foreign Investment

The establishment, operation and management of corporate entities in the PRC are governed by the PRC Company Law (《中華人民共和國公司法》) (the “**PRC Company Law**”), which was promulgated by the National People’s Congress (the “**NPC**”) in December 1993 and further amended in December 1999, August 2004, October 2005, December 2013 and October 2018, respectively. According to the PRC Company Law, companies are generally classified into two categories: limited liability companies and companies limited by shares. The PRC Company Law also applies to foreign-invested limited liability companies. According to the PRC Company Law, where laws on foreign investment have other stipulations, such stipulations shall prevail.

Investment in the PRC by foreign investors are mainly regulated by the Catalogue of Industries for Encouraging Foreign Investment (2022 Edition) (《鼓勵外商投資產業目錄》(2022年版)), which was promulgated by the Ministry of Commerce of the PRC (the “**MOFCOM**”) and the National Development and Reform Committee (the “**NDRC**”) on October 26, 2022 and took effect on January 1, 2023, and the Special Administrative Measures for Access of Foreign Investment (2021 Edition) (《外商投資准入特別管理措施》(2021年版)) (the “**Negative List**”), which was promulgated by the MOFCOM and the NDRC on December 27, 2021 and took effect on January 1, 2022. The Negative List sets out several restrictive measures in a unified manner, such as the requirements on shareholding percentages and management, for the access of foreign investments in the industries listed in the Negative List and the industries that are prohibited for foreign investment. Any industries not falling in the Negative List shall be administered under the principle of equal treatment to domestic and foreign investment. The industry of medical devices production and operation is not listed in the Negative List, which means the foreign investment in the business operated by us in PRC shall not be restricted or prohibited.

On March 15, 2019, the NPC promulgated the Foreign Investment Law (《中華人民共和國外商投資法》) (the “**FIL**”), which came into effect on January 1, 2020, pursuant to which, it is applicable to the investment activities in the PRC carried out directly or indirectly by foreign natural persons, enterprises or other organizations. The Implementation Rules to the Foreign Investment Law (《中華人民共和國外商投資法實施條例》), promulgated by the State Council on December 26, 2019 and became effective on January 1, 2020, further clarify that the state encourages and promotes foreign investment, protects the lawful rights and interests of foreign investors, regulates foreign investment administration, continues to optimize foreign investment environment, and advances a higher-level opening. On December 30, 2019, the MOFCOM and the SAMR jointly promulgated the Measures for Information Reporting on Foreign Investment (《外商投資信息報告辦法》), which became effective on January 1, 2020, pursuant to which, where a foreign investor carries out investment activities in the PRC directly or indirectly, the market regulatory authorities shall forward the investment information submitted by foreign investor or the foreign-invested enterprise to the competent commence administrative authorities.



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## REGULATORY OVERVIEW

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### REGULATIONS ON HEALTHCARE SERVICES

#### General Policies

According to the Guiding Opinions on Vigorously Advancing the “Internet Plus” Action (《國務院關於積極推進“互聯網+”行動的指導意見》) (the “**Opinions**”) issued by the State Council on July 1, 2015, Internet enterprises are encouraged to cooperate with medical institutions in establishing online medical information platforms, strengthen the integration of regional health care service resources, and make full use of the Internet, big data and other means to improve the capability to prevent and control major diseases and unexpected public health incidents.

Pursuant to the Opinions on Promoting the Development of “Internet Plus Health Care” (《國務院辦公廳關於促進“互聯網+醫療健康”發展的意見》) issued by the General Office of the State Council on April 25, 2018, which encouraged medical institutions to apply the Internet and other information technologies to expand the space and content of medical services, and develop an online-offline integrated medical service model covering stages before, during and after diagnosis. The development of Internet hospitals depending on medical institutions shall be permitted. Medical institutions may use Internet hospital as the second name and, based on physical hospitals, use Internet technology to provide safe and appropriate medical services, allowing online subsequent visits for some common diseases and chronic diseases. After reviewing documents of the medical records and profiles of patients, physicians shall be allowed to prescribe online for some common diseases and chronic diseases.

Pursuant to The 13th Five-year Plan for Health and Wellness (《“十三五”衛生與健康規劃》) (the “**Plan**”), which was promulgated by the State Council on December 27, 2016, it is proposed to strengthen the informatization of the population health and fully implement “Internet Plus” medical and healthcare people-benefiting service. The Plan also encourages the establishment of regional platform and enhances the flow of high-quality healthcare resources to the Midwest and the primary level. On July 17, 2018, the NHC and the National Administration of Traditional Chinese Medicine jointly promulgated three documents, including the Measures for the Administration of Internet Diagnosis and Treatment (Trial) (《互聯網診療管理辦法(試行)》), the Measures for the Administration of Internet Hospitals (Trial) (《互聯網醫院管理辦法(試行)》) and the Specifications for the Administration of Remote Medical Services (Trial) (《遠程醫療服務管理規範(試行)》). Pursuant to the Measures for the Administration of Internet Hospitals (Trial), “Internet hospitals” include: (1) Internet hospitals as the second name of physical medical institutions, and (2) Internet hospitals that are independently established on the support of physical medical institutions.

#### Internet Hospitals

According to the Measures for the Administration of Internet Hospitals (Trial), the state implements access management for Internet hospitals pursuant to the Administrative Regulations on Medical Institutions (《醫療機構管理條例》) and the Implementation Measures of the Administrative Regulations on Medical Institutions (《醫療機構管理條例實施

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## REGULATORY OVERVIEW

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細則》)。 Before implementing access for Internet hospitals, provincial health administrative departments shall establish provincial Internet medical service supervision platforms to connect with information platforms of Internet hospitals to achieve real-time supervision. Establishing an Internet hospital is governed by the administrative approval process as stipulated in the Measures for the Administration of Internet Hospitals (Trial). According to the Measures for the Administration of Internet Hospitals (Trial), applying for establishing an Internet hospital is required to submit an application to the practice registration authority of its supported physical medical institution, and submit the application form, the feasibility research report on the establishment, the address of the supported physical medical institution, and the agreement jointly signed by the applicant and the supported physical medical institution in relation to establishing an Internet hospital through cooperation. If a physical medical institution intends to establish an Internet hospital information platform through cooperation with a third-party institution, the relevant cooperation agreement should be submitted. For an Internet hospital set up through cooperation, if the cooperation partner changes or other circumstance occurs that will invalidate the cooperation agreement, reapplication for establishing an Internet hospital shall be required.

The health administrative department of the State Council and the competent departments of traditional Chinese medicine shall be responsible for the supervision and administration of the Internet hospitals across China. The local health administrative departments at all levels (including the competent departments of traditional Chinese medicine) shall be responsible for the supervision and management of Internet hospitals within their respective jurisdictions.

In terms of practicing rules on Internet hospitals, the Measures for the Administration of Internet Hospitals (Trial) provides that where a third-party institution jointly establishes an Internet hospital on the support of its physical medical institution, it shall provide the physical medical institution with professional services such as physicians and pharmacists, and information technology support services, and clarify the responsibilities and rights of all parties in respect of medical services, information security, and privacy protection through agreements and contracts. In terms of supervision and management of Internet hospitals, the Measures for the Administration of Internet Hospitals (Trial) clarifies that provincial health administrative departments and the registration authorities for Internet hospitals jointly implement supervision on Internet hospitals through the provincial internet medical service supervision platform, focusing on the supervision on Internet hospitals' personnel, prescriptions, diagnosis and treatment behaviors, patients' privacy protection and information security. Internet hospitals shall adopt information security protection measures for Level 3 information system in accordance with relevant information security laws and regulations, including completion of filings with local public security authorities. According to the Measures for the Administration of Internet Diagnosis and Treatment (Trial), physicians are required to obtain the consent of the medical institution where they are registered to practice to carry out Internet diagnosis and treatment activities. Physicians can only provide follow-up diagnosis services through Internet hospitals for patients that have been diagnosed with certain common diseases or chronic diseases, unless the patients are in physical hospitals and the physicians in the physical hospital invites other physicians to provide diagnosis services through Internet hospital.

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Administrative Regulations on Medical Institution and Implementation Measures of the Administrative Regulations on Medical Institutions set out the regulatory framework for the management and operation of the medical institutions, and the operation of Internet hospitals shall comply with Administrative Regulations on Medical Institutions and Implementation Measures of the Administrative Regulations on Medical Institutions as well. Additionally, the Basic Standards for Internet Hospitals (Trial) (《互聯網醫院基本標準(試行)》) as attached to the Measures for the Administration of Internet Hospitals (Trial) sets forth specific requirements for diagnosis and treatment items, departments, personnel, buildings and device and equipment, and rules and regulations of Internet hospitals.

### Medical Institutions

According to the Administrative Regulations on Medical Institutions (Revised in 2022) (《醫療機構管理條例》(2022修訂)) (the “**Regulations**”), promulgated by the State Council, effective on September 1, 1994, and revised on February 6, 2016 and 29 March, 2022, hospitals, health centers, sanatoriums, out-patient departments, clinics, health clinics, health posts (rooms) and first aid stations are medical institutions. The health administrative departments of the local people’s governments at or above the county level shall be responsible for the supervision and administration of the medical institutions within their respective administrative regions. The establishment of medical institutions by entities or individuals shall be subject to the examination and approval of the health administrative department of the local people’s governments at or above the county level and obtain the written approval for the establishment of medical institutions. Furthermore, according to the Regulations, the practice of medical institutions shall complete the registration and obtain Practicing License for Medical Institution. Where the practicing is without authorization or obtaining the Practicing License for Medical Institution, the health administrative department of the people’s government at or above the county level must cease its practicing activities and confiscate the illegal incomes, medicines and medical devices in accordance with the law, and it can be imposed fines of not less than five times but not more than 20 times the illegal gains; where the illegal gains are less than RMB10,000, it shall be counted as RMB10,000. Medical institutions must conduct medical diagnosis and treatment activities in accordance with registered and approved subjects and shall not employ non-medical technical personnel in medical and health technical work.

### Patient Diagnosis Service

According to the Measures for the Administration of Internet Diagnosis and Treatment (Trial) (《互聯網診療管理辦法(試行)》), Internet diagnosis and treatment activities shall be provided by the medical institutions that have obtained a “Practicing License for Medical Institution”, and the Internet-based diagnosis services provided by a medical institution shall be consistent with its diagnosis subjects. Physicians and nurses carrying out Internet diagnosis and treatment activities shall be able to be found in the national electronic registration system of physicians and nurses. A medical institution shall conduct electronic real-name verification for the medical staff members carrying out Internet diagnosis and treatment activities.

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According to the Measures for the Administration of Internet Hospitals (Trial) (《互聯網醫院管理辦法(試行)》), Internet hospitals must inform the patients of the risks and obtain their consents. When a patient receives medical treatment in a physical medical institution and the physician receiving such patient invites other physicians to hold group consultation of physicians through the Internet hospital, the physicians attending the group consultation may issue diagnosis opinions and a prescription; and when a patient does not receive medical treatment in a physical medical institution, a physician may only provide subsequent visits for a patient of some common diseases and chronic diseases through the Internet hospital. Internet hospitals may provide contract signing service for family physicians. When a patient's condition changes or there are other circumstances under which online diagnosis and treatment services are inappropriate, the physician shall direct the patient to receive medical treatment in a physical medical institution. Internet diagnosis and treatment activities shall not be carried out for any patient receiving initial diagnosis.

### Medical Practitioners

On August 20, 2021, the Standing Committee of the National People's Congress (the "SCNPC") promulgated the Law on Physicians of the People's Republic of China (the "Physicians Law") (《中華人民共和國醫師法》), which became effective on March 1, 2022. According to the Physicians Law, when taking medical, preventive or healthcare measures and when signing relevant medical certificate, the physicians shall conduct diagnosis and investigation personally and fill out the medical files without delay as required. No physicians may conceal, forge or destroy any medical files or the relevant data.

On November 5, 2014, the National Health and Family Planning Commission of PRC (the "NHFPC", currently known as the NHC), NDRC, the Ministry of Human Resources and Social Security, the State Administration of Traditional Chinese Medicine, and the China Insurance Regulatory Commission (currently known as the China Banking and Insurance Regulatory Commission), jointly issued Several Opinions on Promoting and Standardizing Multi-Place Practice of Physicians (《推進和規範醫師多點執業的若干意見》), which puts forward to simplify the registration procedure of the multiple place practice and proposes the feasibility of exploring the "record management". According to the Administrative Measures for the Registration of Medical Practitioners (《醫師執業註冊管理辦法》), promulgated by the NHFPC on February 28, 2017, effective on April 1, 2017, medical practitioners shall obtain the Practice Certificate for Medical Practitioners to practice upon registration. Person who fails to obtain the Practice Certificate for Medical Practitioners shall not engage in medical treatment, prevention and healthcare activities. Moreover, under the Administrative Measures for the Registration of Medical Practitioners (《醫師執業註冊管理辦法》), a medical practitioner practicing in multiple institutions at the same place of practice shall determine one institution as his or her primary practicing institution, and apply for registration to the competent administrative authorities of health and family planning that approve the practice at such institution, and for other institutions where a medical practitioner intends to practice, he or she should apply for the record at the relevant administrative authorities of health and family planning that approve the practice of such institutions, which names should be indicated in the

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record. In addition, a medical practitioner intends to add the practicing institution beyond the place of practice, he or she should apply for registering such institution to the relevant administrative authorities of health and family planning authority that approve the practice of such institutions.

### Prescription Management

According to the Measures for the Administration of Prescriptions (《處方管理辦法》) (the “Measures”) issued by the NHFPC on February 14, 2007, effective on May 1, 2007, registered medical practitioner shall obtain the corresponding prescription right at the registered practice place and the registered medical practitioner shall issue prescriptions according to the requirements of medical treatment, disease prevention, healthcare, and subject to the treatment standards and drug instructions. Under any of the following circumstances, the health administrative department at or above the county level shall request the medical institutions to make corrections within a grace period, and may impose the fine no more than RMB5,000; and under serious circumstances, Practicing License for Medical Institution shall be revoked: (1) prescribing by a pharmacist who has not obtained the right to prescribe or whose prescription right has been canceled; (2) prescribing narcotic drugs and the psychotropic drugs of category I by pharmacists who have not obtained the prescription right for such narcotic drugs and psychotropic drugs; (3) employing persons who have not obtained the qualifications for the professional and technical positions of pharmaceutical science to conduct the prescription adjustment. If the medical practitioners issue prescriptions without obtaining prescription rights at a medical institution not registered in their licenses, during their practicing activities, they will be given a warning or be ordered to suspend their practicing activities for a period of not less than six months but not more than one years and under the serious circumstances, their Practice Certificates for Medical Practitioners will be revoked.

### REGULATIONS ON PHARMACEUTICAL OPERATION

On September 20, 1984, the SCNPC promulgated the Drug Administration Law (《藥品管理法》), which was amended in 2001, 2013, 2015 and 2019 respectively to regulate all entities or individuals engaging in research, manufacture, operation, use, supervision and management of drugs within the PRC. Pursuant to the Drug Administration Law, pharmaceutical operation, including pharmaceutical wholesale and pharmaceutical retail business, is not permitted without obtaining the Pharmaceutical Operation License. Where the trading of drugs is conducted without a Pharmaceutical Operation License, the illegal incomes by selling drugs shall be confiscated and the local Food and Drug Administration (the “FDA”, now known as the Medical Products Administration, or the “MPA”) shall impose the fine ranging from 15 to 30 times of the value of the illegally sold drugs (including sold or unsold drugs). The Implementation Rules for the Drug Administration Law (《藥品管理法實施條例》), was promulgated by the State Council in August 2002 and amended in 2016 and 2019, which emphasized the detailed implementation rules of drugs administration. The Measures for Supervision and Management of the Quality of Drug Operation and Use (《藥品經營和使用質量監督管理辦法》) promulgated by the SAMR on September 27, 2023 and effective on January 1, 2024, stipulates the procedures for applying the Pharmaceutical Operation License

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and the requirements and qualifications for pharmaceutical wholesalers or pharmaceutical retailers with respect to their management system, quality and etc. The valid term of the Pharmaceutical Operation License (藥品經營許可證) is five years and shall be renewed through application during the period ranging from six months to two months prior to its expiration date.

On May 9, 2022, the NMPA promulgated the Implementation Regulations of the Drug Administration Law of the PRC (Revised Draft for Comments) (《中華人民共和國藥品管理法實施條例(修訂草案徵求意見稿)》) (the “**Draft Implementation Regulations**”), which has not been formally adopted as of the Latest Practicable Date.

The major purpose of the Draft Implementation Regulations is to further strengthen the supervision and management of drug, to ensure the drug use safety, to promote the high-quality development of the drug industry and to provide more detailed implementation rules for the Drug Administration Law of the PRC (《中華人民共和國藥品管理法》) and the Vaccine Administration Law of the PRC (《中華人民共和國疫苗管理法》). The Draft Implementation Regulations stipulated, among other things, that third-party platform providers shall not be directly involved in online drug sales activities. As a self-operated online retail pharmacy platform, we only engage in self-operated online drug trading business and do not offer third-party platform services for online drug trading. Therefore, the requirements under the Draft Implementation Regulations that third-party platform providers shall not be directly involved in online drug sales activities would not have a material adverse impact on our operations.

In addition, the Draft Implementation Regulations set out detailed provisions regarding the management of drug sales operations and businesses. For example, drug retailers engaging in online selling prescription drugs shall ensure that the source of the prescription is true and reliable. Assuming the Draft Implementation Regulations is adopted in its current form, the Company’s PRC Legal Advisors are of the view that the Draft Implementation Regulations would not have material adverse impact on our business, since the operation of the Jianke Platform and relevant online drug trading business are in compliance with the Draft Implementation Regulations in all material aspects if promulgated in its current form.

According to the Measures on Prescription Drugs and OTC Drugs Classification Management (Trial) (《處方藥與非處方藥分類管理辦法(試行)》) and the Interim Provisions on the Circulation of Prescription and OTC Drugs (Trial) (《處方藥與非處方藥流通管理暫行規定(試行)》), which were both promulgated by the State Drug Administration, which was restructured and integrated into the CFDA, in 1999 and became effective in January 2000, drugs are divided into prescription drugs and over-the-counter drugs, or OTC drugs. For prescription drugs, the dispensing, purchase and use can only be based on the prescription issued by the certified medical practitioner or certified medical assistant practitioner. In addition, the prescription drugs can only be advertised and promoted in professional medical magazines. The pharmaceutical wholesale enterprises distributing prescription drugs and/or OTC drugs, as well as pharmaceutical retail enterprises selling prescription drugs and/or Class A OTC drugs are required to obtain the Pharmaceutical Operation License.

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According to the Measures for Supervision and Management of the Quality of Drug Operation and Use (《藥品經營和使用質量監督管理辦法》) promulgated by the SAMR on September 27, 2023 and effective on January 1, 2024, the pharmaceutical operation enterprises shall establish a quality management system that covers the whole process of pharmaceutical operation, carry out quality management activities and other measures to ensure the pharmaceutical quality. In addition, a pharmaceutical operation enterprise shall not sell prescription drugs to consumers without prescription or offering gifts of prescription drugs directly or in disguised form as accompanying other drugs or goods purchased to the public and the enterprise in violation of such prohibitions shall be instructed to rectify, imposed a fine of not less than RMB5,000 but not more than RMB50,000 on the company that fails to make corrections within a prescribed time limit, and shall be imposed a fine of not less than RMB50,000 but not more than RMB200,000 if harmful consequences are caused. The newly revised Drug Administration Law of the PRC (《中華人民共和國藥品管理法》) in 2019 abolishes the restriction on online sale of prescription drugs and adopts the principle of keeping online and offline sales consistent and the newly revised Regulations for Implementation of the Drug Administration Law of the PRC (《中華人民共和國藥品管理法實施條例》) in 2019 further stipulates certain provisions to the online sale of drugs. Furthermore, in accordance with the Administrative Standard of Pharmaceutical Operating Quality (《藥品經營質量管理規範》), promulgated by the CFDA in April 2000 and amended in 2012, 2015 and 2016 respectively, the pharmaceutical operation enterprises shall take effective quality control measures over the process of procurement, storage, transportation and sale of drugs in order to ensure their quality. On April 7, 2021, the General Office of the State Council issued the Opinions on Serving the “Six Stables” and “Six Safeguards” and Further Doing a Good Job in the Reform of “Delegating Power, Delegating Regulation and Serving Service” (《關於服務“六穩”“六保”進一步做好“放管服”改革有關工作的意見》) which allows online sales of prescription drugs other than those under special state control on the premise of ensuring the authenticity and reliability of the electronic prescription sources.

According to the Implementing Opinions on Carrying out the Two-invoice System for Drug Procurement among Public Medical Institutions (for Trial Implementation) (《關於在公立醫療機構藥品採購中推行“兩票制”的實施意見(試行)》), which came into effect on December 26, 2016, the two-invoice system means one invoice between the pharmaceutical manufacturer and the pharmaceutical distributor, and one invoice between the pharmaceutical distributor and the medical institution, and thereby only allows a single level of distributor for the sale of pharmaceutical products from the pharmaceutical manufacturer to the medical institution.

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### REGULATIONS ON INTERNET PHARMACEUTICAL TRANSACTION SERVICES

The Interim Provisions on the Examination and Approval of Internet Drug Transaction Services (《互聯網藥品交易服務審批暫行規定》) were promulgated by the CFDA on September 29, 2005 and became effective on December 1, 2005, which stipulates that the CFDA is in charge of examination and approval of the services provided for Internet pharmaceutical transactions between pharmaceutical production enterprises, pharmaceutical marketing enterprises and medical institutions, and the provincial FDA shall implement the examination and approval of the services provided for Internet pharmaceutical transactions with third-party enterprises engaged by pharmaceutical production enterprises, pharmaceutical wholesales enterprises on their own websites, as well as Internet pharmaceutical transactions services to individual consumers. According to the Interim Provisions on the Examination and Approval of Internet Drug Transaction Services, enterprises engaging in providing drug transaction services over the internet must obtain an Internet Drug Transaction Qualification Certificate valid for five years. The Interim Provisions on the Examination and Approval of Internet Drug Transaction Services further stipulates that any enterprise engaging in online pharmaceutical product trading services to individual consumers shall be established in the form of a pharmaceutical retail chain enterprise. According to the Drug Administration Law and the Administrative Standard of Pharmaceutical Operating Quality, the operation of pharmaceutical retail chain enterprise shall be in compliance with the acceptance standards provided by regulations and the CFDA. After obtaining the Internet Drug Transaction Qualification Certificate issued by the competent food and drug supervision and administration authority, the applicant shall obtain the permit for operation of telecommunications services as required by the Internet Measures, or go through the formalities for record-filing. According to the Decision on the Cancellation of the Third Batch of Items Subject to Administrative Permission by Local Governments Designated by the Central Government (《國務院關於第三批取消中央指定地方實施行政許可事項的決定》), promulgated by the State Council on January 12, 2017, except for the third party platform, all the examination and approval of Internet drug trading service company implemented by FDAs of provincial level are canceled. According to the Decision on the Cancellation of Various Items Subject to Administrative Permission (《國務院關於取消一批行政許可事項的決定》) issued by the State Council on September 22, 2017, the enterprises engaging in internet drug transaction service as a third-party platform shall no longer be subject to the examination and approval of the CFDA before carrying out such business.

On August 3, 2022, the SAMR promulgated the Measures for Supervision and Administration of Online Pharmaceuticals Sales (the “**Measures**”) (《藥品網絡銷售監督管理辦法》), which took effect on December 1, 2022. The Measures provides specific and explicit rules for the online sales of prescription drugs, which is perceived to be more conducive online prescription drug sellers including us. The Measures provides that, among others, online prescription drug sellers shall (1) ensure the accuracy and reliability of the source of prescription, (2) keep records of any prescription for at least five years and no less than one year after the expiration date of the prescription drugs, and (3) disclose safety warnings including “prescription drugs should only be purchased and used with prescriptions and guidance of licensed pharmacists” when displaying information of prescription drugs. The



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Measures also imposes certain obligations on platform service providers for online pharmaceutical sales, including, among others, that platform service providers should (1) enhance the scrutiny on the required licenses and permits of online pharmaceutical merchants for online pharmaceuticals sales, (2) establish the examination and inspection system for online pharmaceutical sales activities, and (3) promptly stop any illegal behavior upon discovery and report it to the relevant local governmental authorities. Our PRC Legal Advisor is of the view that the Measures would not have material adverse impact on our business, since we are in compliance with the Measures in all material aspects during the Track Record Period and up to the Latest Practicable Date.

### REGULATIONS ON ONLINE DRUG INFORMATION SERVICES

The Measures Regarding the Administration of Drug Information Service over the Internet (《互聯網藥品信息服務管理辦法》) was promulgated by CFDA on July 8, 2004 and amended on November 17, 2017, pursuant to which the Internet drug information services is to provide drug (including medical device) information services to online users, which is divided into commercial internet drug information services and non-commercial internet drug information services. Furthermore, the information relating to drugs shall be accurate and scientific in nature, and its provision shall comply with the relevant laws and regulations. No product information of stupeficient, psychotropic drugs, medicinal toxic drugs, radiopharmaceutical, detoxification drugs and pharmaceuticals made by medical institutes shall be distributed on the website. In addition, advertisements relating to drugs (including medical devices) shall be approved by the NMPA or its competent branches, and shall specify the approval document number. According to the Measures Regarding the Administration of Drug Information Service over the Internet, any website operator that intends to provide drugs (including medical devices) information services shall, prior to applying for an operation permit or record-filing from the State Council's department in charge of information industry or the telecom administrative authority at the provincial level, file an application with the provincial FDA, and shall be subject to the examination and approval thereof for obtaining the qualifications for providing Internet drug information services. The validity term for the Internet Drug Information Service Qualification Certificate (互聯網藥品信息服務資格證書) is five years and may be renewed at least six months prior to its expiration date upon a re-examination by the relevant governmental authorities.

### REGULATIONS ON VALUE-ADDED TELECOMMUNICATION SERVICES

#### License for Value-added Telecommunications Services

The Telecommunications Regulations of the PRC (《中華人民共和國電信條例》) (the “**Telecommunications Regulations**”), promulgated by the State Council on September 25, 2000 and amended on July 29, 2014 and February 6, 2016, provide a regulatory framework for telecommunications services providers in the PRC. The Telecommunications Regulations require telecommunications services providers to obtain an operating license prior to the commencement of their operations. The Telecommunications Regulations categorize telecommunications services into basic telecommunications services and value-added

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telecommunications services. According to the Catalog of Telecommunications Business (《電信業務分類目錄》), attached to the Telecommunications Regulations, which was promulgated by the Ministry of Information Industry (the “MII”, now known as the Ministry of Industry and Information Technology, or the “MIIT”) on February 21, 2003 and amended by the MIIT on December 28, 2015 and June 6, 2019, the Internet information services and the online data processing and transaction processing services fall within the value-added telecommunications services. The Administrative Measures on Telecommunications Business Operating Licenses (《電信業務經營許可管理辦法》), which was promulgated by the MIIT on March 1, 2009 and amended on July 3, 2017, sets forth more specific provisions regarding the types of licenses required to operate value-added telecommunications services, the qualifications and procedures for obtaining such licenses and the administration and supervision of such licenses.

### Foreign Investment in Value-Added Telecommunications Business

In December 2001, in order to comply with China’s commitments with respect to its entry into the WTO, the State Council promulgated the Regulation for the Administration of Foreign-Invested Telecommunications Enterprises (《外商投資電信企業管理規定》), which was last revised in March 2022 and took effect on May 1, 2022 (the “**2022 FITE Regulations**”). The 2022 FITE Regulations removed the qualification requirement on the primary foreign investor in a foreign invested value-added telecommunications enterprise for having a good track record and operational experience in the value-added telecommunications industry as stipulated in the previous version. Pursuant to the 2022 FITE Regulations, foreign investors may hold an aggregate of no more than 50% of the total equity in any value-added telecommunications business in China. In July 2006, the MII released the Notice on Strengthening the Administration of Foreign Investment in and Operation of Value-added Telecommunications Business (《信息產業部關於加強外商投資經營增值電信業務管理的通知》) (the “**MII Notice**”), pursuant to which, domestic telecommunications enterprises are prohibited to rent, transfer or sell a telecommunications business operation license to foreign investors in any form, or provide any resources, premises, facilities and other assistance in any form to foreign investors for their illegal operation of any telecommunications business in China. In addition, under the MII Notice, the Internet domain names and registered trademarks used by a foreign-invested value-added telecommunication service operator shall be legally owned by that operator (or its shareholders).

### REGULATIONS ON ONLINE TRADING

On January 26, 2014, SAIC issued the Administrative Measures for Online Trading (《網絡交易管理辦法》) (the “**Online Trading Measures**”), which replaced its previous Interim Measures for the Administration of Online Commodities Transaction and Relevant Services (《網絡商品交易及有關服務行為管理暫行辦法》). The Online Trading Measures aim to regulate online commodity trading and relevant services, setting standards for online commodity trading operators and relevant services providers, including third-party trading platform operators, concerning qualifications, after-sale services, terms of use, user privacy protection, data preservation, compliance with applicable laws in respect of intellectual property rights protection and unfair competition. In order to further regulate online transaction

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activities, on March 15, 2021, SAMR issued the Online Trading Supervision Measures (《網絡交易監督管理辦法》), effective on May 1, 2021, and replace the Online Trading Measures. The Online Trading Supervision Measures shall apply to the business activities of selling commodities or providing services in social networking, internet live streaming or other information network activities and it further regulates the operations of online trading.

On August 31, 2018, the SCNPC promulgated the E-Commerce Law of the PRC (《中華人民共和國電子商務法》), effective on January 1, 2019, which aims to regulate the e-commerce activities conducted within the territory of the PRC. Pursuant to the E-Commerce Law, an e-commerce business shall, in business operation, abide by the principles of voluntariness, equality, equity and good faith, observe the law and business ethics, fairly participate in market competition, perform obligations in aspects including protection of consumer rights and interests, environment, intellectual property rights, cybersecurity and individual information, assume responsibility for quality of products or services, and accept the supervision by the government and the public.

### REGULATIONS ON INTERNET INFORMATION SERVICES

The Administrative Measures on Internet Information Services (《互聯網信息服務管理辦法》) (the “**Internet Measures**”), promulgated by the State Council on September 25, 2000 and amended on January 8, 2011, requires that a commercial operator of Internet content provision services must obtain a value-added telecommunications business operating license for the provision of Internet information services from the appropriate telecommunications authorities.

The State Administration of Press, Publication, Radio, Film and Television (the “**SAPPRFT**”) issued a Notice on Strengthening the Management of Live-Streaming Service for the Network Audio-visual Programs (《關於加強網絡視聽節目直播服務管理有關問題的通知》) in September 2016, pursuant to which an internet live-streaming service provider shall: (i) provide necessary censorship on the content of live-streams; (ii) establish a mechanism to timely identify unlawful content, prevent any unlawful content from being distributed and replace the content with backup programs; and (iii) record live-streaming programs and keep the records for at least 60 days. Shortly after this notice, in November 2016, the Cyberspace Administration of China (the “**CAC**”) promulgated the Administrative Provisions on Internet Live-Streaming Services (《互聯網直播服務管理規定》), pursuant to which an internet live-streaming service provider shall: (i) establish a live-streaming content review platform; (ii) require authentication for the registration of live-streaming content providers; and (iii) enter into a service agreement with live-streaming service users to specify each of the live-streaming service user’s and the content provider’s rights and obligations.

The State Administration of Radio, Film and Television (the “**SARFT**”) and MII jointly issued the Regulations for the Administration of Internet Audiovisual Program Services (《互聯網視聽節目服務管理規定》) (the “**Audiovisual Regulations**”) on December 20, 2007, which was revised on August 28, 2015 by the SAPPRFT. The Audiovisual Regulations require that online audio and video service providers obtain a permit from the National Radio and Television Administration (the “**NTRA**”) in accordance with the Audiovisual Regulations.

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On November 18, 2019, the CAC, Ministry of Culture and Tourism of PRC (the “**MCT**”) and the NRTA jointly issued the Promulgation of the Administrative Provisions on Online Audio and Video Information Services (《網絡音視頻信息服務管理規定》) (the “**Audio and Video Provisions**”), which took effect on January 1, 2020. The Audio and Video Provisions require that online audio and video information service providers: (i) acquire relevant qualifications required by law and regulations; (ii) adopt rules and policies in relation to, for example, user registration, information distribution and review, information security management, emergency disposal, educational training for employees, the protection of minors and intellectual property rights protection; (iii) verify personal information submitted by users as required under applicable laws; and (iv) undertake technical and other necessary measures to ensure network security and stable operations. Organizations and individuals are prohibited from utilizing online audio and video information services and the related information technology to carry out illegal activities that infringe upon the legitimate rights and interests of others.

On December 31, 2021, the CAC and other three regulatory authorities jointly promulgated the Administrative Provisions on Internet Information Service Algorithm Recommendation (《互聯網信息服務算法推薦管理規定》), which became effective on March 1, 2022. The Administrative Provisions on Internet Information Service Algorithm Recommendation stipulates that algorithm recommendation service providers with public opinion attributes or social mobilization capabilities shall submit the relevant information within ten business days from the date of providing such services. Pursuant to the Administrative Provisions on Internet Information Service Algorithm Recommendation, algorithmic recommendation service providers are required to provide users with options that are not specific to their personal characteristics, or provide users with convenient options to cancel algorithmic recommendation services and shall not set up algorithm models against applicable laws, regulations and social norms, including without limitation inducing users to indulge or engage in excess consumption.

### REGULATIONS ON INTERNET ADVERTISING

The SCNPC released the Advertising Law of the People’s Republic of China (《中華人民共和國廣告法》) on October 27, 1994 and latest amended on April 29, 2021, which provides that the Internet information service providers shall not publish medical, drugs, medical machinery or health food advertisements in disguised form of introduction of healthcare and wellness knowledge.

The Interim Measures for Administration of Internet Advertising (《互聯網廣告管理暫行辦法》) (the “**Internet Advertising Measures**”) regulating the Internet-based advertising activities, were adopted by the SAIC on July 4, 2016. According to the Internet Advertising Measures, Internet advertisers are responsible for the authenticity of the advertisements content. Publishing and circulating advertisements through the Internet shall not affect the normal use of the Internet by users. It is not allowed to induce users to click on the content of advertisements by any fraudulent means, or to attach advertisements or advertising links in the emails without permission.

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Pursuant to the Interim Administrative Measures for Censorship of Advertisements for Drugs, Medical Devices, Dietary Supplements and Foods for Special Medical Purpose (《藥品、醫療器械、保健食品、特殊醫學用途配方食品廣告審查管理暫行辦法》), which were promulgated by the SAMR on December 24, 2019, effective on March 1, 2020, an enterprise seeking to advertise its drugs, medical devices, dietary supplement or food for special medical purpose must apply for an advertisement approval number. The validity period of the advertisement approval number concerning a drug, medical device, dietary supplement or food for special medical purpose shall be consistent with that of the registration certificate or record-filing certificate or the production license of the product, whichever is the shortest. Where no validity period is set forth in the registration certificate, record-filing certificate or the production license of the product, the advertisement approval number shall be valid for two years. The content of an approved advertisement may not be altered without prior approval. Where any alteration to the advertisement is needed, a new advertisement approval shall be obtained.

### REGULATIONS ON INTERNET LIVE STREAMING SERVICES

On November 4, 2016, the CAC issued Administrative Provisions on Internet Live-Streaming Services (《互聯網直播服務管理規定》), which became effective on December 1, 2016. Under the regulation, “internet live streaming” refers to the activities of continuously releasing real-time information to the public based on the internet in forms such as video, audio, images and texts, and “internet live-streaming service providers” refers to the operators that provide internet live-streaming platform services. In addition, the internet live-streaming service providers shall take various measures when operating its services, such as examining and verifying the authenticity of the identification information and file this information for record.

In November 2020, the NRTA issued the Notice on Strengthening the Administration of Online Show Live and E-commerce Live Streaming (《關於加強網絡秀場直播和電商直播管理的通知》), which set forth registration requirements for platforms providing online show live streaming or e-commerce live streaming to have their information and business operations registered by November 30, 2020. The Notice made it clear that live streaming platforms should implement real-name management systems. Live streaming platforms should manage the contents of live studios and the corresponding hosts with labels by categories such as “music”, “dance”, “singing”, “fitness”, “games”, “travel”, “food” and “life services”. Live streaming platforms should set up business-level rating systems for live studios and hosts, refine program quality ratings and the rating systems if there are violations, and the recommendations or promotions for live studios and hosts shall be associated with such ratings.

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### REGULATIONS ON INTERNET SECURITY

On November 7, 2016, the SCNPC promulgated the Cyber Security Law of the PRC (《中華人民共和國網絡安全法》), which became effective on June 1, 2017. In accordance with the Cyber Security Law, network operators must comply with applicable laws and regulations and fulfill their obligations to safeguard network security in conducting business and providing services. Network service providers must take technical and other necessary measures as required by Laws to safeguard the operation of networks, respond to network security effectively, prevent illegal and criminal activities, and maintain the integrity, confidentiality and usability of network data.

On December 28, 2021, the CAC, NDRC, MIIT and other ten PRC regulatory authorities jointly issued the Cybersecurity Review Measures (《網絡安全審查辦法》), effective on February 15, 2022. The Cybersecurity Review Measures require that, (i) any procurement of network products and services by critical information infrastructure operators, which affects or may affect national security, or (ii) any data processing activities by network platform operators, which affects or may affect national security, including that any network platform operators which has personal information of more than one million users and is going to be listed abroad, shall be subject to cybersecurity review. Since the measures were recently promulgated, there exists uncertainties with respect to their interpretation and implementation. On 14 November 2021, the CAC publicly solicited opinions on the Draft Data Security Regulations (《網絡數據安全管理條例(徵求意見稿)》). According to the Draft Data Security Regulations, data processors shall, in accordance with relevant state provisions, apply for cyber security review when carrying out the following activities: (i) the merger, reorganization or separation of Internet platform operators that have acquired a large number of data resources related to national security, economic development or public interests, which affects or may affect national security; (ii) data processors that handle the personal information of more than one million people intends to be listed abroad; (iii) the data processor intends to be listed in Hong Kong, which affects or may affect national security; and (iv) other data processing activities that affect or may affect national security. As of the Latest Practicable Date, the Draft Data Security Regulations has not been formally adopted.

### REGULATIONS ON PERSONAL INFORMATION OR DATA PROTECTION

The Data Security Law of the PRC (《中華人民共和國數據安全法》), which was promulgated by the Standing Committee of the NPC on June 10, 2021 and took effect on September 1, 2021, provides that China shall establish a data classification and grading protection system, formulate the important data catalogs to enhance the protection of important data. The conduct of data handling activities shall be in compliance with the provisions of laws and administrative regulations, establishing and completing a data security management system for the entire workflow, organizing and conducting data security education and training, adopting corresponding technical measures and other necessary measures to ensure data security, strengthening risk monitoring, taking immediate disposition measures and promptly reporting to relevant authorities when data security incidents occur. Processors of important data shall specify the person responsible for data security and management agencies,

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implement data security protection responsibilities, periodically conduct risk assessments of such data handling activities as provided and submit risk assessment reports to the relevant authorities. Relevant authorities will establish the measures for the cross-border transfer of important data. If any company violates the Data Security Law of the PRC and other applicable measures to provide important data outside China, such company may be punished by administration sanctions, including penalties, fines, and/or possible suspension of relevant business or revocation of the business license. In December 2011, the MIIT issued Several Provisions on Regulating the Market Order of Internet Information Services (《規範互聯網信息服務市場秩序若干規定》), which provide that an Internet information service provider may not collect any user's personal information or provide any such information to third parties without such user's consent. Pursuant to the Several Provisions on Regulating the Market Order of Internet Information Services, Internet information service providers are required to, among others, (i) expressly inform the users of the method, content and purpose of the collection and processing of such users' personal information and may only collect such information necessary for the provision of its services; and (ii) properly maintain the users' personal information, and in case of any leak or possible leak of a user's personal information, Internet information service providers must take immediate remedial measures and, in severe circumstances, make an immediate report to the telecommunications regulatory authority.

Pursuant to the Decision on Strengthening the Protection of Online Information (《關於加強網絡信息保護的決定》), issued by the SCNPC in December 2012, and the Order for the Protection of Telecommunication and Internet User Personal Information (《電信和互聯網用戶個人信息保護規定》), issued by the MIIT in July 2013, any collection and use of any user personal information must be subject to the consent of the user, and abide to the applicable law, rationality and necessity of the business and fall within the specified purposes, methods and scopes in the applicable laws. In addition, the CAC, the MIIT, the Ministry of Public Security (the "MPS") and the SAMR jointly issued the Notice on Promulgation of the Rules on the Scope of Necessary Personal Information for Common Types of Mobile Internet Applications (《常見類型移動互聯網應用程序必要個人信息範圍規定》) in March 2021, effective on May 1, 2021, specifying that the operator of an internet application shall not refuse an user to use the App's basic functional services on the ground that the user disagree with the collection of unnecessary personal information.

In addition, the Cyber Security Law provides that: (i) to collect and use personal information, network operators shall follow the principles of legitimacy, rightfulness and necessity, disclose rules of data collection and use, clearly express the purposes, means and scope of collecting and using the information, and obtain the consent of the persons whose data is gathered; (ii) network operators shall neither gather personal information unrelated to the services they provide, nor gather or use personal information in violation of the provisions of laws and administrative regulations or the scopes of consent given by the persons whose data is gathered; and shall dispose of personal information they have saved in accordance with the provisions of laws and administrative regulations and agreements reached with users; (iii) network operators shall not divulge, tamper with or damage the personal information they have collected, and shall not provide the personal information to others without the consent of the persons whose data is collected. However, if the information has been processed and cannot be

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recovered and thus it is impossible to match such information with specific persons, such circumstance is an exception. Furthermore, under the Cyber Security Law, network operators of key information infrastructure generally shall, during their operations in the PRC, store the personal information and important data collected and produced within the territory of the PRC.

On September 14, 2022, the CAC, issued the Decision on Amending the PRC Cybersecurity Law (Draft for Comments), proposed to be amended in the following four aspects: firstly, to improve the legal liability system for violating the general provisions on the security of cyber operation; secondly, to amend the legal liability system for the security protection of critical information infrastructure; thirdly, to adjust the legal liability system for network information security; and fourthly, to amend the legal liability system for the protection of personal information.

The Critical Information Infrastructure Security Protection Regulations (《關鍵信息基礎設施安全保護條例》), which was promulgated by the State Council on July 30, 2021 and took effect on September 1, 2021, stipulates the definition and the identification procedure of the critical information infrastructure. Critical information infrastructure refers to important network infrastructure, information systems in important industries and sectors such as public telecommunications and information services, energy, transportation, public services, e-government, national defense science, or important network infrastructure, information systems which may gravely harm national security, national economy and people's livelihood, or the public interest upon their destruction, loss of functionality, or data leakage. Competent departments and supervision and management departments of important industries and sectors are the protection work departments, who are responsible for formulating related identification rules of critical information infrastructures. Operators of critical information infrastructure shall undertake cybersecurity protection duties to respond to cybersecurity incidents, prevent cyberattacks and unlawful or criminal activities, ensure the secure and stable operation of critical information infrastructure, and safeguard the integrity, confidentiality, and usability of data based on cybersecurity multi-level protection. Meanwhile, critical information infrastructure operators shall undergo a security review according to national cybersecurity regulations if the network products and services they purchase may influence national security.

Personal Information Protection Law of the PRC (《中華人民共和國個人信息保護法》), which was issued by the Standing Committee of the NPC on August 20, 2021 and effective on November 1, 2021, provides detailed rules on handling personal information and legal responsibilities, including but not limited to the scope of personal information and the ways of processing personal information, the establishment of rules for processing personal information, the individuals' rights and the processors' obligations in the handling of personal information, the requirements on data localization and cross-border data transfer, the requirements for consent and the requirements on processing of sensitive personal information. Critical information infrastructure operators and personal information processors processing personal information reaching quantities provided by the State cybersecurity and informatization department shall store personal information collected and produced within the borders of the PRC domestically; where they need to provide it abroad, they shall pass a



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security assessment organized by the State cybersecurity and informatization department. Processor of personal information shall, based on purpose and methods of processing of personal information, categories of personal information, the impacts on individuals' rights and interests, and potential security risks, take the following measures to ensure that personal information processing activities comply with the provisions of laws and administrative regulations, and prevent unauthorized access as well as the leakage, tampering or loss of personal information:

- Developing internal management rules and operating procedures.
- Conducting classified management of personal information.
- Taking corresponding security technical measures such as encryption and de-identification.
- Determining in a reasonable manner the operation privileges relating to personal information processing, and providing security education and trainings for employees on a regular basis.
- Developing and organizing the implementation of emergency plans for personal information security incidents.
- Other measures as provided by laws and administrative regulations.

Company violates the Personal Information Protection Law in handling personal information may face penalties, fines, suspension of relevant business or revocation of the business license.

On November 14, 2021, the CAC published a draft of the Administrative Regulations for Internet Data Security (《網絡數據安全管理條例(徵求意見稿)》), or the Draft Internet Data Security Regulations, for public comments. The Draft Internet Data Security Regulations proposed to provide more detailed guidelines on the current rules on various aspects of data processing. Pursuant to Article 2 and Article 73 of the Draft Internet Data Security Regulations, the regulations applies to data processing activities by utilizing internet as well as cyber data security supervision and management activities within the PRC. “Cyber data” refers to any information that is electronically recorded, whereas “data processing activities” refer to activities such as data collection, storage, usage, processing, transmission, provision, disclosure and deletion. In general, any company engages in data processing activities through Internet within the PRC will be subject to the Draft Internet Data Security Regulations. On December 28, 2021, the CAC, jointly with the other 12 governmental authorities, promulgated the Cybersecurity Review Measures (《網絡安全審查辦法》), which took effect on February 15, 2022. The Cybersecurity Review Measures and the Draft Internet Data Security Regulations (together, the “Cybersecurity Regulations”) have imposed a cybersecurity review obligation on certain data handlers. Under the Cybersecurity Regulations, operators of critical information infrastructure to procure network products and services, and network platform

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operators to carry out data processing activities that affect or may affect national security, shall be subject to cybersecurity review. In particular, according to the Draft Internet Data Security Regulations, data handlers seeking listing in Hong Kong that affect or may affect national security are required to apply for cybersecurity review.

The Provisions on Administration of Security Vulnerability of Network Products (《網絡產品安全漏洞管理規定》) (the “**Provisions**”), which was jointly promulgated by the MIIT, CAC and MPS on July 12, 2021 and took effect on September 1, 2021, has established rules for the suppliers of network products (both hardware and software), the network operators and the organizations or individuals who conduct the detection, collection, publication of security vulnerability of network products and other related activities. All the three types of entities shall set up communication channel to receive report of security vulnerability of network products, and shall keep the log of received information on security vulnerability for at least 6 months. Specifically, the network operators shall take immediate measures to verify and fix the security vulnerability upon detection of the vulnerability.

On July 7, 2022, the CAC has publicly solicited opinions on the Measures for the Security Assessment of Data Cross-border Transfer (《數據出境安全評估辦法》), which took effect on September 1, 2022. The Measures for the Security Assessment of Data Cross-border Transfer requires the data processor providing data overseas and falling under any of the following circumstances apply for the security assessment of cross-border data transfer by the national cybersecurity authority through its local counterpart: (i) where the data processor intends to provide important data overseas; (ii) where the critical information infrastructure operator and any data processor who has processed personal information of more than 1,000,000 people intend to provide personal information overseas; (iii) where any data processor who has provided personal information of 100,000 people or sensitive personal information of 10,000 people to overseas recipients accumulatively since January 1 of the last year intends to provide personal information overseas; and (iv) other circumstances where the security assessment of data cross-border transfer is required as prescribed by the CAC. Furthermore, the data processor shall conduct a self-assessment on the risk of data cross-border transfer prior to applying for the foregoing security assessment, under which the data processor shall focus on certain factors including, among others, the legitimacy, fairness and necessity of the purpose, scope and method of data cross-border transfer and the data processing of overseas recipients, the risks that the cross-border data transfer may bring to national security, public interests and the legitimate rights and interests of individuals or organizations as well as whether the cross-border data transfer related contracts or the other legally binding documents to be entered with overseas recipients have fully included the data security protection responsibilities and obligations. On August 31, 2022, the CAC, issued the Guidelines for Declaring Data Cross-border Security Assessment (First Edition), which further clarifies the scope of application, declaration methods and processes of data cross-border security assessment. On February 24, 2023, the CAC issued the Measures for the Standard Contract for Cross-border Transfer of Personal Information (《個人信息出境標準合同辦法》) (the “**Measures**”) and the Standard Contract for Cross-border Transfer of Personal Information (《個人信息出境標準合同》) (the “**SCC**”), which was officially implemented on June 1, 2023. Pursuant to the Measures, for personal information cross-border transfer that do not trigger the security

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assessment, the activity of transferring personal information abroad may be carried out after the SCC enters into force. Meanwhile, personal information processors shall, within 10 working days after the SCC enters into effect, apply for filing with the cyberspace administration at the provincial level by submitting the SCC and a personal information protection impact assessment report. The SCC shall be concluded in strict accordance with the Annex of the Measures, stipulating a number of obligations on the personal information processor and the overseas recipient to protect the rights and interests of the subject of personal information.

Pursuant to the Ninth Amendment to the Criminal Law of the PRC (《中華人民共和國刑法修正案(九)》), issued by the SCNPC in August 2015, which became effective in November 2015, any Internet service provider that fails to fulfill its obligations related to Internet information security administration as required under applicable laws and refuses to rectify upon orders shall be subject to criminal penalty. Furthermore, Interpretations of the Supreme People's Court and the Supreme People's Procuratorate on Several Issues Concerning the Application of Law in the Handling of Criminal Cases Involving Infringement of Personal Information (《關於辦理侵犯公民個人信息刑事案件適用法律若干問題的解釋》), issued on May 8, 2017 and effective on June 1, 2017, clarified certain standards for the conviction and sentencing of the criminals in relation to personal information infringement. In addition, on May 28, 2020, the National People's Congress adopted the Civil Code of the PRC (《中華人民共和國民法典》) (the “**Civil Code**”), which became effective on January 1, 2021. Pursuant to the Civil Code, the personal information of a natural person shall be protected by the law. Any organization or individual shall legally obtain such personal information of others when necessary and ensure the safety of such information, and shall not illegally collect, use, process or transmit personal information of others, or illegally purchase or sell, provide or make public personal information of others.

Pursuant to the Regulations for Medical Institutions on Medical Records Management (《醫療機構病歷管理規定》) released on November 20, 2013, and effective on January 1, 2014, the medical institutions and medical practitioners shall strictly protect the privacy information of patients, and any leakage of patients' medical records for non-medical, non-teaching or non-research purposes is prohibited. The NHFPC released the Measures for Administration of Population Health Information (Trial) (《人口健康信息管理辦法(試行)》) on May 5, 2014, which refers the medical health service information as the population healthcare information, and emphasizes that such information cannot be stored in offshore servers, and the offshore servers shall not be hosted or leased. Pursuant to the Management Measures of Standards, Safety and Service of National Health and Medical Big Data (Trial) (《國家健康醫療大數據標準、安全和服務管理辦法(試行)》), promulgated by the NHC on July 12, 2018, the medical institutions should establish relevant safety management systems, operation instructions and technical specifications to safeguard the safety of healthcare big data generated in the process of health management service or prevention and cure service of diseases. And it also stipulates that such healthcare big data should be stored in onshore servers and shall not be provided overseas without safety assessment.

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### REGULATIONS RELATING TO ANTI-MONOPOLY IN CHINA

According to the PRC Anti-Unfair Competition Law (《中華人民共和國反不正當競爭法》), which took effect on December 1, 1993 and last amended on April 23, 2019, unfair competition refers to that the operator disrupts the market competition order and damages the legitimate rights and interests of other operators or consumers in violation of the provisions of the Anti-unfair Competition Law in the production and operating activities. Pursuant to the PRC Anti-unfair Competition Law, operators shall abide by the principle of voluntariness, equality, impartiality, integrity and adhere to laws and business ethics during market transactions, and operators in violation shall bear corresponding civil, administrative or criminal liabilities depending on the specific circumstances.

The PRC Anti-monopoly Law (《中華人民共和國反壟斷法》), which took effect on August 1, 2008 and last amended on June 24, 2022, prohibits monopolistic conduct such as entering into monopoly agreements, abusing market dominance and concentration of undertakings that may have the effect of eliminating or restricting competition. On March 10, 2023, the SAMR issued the Provisions on the Prohibitions of Acts of Abuse of Dominant Market Positions (《禁止濫用市場支配地位行為規定》), which took effect on April 15, 2023, to further prevent and prohibit the abuse of dominant market positions. On February 7, 2021, the Anti-monopoly Commission of the State Council promulgated the Guidelines to Anti-Monopoly in the Field of Internet Platforms (《關於平台經濟領域的反壟斷指南》) (the “**Anti-Monopoly Guidelines**”), which took effect on the same date and will operate as a compliance guidance for platform economy operators under the existing PRC anti-monopoly laws and regulations. The Anti-Monopoly Guidelines mainly covers five aspects, including general provisions, monopoly agreements, abusing market dominance, concentration of undertakings, and abusing of administrative powers eliminating or restricting competition.

### REGULATIONS ON LOANS BETWEEN NON-FINANCIAL INSTITUTIONS

According to the General Lending Provisions (《貸款通則》) promulgated by PBOC in June 1996, any financing arrangements or lending transactions between non-financial institutions is prohibited. Furthermore, pursuant to Article 73 of the General Lending Provisions, PBOC may impose a fine on the non-compliant lender of one to five times of the income received by the lender from such loans. Notwithstanding the General Lending Provisions, the Supreme People’s Court has made new interpretations concerning financing arrangements and lending transactions between non-financial institutions under the Provisions of the Supreme People’s Court on Several Issues concerning the Application of Law in the Trial of Private Lending Cases (《最高人民法院關於審理民間借貸案件適用法律若干問題的規定》) (the “**Judicial Interpretations on Private Lending Cases**”), which came into effect on September 1, 2015 and was amended on August 19, 2020 and December 29, 2020. According to Article 10 of the Judicial Interpretations on Private Lending Cases, the Supreme People’s Court recognizes the validity and legality of financing arrangements and lending transactions between non-financial institutions so long as certain requirements, such as the interest rates charged, are satisfied and there is no violation of mandatory provisions of applicable laws and regulations. Our PRC Legal Advisor advised us that, under the Judicial Interpretations on Private Lending Cases, PRC courts will support a non-financial institution’s claim for interests

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on loans as long as the annual interest rate does not exceed four times of the loan prime rate, as published by the National Interbank Funding Center, for loans with maturities of one year applicable on the date of loan agreement, or other interest rate specified in the Judicial Interpretations on Private Lending Cases applicable on the date of such loan agreement. Based on the above, our PRC Legal Advisor advised us that we become subject to any penalty with respect to our advance of borrowings to related parties pursuant to the General Lending Provisions is low, and our advance of borrowings to related parties do not constitute material non-compliance of any applicable laws and regulations.

### REGULATIONS ON INTELLECTUAL PROPERTY RIGHTS

China has made substantial efforts to adopt comprehensive legislation governing intellectual property rights, including trademarks, patents, copyrights and domain names.

#### Trademarks

Trademarks are protected by the PRC Trademark Law (《中華人民共和國商標法》) promulgated by the SCNPC on August 23, 1982, latest amended on April 23, 2019 and effective on November 1, 2019, as well as the Implementation Regulations of the PRC Trademark Law (《中華人民共和國商標法實施條例》) promulgated by the State Council on August 3, 2002 and amended on April 29, 2014, pursuant to which, the Trademark Office of National Intellectual Property Administration, or the Trademark Office, is responsible for trademark registrations and administration, and grants a term of ten years to registered trademarks and another ten years if requested upon expiry of the first or any renewed ten-year term. In addition, the PRC Trademark Law has adopted a “first-to-file” principle with respect to trademark registration.

#### Patents

According to the PRC Patent Law (《中華人民共和國專利法》) amended by the SCNPC on December 27, 2008 and became effective on October 1, 2009, as well as the Detailed Rules for the Implementation of the PRC Patent Law (《中華人民共和國專利法實施細則》) promulgated by the State Council on January 9, 2010 and amended on December 11, 2023, the National Intellectual Property Administration is responsible for administering patents in the PRC. The PRC Patent Law and its implementation rules provide for three types of patents, “invention”, “utility model” and “design”. The PRC Patent Law was further amended by the SCNPC on October 17, 2020 and became effective on June 1, 2021, pursuant to which, the duration of design patents are changed from ten years to fifteen years, commencing from the date of application.

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### Copyrights

Pursuant to the PRC Copyright Law (《中華人民共和國著作權法》) amended by the SCNPC on February 26, 2010, became effective on April 1, 2010, and latest amended on November 11, 2020 and took effect on June 1, 2021 and the Implementing Regulations of the PRC Copyright Law (《中華人民共和國著作權法實施條例》) promulgated by the State Council on August 2, 2002, latest amended on January 30, 2013 and became effective on March 1, 2013, the PRC citizens, legal persons, and other organizations shall, enjoy copyright in their works, whether published or not, which include, among others, works of literature, art, natural science, social science, engineering technology and computer software. The copyright owner enjoys various kinds of rights, including right of publication, right of authorship and right of reproduction.

### Domain Names

Internet domain name registration and related matters are primarily regulated by the Administrative Measures on Internet Domain Names (《互聯網域名管理辦法》) promulgated by the MIIT on August 24, 2017 and took effect on November 1, 2017, and the Implementing Rules of Registration of Country Code Top-level Domain Name (the “**ccTLD Registration Rules**”), promulgated by the China Internet Network Information Center (the “**CNNIC**”) on June 18, 2019 and took effect on the same day, pursuant to which, the MIIT is in charge of the administration of PRC Internet domain names and the CNNIC is responsible for the daily administration of CN domain names and Chinese domain names. The registration of domain names follows a “first come, first file” principle. The applicants will become the holders of such domain names upon the completion of the registration procedure.

## REGULATIONS ON TAXATION

### Enterprise Income Tax

Pursuant to the PRC Enterprise Income Tax Law (《中華人民共和國企業所得稅法》) (the “**EIT Law**”), promulgated by the SCNPC on March 16, 2007, latest amended and effective on December 29, 2018, and the Implementation Regulations of the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》) (the “**EITIR**”) promulgated by the State Council on December 6, 2007, latest amended and effective on April 23, 2019, the enterprise income tax of both domestic and foreign-invested enterprises is unified at 25% with certain exceptions. Enterprises are classified as “resident enterprises” and “non-resident enterprises”, resident enterprises typically pay an enterprise income tax at the rate of 25% while non-resident enterprises without any branches in the PRC should pay an enterprise income tax in connection with their income from the PRC at the reduced tax rate of 10%. Enterprises established under the law of foreign countries or regions whose “de facto management bodies” which is defined as the management bodies that exercise full and substantial control and overall management over the business, productions, personnel, accounts and properties of the enterprises are located in the PRC are considered as PRC tax resident enterprises, and will generally be subject to enterprise income tax at the rate of 25% of their global income.

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### Value-added Tax

Pursuant to the Provisional Regulations on Value-added Tax of the PRC (《中華人民共和國增值稅暫行條例》) promulgated by the State Council on December 13, 1993, latest amended and became effective on November 19, 2017, and the Implementing Rules for the Provisional Regulations on Value-added Tax of the PRC (《中華人民共和國增值稅暫行條例實施細則》) promulgated by the Ministry of Finance (the “MOF”) on December 25, 1993, latest amended on October 28, 2011 and became effective on November 1, 2011, all enterprises and individuals that engage in the sale of goods, the provision of processing, repair and replacement services, the sale of services, intangible assets or immovable properties and the importation of goods within the territory of the PRC must pay value-added tax (the “VAT”). The VAT tax rates generally applicable are simplified as 17%, 11%, 6% and 3%, and the VAT tax rate applicable to the small-scale taxpayers is 3%.

### Dividends Withholding Tax

Pursuant to the EIT Law and the EITIR, dividends generated after January 1, 2008 and payable by foreign-invested companies in China to their foreign investors that are non-resident enterprises as defined under the law are subject to withholding tax at a rate of 10%, unless any such foreign investor’s jurisdiction of incorporation has a tax treaty with PRC that provides for a different withholding arrangement. Pursuant to the Arrangement Between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and Prevention of Fiscal Evasion with Respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷稅漏稅的安排》) (the “**Double Tax Avoidance Arrangement**”) promulgated on August 21, 2006 and last amended on December 6, 2019, where a Hong Kong resident enterprise that holds more than a 25% equity interest in a PRC resident enterprise at any time within 12 consecutive months before receiving the dividend, the competent PRC tax authority may determine the Hong Kong resident enterprise to have satisfied the relevant conditions and requirements under such Double Tax Avoidance Arrangement, and the withholding tax rate on the dividends the Hong Kong resident enterprise receives from a PRC resident enterprise may be reduced to 5% from 10% applicable under the EIT Law and the EITIR.

However, based on the Notice of the State Administration of Taxation on Certain Issues with Respect to the Enforcement of Dividend Provisions in Tax Treaties (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》) promulgated and took effect on February 20, 2009 by the State Administration of Taxation (the “SAT”), where the relevant PRC tax authorities determine, in their discretion, that a company benefits from such reduced income tax rate due to a transaction or arrangement that is primarily tax-driven, such PRC tax authorities may adjust the preferential tax treatment. Based on the Notice of the State Administration of Taxation on Issues concerning the “Beneficial Owner” in Tax Treaties (《國家稅務總局關於稅收協定中“受益所有人”有關問題的公告》) which was promulgated by the SAT on February 3, 2018 and came into effect on April 1, 2018, a comprehensive analysis will be used to determine beneficial ownership based on the actual situation of a specific case combined with certain principles, and if an applicant is obliged to pay more than 50% of its income to a third country (region) resident within 12 months of the receipt of the income, or the business activities undertaken by an applicant did not constitute substantive business activities including substantive manufacturing, distribution, management and other activities, the applicant was unlikely to be recognized as an beneficial owner to enjoy tax treaty benefits.

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### REGULATIONS ON FOREIGN EXCHANGE

#### Regulations on Foreign Currency Exchange

Foreign exchange regulations in the PRC are primarily governed by the Administration Rules on the Foreign Exchange of the PRC (《外匯管理條例》) (the “**Exchange Rules**”) promulgated by the State Council on January 29, 1996, latest amended and became effective on August 5, 2008 as well as the Administration Rules of the Settlement, Sale and Payment of Foreign Exchange (《結匯、售匯及付匯管理規定》) (the “**Administration Rules**”) issued by the People’s Bank of China on June 20, 1996 and became effective on July 1, 1996. Under the Exchange Rules, the Renminbi is convertible for current account items, including the distribution of dividends, interest and royalty payments, trade and service-related foreign exchange transactions. Conversion of Renminbi for capital account items, such as direct investment, loan, securities investment and repatriation of investment, however, is still subject to the approval of the State Administration of Foreign Exchange (the “**SAFE**”). Under the Administration Rules, foreign-invested enterprises may only buy, sell and/or remit foreign currencies at banks authorized to conduct foreign exchange business after providing valid commercial documents required and, in the case of capital account item transactions, obtaining approval from the SAFE. Capital investments by foreign-invested enterprises outside of China are also subject to limitations, including approval by regulatory government bodies like the MOFCOM, the SAFE and the NDRC or their local counterparts.

On May 11, 2013, the SAFE promulgated the Circular on Printing and Distributing the Provisions on Foreign Exchange Administration over Domestic Direct Investment by Foreign Investors and the Supporting Documents (《國家外匯管理局關於印發〈外國投資者境內直接投資外匯管理規定〉及配套文件的通知》), which specifies that the administration by the SAFE or its local branches over direct investment by foreign investors in the PRC shall be conducted by way of registration. Institutions and individuals shall register with the SAFE and/or its branches for their direct investment in the PRC. Banks shall process foreign exchange business relating to the direct investment in the PRC based on the registration information provided by the SAFE and its branches.

On February 13, 2015, the SAFE promulgated the Notice of the State Administration of Foreign Exchange on Further Simplifying and Improving the Foreign Exchange Administration Policies on Direct Investments (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》) (the “**SAFE Circular 13**”), which took effect on June 1, 2015. The SAFE Circular 13 specifies that the administrative examination and approval procedures with the SAFE or its local branches relating to the foreign exchange registration approval for domestic direct investments as well as overseas direct investments have been canceled, and qualified banks are delegated the power to directly conduct such foreign exchange registrations under the supervision of the SAFE or its local branches.



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On March 30, 2015, the SAFE issued the Circular of the State Administration of Foreign Exchange on Reforming the Management Approach regarding the Settlement of Foreign Exchange Capital of Foreign-invested Enterprises (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》) (the “**SAFE Circular 19**”), which took effect and replaced previous regulations from June 1, 2015. Pursuant to the SAFE Circular 19, up to 100% of foreign currency capital of a foreign-invested enterprise may be converted into RMB capital according to the actual operation of the enterprise within the business scope at its will and the RMB capital converted from foreign currency registered capital of a foreign-invested enterprise may be used for equity investments within the PRC provided that such usage shall fall into the business scope of the foreign-invested enterprise, which will be regarded as the reinvestment of foreign-invested enterprise. Although the SAFE Circular 19 allows for the use of RMB converted from the foreign currency-denominated capital for equity investments in the PRC, the restrictions continue to apply as to foreign-invested enterprises’ use of the converted RMB for purposes beyond the business scope, for securities investments, for entrusted loans or for inter-company RMB loans.

On June 9, 2016, the SAFE promulgated the Notice of the State Administration of Foreign Exchange on Reforming and Standardizing the Foreign Exchange Settlement Management Policy of Capital Account (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) (the “**SAFE Circular 16**”), which reiterates some of the rules set forth in Circular 19, but changes the prohibition against using RMB capital converted from foreign currency denominated registered capital of a foreign-invested company to issue RMB entrusted loans to a prohibition against using such capital to issue loans to non-affiliated enterprises. In addition, SAFE promulgated the Circular Regarding Further Promotion of the Facilitation of Cross-Border Trade and Investment (《關於進一步促進跨境貿易投資便利化的通知》) (the “**SAFE Circular 28**”) on October 23, 2019, which expressly allows foreign-invested enterprises that do not have equity investments in their approved business scope to use their capital obtained from foreign exchange settlement to make domestic equity investments as long as there is a truthful investment and such investment is in compliance with the foreign investment-related laws and regulations.

On April 10, 2020, the SAFE promulgated Notice of the SAFE on Optimizing Foreign Exchange Administration to Support the Development of Foreign-related Business (《國家外匯管理局關於優化外匯管理支持涉外業務發展的通知》), (the “**SAFE Circular 8**”), according to which, under the prerequisite of ensuring true and compliant use of funds and compliance with the prevailing administrative provisions on use of income under the capital account, enterprises which satisfy the criteria are allowed to use income under the capital account, such as capital funds, foreign debt and overseas listing, etc. for domestic payment, without prior provision of proof materials for veracity to the bank for each transaction.

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## REGULATORY OVERVIEW

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### REGULATIONS ON OVERSEAS LISTING

On 6 July 2021, the General Office of the CPC Central Committee and the General Office of the State Council jointly promulgated the Opinions on Strictly Cracking Down on Illegal Securities Activities (《關於依法從嚴打擊證券違法活動的意見》), which emphasized the need to strengthen the administration over illegal securities activities and the supervision on overseas listings of China-based companies, and proposed to take effective measures, such as promoting the construction of relevant regulatory systems to deal with the risks and incidents faced by China-based overseas-listed companies, and provided that the special provisions of the State Council on overseas offering and listing by those companies limited by shares will be revised and therefore the duties of relevant domestic authorities and regulatory authorities will be clarified. As there are no further explanations or detailed rules or regulations with respect to such opinions, there are still uncertainties regarding the interpretation and implementation of such opinions.

On August 8, 2006, six PRC regulatory authorities, including the MOFCOM and other government authorities jointly issued the Rules on Mergers and Acquisitions of Domestic Enterprise by Foreign Investors (《關於外國投資者併購境內企業的規定》) which was effective as of September 8, 2006, and amended on June 22, 2009 (the “**M&A Rules**”). The M&A Rules, and other recently adopted regulations and rules concerning mergers and acquisitions established additional procedures and requirements that could make merger and acquisition activities by foreign investors more time consuming and complex. Our PRC Legal Advisor is of the opinion that prior CSRC approval under the M&A Rules for this Global Offering is not required because (i) the CSRC currently has not issued any definitive rule or interpretation concerning whether offerings akin to this Global Offering are subject to the M&A Rules; (ii) none of the incorporation or acquisition of the PRC subsidiaries involves the merger with or acquisition of the equity or asset of a PRC domestic enterprise as defined under the M&A Rules; and (iii) that no provision in the M&A Rules clearly classified contractual arrangements as a type of transaction subject to the M&A Rules. However, there is uncertainty as to how the M&A Rules will be interpreted or implemented, and we cannot assure you that the relevant PRC government authorities, including the CSRC, will reach the same conclusion as our PRC Legal Advisor.

On February 17, 2023, the CSRC released the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) (the “**Trial Measures**”) and five supporting guidelines (collectively, the “**Trial Measures and Supporting Guidelines**”), which came into effect on March 31, 2023. The Trial Measures and Supporting Guidelines will regulate both direct and indirect overseas offering and listing of PRC domestic companies’ securities by adopting a filing-based regulatory regime.

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## REGULATORY OVERVIEW

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Pursuant to the Trial Measures and Supporting Guidelines, if the issuer both meets the following criteria, the overseas securities offering and listing conducted by such issuer will be deemed as indirect overseas offering by PRC domestic companies: (i) 50% or more of any of the issuer's operating revenue, total profit, total assets or net assets as documented in its audited consolidated financial statements for the most recent fiscal year is accounted for by domestic companies; and (ii) the main parts of the issuer's business activities are conducted in the PRC, or its main place(s) of business are located in the PRC, or the majority of senior management staff in charge of its business operations and management are PRC citizens or have their usual place(s) of residence located in the PRC. Therefore, the Global Offering would be deemed as an indirect overseas securities offering by a PRC domestic company. Where an issuer submits an application for initial public offering to competent overseas regulators, such issuer must file with the CSRC within three business days after such application is submitted. The Trial Measures and Supporting Guidelines provide that, an overseas offering and listing is prohibited under any of the following circumstances: if (i) such securities offering and listing is explicitly prohibited by provisions in laws, administrative regulations and relevant state rules; (ii) the intended securities offering and listing may endanger national security as reviewed and determined by competent authorities under the State Council in accordance with law; (iii) the domestic company intending to make the securities offering and listing, or its controlling shareholder(s) and the actual controller, have committed relevant crimes such as corruption, bribery, embezzlement, misappropriation of property or undermining the order of the socialist market economy during the latest three years; (iv) the domestic company intending to make the securities offering and listing is currently under investigations for suspicion of criminal offenses or major violations of laws and regulations, and no conclusion has yet been made thereof; or (v) there are material ownership disputes over equity held by the domestic company's controlling shareholder(s) or by other shareholder(s) that are controlled by the controlling shareholder(s) and/or actual controller. If domestic companies fail to fulfill the above-mentioned filing procedures or offer and list in an overseas market against the prohibited circumstances, the domestic companies, controlling shareholders and actual controllers of such domestic companies as well as the directly liable persons-in-charge and other directly liable persons would be required to rectify, warned and/or fined in accordance with the Trial Measures. The Trial Measures and Supporting Guidelines also require subsequent reports to be filed with the CSRC on material events, such as change of control or voluntary or forced delisting of the issuer(s) who have completed overseas offerings and listings.

According to the CSRC's press conference for the release of the Trial Measures and the Notice on Administration for the Filing of Overseas Offering and Listing by Domestic Companies, on or prior to March 31, 2023, domestic companies that have already submitted valid applications for overseas offering and listing, but have not obtained an approval from overseas regulatory authorities or stock exchanges, may reasonably arrange the timing for submitting their filing applications with the CSRC, and must complete the filing before the completion of their overseas offering and listing. We have completed filing with the CSRC on March 22, 2024 for the Listing and the Global Offering in accordance with the Trial Measures.

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## REGULATORY OVERVIEW

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On February 24, 2023, the CSRC, the MOF, the National Administration of State Secrets Protection and the National Archives Administration of China jointly issued the Confidentiality and Archives Administration Provisions, which took effect on March 31, 2023, according to which, overseas securities regulators and competent overseas authorities may request to inspect, investigate or collect evidence from a domestic company concerning its overseas offering and listing or from the domestic securities companies and securities service providers that undertake relevant businesses for such domestic companies, such inspection, investigation and evidence collection shall be conducted under a cross-border regulatory cooperation mechanism, and the CSRC or other competent Chinese authorities will provide necessary assistance pursuant to bilateral and multilateral cooperation mechanisms. The domestic company, securities companies and securities service providers shall first obtain approval from the CSRC or other competent Chinese authorities before cooperating with the inspection and investigation by the overseas securities regulator or competent overseas authority, or providing documents and materials requested in such inspection and investigation. To be specific, a domestic company that plans to, either directly or through its overseas listed entity, publicly disclose or provide to relevant individuals or entities including securities companies, securities service providers and overseas regulators, (i) any documents and materials that contain state secrets or working secrets of government agencies, shall first obtain approval from competent authorities and file with competent secrecy administrative department; (ii) any other documents and materials that, if leaked, will be detrimental to national security or public interest, shall strictly fulfill relevant procedures stipulated by applicable national regulations. A domestic company that provides documents and materials to securities companies and securities service providers shall abide by applicable national regulations on confidentiality in handling such documents and materials, and shall provide a written statement simultaneously.

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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### OVERVIEW

We are the largest online chronic disease management platform in China in terms of average MAU in 2023, according to CIC. We commenced our business with a focus on chronic disease management to address the needs of patients with chronic disease, such as hypertension, cardiovascular and respiratory chronic diseases. Leveraging our chronic disease management platform, we are dedicated to providing tailored medical care and precision medicine for a growing population of chronic disease patients, with a view towards extending our services to a wider range of disease areas.

Yunyi Inc., the ultimate parent company of the Pre-reorganization Group, was established and commenced operations in August 2015 under the leadership of Mr. Xie with the support from a group of passive shareholders and investors. Mr. Zhou subsequently joined Yunyi Inc. in November 2015 as a director and later became a shareholder, working jointly with Mr. Xie to lead the management and operations of the Pre-reorganization Group. In September 2019, Fangzhou Inc., the ultimate parent company of the Group, was established. Our founders self-funded the establishment of the Group.

### BUSINESS MILESTONES

The following is a summary of our key business development milestones since our inception in 2015:

<u>Year</u>	<u>Event</u>
2015	We established Yunyi Inc., and the Initial WFOE entered into Guangzhou Yunyi Contractual Arrangements (as defined below) with Guangzhou Yunyi to acquire its effective control and substantially all economic benefits, and obtained our online pharmacy license.
2018	We were among the earliest recipients of a newly issued national-level internet hospital license, and pioneered our unique H2H model.
2019	We experienced tremendous growth in the number of registered physicians and patients in our H2H platform, and entered into a number of partnerships with leading global pharma companies.  Our Company was incorporated as the investment holding company of our Group.
2020	We obtained approval to implement pilot programs for social health insurance reimbursement of online pharmacy purchases, and improved our home delivery services to include cold-chain delivery of prescription drugs.

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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<u>Year</u>	<u>Event</u>
2021	Our customized content and marketing solutions business line continued its rapid growth with the launch of a number of projects and collaborations with leading global and local pharmaceutical companies.
2022	Fangzhou Information was recognized as a High and New Technology Enterprise (高新技術企業) on December 19, 2022.
2023	Our Group was among the first cohort in Guangzhou to be designated as a major disease and social health insurance “dual-channel” offline pharmacy, allowing patients to purchase certain drugs on the National Reimbursement Drug List of China with the benefit of public medical insurance reimbursement.

### MAJOR SUBSIDIARY AND CONSOLIDATED AFFILIATED ENTITY

The principal business activities and date of establishment and commencement of business of the member of our Group that made a material contribution to our results of operations during the Track Record Period are shown below:

<u>Name of entity</u>	<u>Principal business activities</u>	<u>Date of establishment and commencement of business</u>
Fangzhou Medicine	Internet hospital and online retail pharmacy services	August 20, 2019

### MAJOR SHAREHOLDING CHANGES OF OUR COMPANY AND YUNYI INC.

Yunyi Inc., the ultimate parent company of the Pre-reorganization Group, was established on August 10, 2015 as an exempted company with limited liability in the Cayman Islands, with an authorized share capital of US\$50,000 with par value of US\$0.0001 each.

Between November 2015 and June 2019, Yunyi Inc. conducted three rounds of pre-IPO financing resulting in the aggregate issuance of 23,033,009 series A preferred shares with par value of US\$0.0001 each, the aggregate issuance of 16,836,401 series A-1 preferred shares (subject to adjustments thereafter) with par value of US\$0.0001 each and the aggregate issuance of 28,197,656 series B preferred shares (subject to adjustments thereafter) with par value of US\$0.0001 each, further details of which are set out in the section headed “—Pre-IPO Investments.”

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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Our Company, Fangzhou Inc., was incorporated as an exempted company with limited liability in the Cayman Islands on September 26, 2019 with an authorized share capital of US\$50,000 divided into 500,000,000 shares with par value of US\$0.0001 each.

In December 2020, our Company adopted a weighted voting rights structure and conducted series C round of pre-IPO financing resulting in the aggregate issuance of 31,036,067 Series C Preferred Shares with par value US\$0.0001 each, further details of which are set out in the section headed “—Pre-IPO Investments.” As a result of (a) the adoption of the weighted voting rights structure, (b) the completion of series C round of pre-IPO financing, (c) the reservation of Series A-1 Preferred Shares and Series B Preferred Shares as a result of anti-dilution adjustments up to the completion of series C round of pre-IPO financing, and (d) the issuance of shares reserved for certain pre-IPO investors in series A-1 and series B rounds of pre-IPO financing, our Company’s authorized share capital comprised (i) 298,979,316 Class A Ordinary Shares with par value of US\$0.0001 each, (ii) 90,038,425 Class B Ordinary Shares with par value of US\$0.0001 each, (iii) 23,033,009 Series A Preferred Shares with par value of US\$0.0001 each, (iv) 17,365,639 Series A-1 Preferred Shares with par value of US\$0.0001 each, (v) 39,547,544 Series B Preferred Shares with par value of US\$0.0001 each, and (vi) 31,036,067 Series C Preferred Shares with par value of US\$0.0001 each. Each Class A Ordinary Share entitles the holder to exercise one vote, each Class B Ordinary Share entitles the holder to exercise 20 votes and each Preferred Share entitles the holder to exercise such number of votes as equals the whole number of Ordinary Shares into which such holder’s collective Preferred Shares are convertible, respectively, on any resolution tabled at the Company’s general meetings. The weighted voting rights structure will be cancelled through the re-classification of all existing classes of shares into a single class of Ordinary Shares immediately prior to Listing.

On August 9, 2021, our Company conducted a share split pursuant to which each issued and unissued share was subdivided into five shares of the corresponding class with par value of US\$0.00002 each, following which the authorized share capital of our Company became US\$50,000 divided into (i) 1,494,896,580 Class A Ordinary Shares of US\$0.00002 par value each, (ii) 450,192,125 Class B Ordinary Shares of US\$0.00002 par value each, (iii) 115,165,045 Series A Preferred Shares of US\$0.00002 par value each, (iv) 86,828,195 Series A-1 Preferred Shares of US\$0.00002 par value each, (v) 197,737,720 Series B Preferred Shares of US\$0.00002 par value each, and (vi) 155,180,335 Series C Preferred Shares of US\$0.00002 par value each.

In May 2022, we conducted series D round of pre-IPO financing resulting in the aggregate issuance of 8,664,773 Series D Preferred Shares with par value of US\$0.00002 each, following which the issued share capital of our Company comprised (i) 167,370,215 Class A Ordinary Shares of US\$0.00002 par value each, (ii) 450,192,125 Class B Ordinary Shares of US\$0.00002 par value each, (iii) 115,165,045 Series A Preferred Shares of US\$0.00002 par value each, (iv) 86,828,195 Series A-1 Preferred Shares of US\$0.00002 par value each, (v) 197,737,720 Series B Preferred Shares of US\$0.00002 par value each, (vi) 155,180,335 Series C Preferred Shares of US\$0.00002 par value each, and (vii) 8,664,773 Series D Preferred Shares of US\$0.00002 par value each, further details of which are set out in the section headed “—Pre-IPO Investments.”

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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In December 2022, we conducted series D+ round of pre-IPO financing resulting in the aggregate issuance of 8,086,871 Series D+ Preferred Shares with par value of US\$0.00002 each, following which the issued share capital of our Company comprised (i) 167,370,215 Class A Ordinary Shares of US\$0.00002 par value each, (ii) 450,192,125 Class B Ordinary Shares of US\$0.00002 par value each, (iii) 115,165,045 Series A Preferred Shares of US\$0.00002 par value each, (iv) 86,828,195 Series A-1 Preferred Shares of US\$0.00002 par value each, (v) 197,737,720 Series B Preferred Shares of US\$0.00002 par value each, (vi) 155,180,335 Series C Preferred Shares of US\$0.00002 par value each, (vii) 8,664,773 Series D Preferred Shares of US\$0.00002 par value each, and (viii) 8,086,871 Series D+ Preferred Shares of US\$0.00002 par value each, further details of which are set out in the section headed “—Pre-IPO Investments.”

In May 2024, the Company allotted and issued 5,453,428, 33,268,750, 32,900,000, 32,120,000, 3,500,000 and 20,000,000 Class A Ordinary Shares of par value of US\$0.00002 each to Asia Tech Investments Ltd., Endeavor Cloud Limited, Gaoxin Thrive Limited, FAST GOAL INTERNATIONAL LIMITED, Mr. ZOU Yuming and Torano Investments Limited, respectively.

### SHARE CONVERSION

On June 14, 2024, our Shareholders also resolved to, among other things, conduct a share conversion immediately prior to the completion of the Global Offering, pursuant to which each issued Class A Ordinary Share, Class B Ordinary Share and Preferred Share shall be converted into Ordinary Share on a one-to-one basis.

### MAJOR ACQUISITIONS, DISPOSALS AND MERGERS

Throughout the Track Record Period and as of the Latest Practicable Date, we did not conduct any major acquisitions, mergers or disposals.

### REORGANIZATION AND DISRUPTION OF PRODUCTION AND BUSINESS OPERATIONS INCIDENT

#### Business Reorganization from Guangdong Jianke to the Pre-reorganization Group

Guangdong Jianke was incorporated under the laws of the PRC on July 6, 2007 and commenced online pharmacy operations in 2010.

In preparation for a proposed listing of the business, Yunyi Inc., an exempted company incorporated in the Cayman Islands with limited liability, was established as the proposed listing vehicle on August 10, 2015 with an authorized share capital of US\$50,000. Mr. Zhou became a director of Yunyi Inc. in November 2015, working jointly with Mr. Xie to lead the management and operations of the Pre-reorganization Group, being the Initial WFOE and Guangzhou Yunyi. In order to facilitate future fund raising activities including a proposed listing and to set up a new business vehicle with a more streamlined shareholding and operating



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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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structure, on October 28, 2015, Mr. Xie, other passive shareholders (including Mr. Su and Mr. Ma) and all Series A Investors unanimously entered into an agreement to transfer the assets and intellectual property rights from Guangdong Jianke to the Pre-reorganization Group at nil consideration as part of a pre-listing business reorganization.

Prior to above transfer, Guangdong Jianke was owned as to 55% and 45% by Mr. Su and Mr. Xie, respectively. As of the Latest Practicable Date, the shareholding structure of Guangdong Jianke remained unchanged. Guangdong Jianke was principally engaged in online pharmacy operations through the Jianke mobile applications and website prior to above transfer.

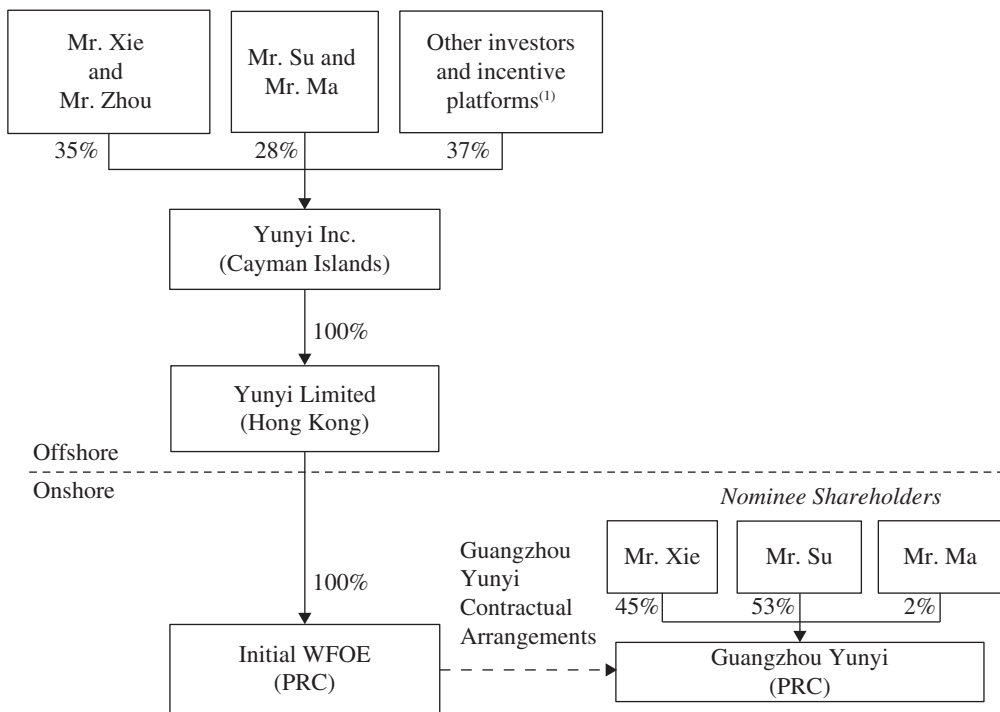
From 2016 to July 2019 (“**Transfer Period**”), Guangdong Jianke’s intellectual property rights relating to business on our Jianke Platform and third-party e-commerce platforms, including trademarks, domain name registration and software copyrights, were successively transferred to the Pre-reorganization Group. However, there were significant challenges and delays associated with the overall migration to the Initial WFOE, especially due to the difficulties associated with transferring Guangdong Jianke’s stores on third party platforms to the Pre-reorganization Group. As a result, during the Transfer Period, the Initial WFOE allowed the overall operations of the Jianke mobile applications and website to continue to be carried out by Guangdong Jianke under license and authorization from the Initial WFOE. After the Transfer Period, given that (i) the overall operations of the Jianke mobile applications and website were conducted by the Pre-reorganization Group and subsequently by the Group, and (ii) the business operations of Guangdong Jianke have ceased, to the best knowledge of our Directors, there is no potential competition and cooperation between the businesses of the Group and Guangdong Jianke as of the Latest Practicable Date.

### **Structure of the Pre-reorganization Group**

Mr. Xie and Mr. Zhou entered into an acting in concert arrangement and collectively held 35% of the equity interest in Yunyi Inc. in 2018. Mr. Su and Mr. Ma collectively held 28% of the equity interest in Yunyi Inc. and served as nominee shareholders of Guangzhou Yunyi, the operating entity under the contractual arrangements of the Pre-reorganization Group. Accordingly, the Initial WFOE entered into various agreements on November 20, 2015 that constitute the contractual arrangements (“**Guangzhou Yunyi Contractual Arrangements**”) with, among others, Guangzhou Yunyi, under which it acquired effective control over the financial and operational management and results of Guangzhou Yunyi and are entitled to substantially all the economic benefit derived from the operations of Guangzhou Yunyi.

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Details of the simplified corporate structure of the Pre-reorganization Group are set out below:



*Note:*

- (1) Similar to the adoption of weighted voting rights structure, as a token of trust on the management team and to enable the management team to maintain control over the operation of the Group, streamline the decision-making procedure and adhere to the consistent strategic plans, each of Crescent Trident Singapore Pte. Ltd., Asia-Pac e-Commerce Opportunities Pte. Ltd. and CP Pharmatech Singapore Pte. Ltd. executed a power of attorney on April 7, 2017, April 7, 2017 and September 4, 2018 respectively, pursuant to which each of them unconditionally, indefinitely and irrevocably authorized and appointed Fangming Investment Management Limited, a company controlled by Mr. Xie, to exercise the voting power attached to the series A preferred shares, series A-I preferred shares and series B preferred shares held by them, representing approximately 28% of the total issued share capital of Yunyi Inc. On September 4, 2018, being the date on which all powers of attorney have been duly executed, Mr. Xie could exercise the voting power attached to the shares representing approximately 63% of the total issued share capital of Yunyi Inc. As of the Latest Practicable Date, all aforementioned powers of attorney were valid and effective.

### Disruption of Production and Business Operations Incident

In June 2019, the board of directors of Yunyi Inc. consisted of 6 directors, namely: Mr. Xie, Mr. Zhou, Mr. Su, Mr. Ma, Mr. David Hand (“**Mr. Hand**”) and Mr. Kong Qingrong (“**Mr. Kong**”). Mr. Hand and Mr. Kong were appointed by Crescent Point.

During the second quarter of 2019, the Pre-reorganization Group undertook its periodic strategic business review. As part of this process, Mr. Su and Mr. Ma were found to be involved in a series of merchandise transactions, largely occurring from January to June 2019, between the Pre-reorganization Group and an entity (the “**Undisclosed Party**”) which had been established and owned by Mr. Ma’s relative and Mr. Su’s long term business partner, without any disclosure of their relationship. Mr. Su and Mr. Ma, leveraging their standing as shareholders and directors of the Pre-reorganization Group, referred the Undisclosed Party to

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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the Pre-reorganization Group as an ordinary supplier. Accordingly, the Pre-reorganization Group entered into various transactions with the Undisclosed Party, whereby the Undisclosed Party supplied merchandise such as pharmaceutical and healthcare products to the Pre-reorganization Group, and the Pre-reorganization Group provided order management and fulfillment services to the Undisclosed Party, including warehousing, logistics and delivery services, such as collection of funds, management of inventory products, and sending and receiving customer orders, but with the Pre-reorganization Group charging substantially lower service fees as compared with service fees in similar transactions which the Pre-reorganization Group entered into around the same period. As a result of these transactions, the Pre-reorganization Group suffered an insignificant loss in revenue. Despite such insignificant loss in revenue, the other directors of Yunyi Inc. considered that such transactions were a conflict of interest and detrimental to the Pre-reorganization Group and other shareholders as a whole, and demanded the termination of such transactions.

After discovering the background of the Undisclosed Party, the board of directors of Yunyi Inc. further strengthened the internal controls of the Pre-reorganization Group by adopting certain recommended measures as advised by its internal control advisor, including i) establishing a related party disclosure system and requiring directors and management to represent that they will satisfy relevant disclosure and approval requirements; ii) conducting regular review and inspection of related-party transactions; iii) maintaining and updating the list of related parties; iv) establishing anonymous whistle-blowing procedures; v) requiring the audit department to report to the board of directors immediately after discovering abnormal transactions; vi) conducting employee training regarding the group's anti-fraud policy; and vii) specifying the penalty on persons who failed to comply with the relevant requirements. The Company has continuously implemented and monitored such internal control measures since then. During the Track Record Period, the Group did not provide similar order management and fulfillment services to any other party. This was due to a strategic business decision prior to 2020 to discontinue such types of services, and focus on developing the Company's core comprehensive medical services, online retail pharmacy services, and customized content and marketing solutions business segments.

On July 24, 2019, Mr. Su, Mr. Ma and their co-conspirators, forcibly entered the offices of Initial WFOE and Guangzhou Yunyi located at No. 4 and No. 6, Kehuisi Road, Science City, Guangzhou (廣州市科學城科匯四街四號、六號), restricted employees' rights to access or leave the office and broke into Mr. Xie's office and removed by force numerous objects (the **"Disruption of Production and Business Operations Incident"**).

On July 31, 2019, the other shareholders of Yunyi Inc. (being all ordinary shareholders other than Mr. Su and Mr. Ma) unanimously approved resolutions removing Mr. Su and Mr. Ma from their office as directors.

After an investigation by the Guangdong Provincial Public Security Bureau, Mr. Ma and two other defendants were arrested and charged with sabotage of production and/or business operations (破壞生產經營罪) in October 2019. Mr. Su was arrested for the same crime on December 14, 2020.

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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On September 24, 2021, Mr. Ma was found guilty of the charge at first instance by the People's Court of Huangpu District of Guangzhou. Mr. Ma elected to appeal the verdict, and his appeal trial was held on June 14, 2022. On February 16, 2023, the Guangzhou Intermediate People's Court issued a second instance (final) judgment on this case, which dismissed the appeal and upheld the original verdict.

On June 23, 2021, Mr. Su was released on bail. On the basis of the established factual findings from the aforesaid judgments against Mr. Ma, the Guangzhou Huangpu District People's Procuratorate undertook a public prosecution of Mr. Su's case, which was accepted by the People's Court of Huangpu District of Guangzhou. On July 19, 2023, Mr. Su was found guilty of the charge at first instance by the People's Court of Huangpu District of Guangzhou. On July 21, 2023, Mr. Su elected to appeal the verdict. On October 27, 2023, the Guangzhou Intermediate People's Court issued a second instance (final) judgment on this case, which dismissed the appeal and upheld the original verdict.

### **Reorganization**

Considering the negative impact of the Disruption of Production and Business Operations Incident and potential future attempts by Mr. Su and Mr. Ma to cause damage to the Pre-reorganization Group, business partners of the Pre-reorganization Group urged the board of directors of Yunyi Inc. to take action so as to ensure sound and stable operations. Moreover, employees of the Pre-reorganization Group expressed their concerns about further negative incidents similar to the Disruption of Production and Business Operations Incident and future business of the Pre-reorganization Group. In addition, since the Disruption of Production and Business Operations Incident, Mr. Su and Mr. Ma have disavowed the Guangzhou Yunyi Contractual Arrangements of the Initial WFOE which they had previously entered into and declared the agreements to be null and void, while refusing to discharge their duties as nominee shareholders of Guangzhou Yunyi under the Guangzhou Yunyi Contractual Arrangements, all of which created a significant obstacle to maintaining ongoing operations of the Pre-reorganization Group.

To avoid the negative effects brought by the Disruption of Production and Business Operations Incident and in view of the potential instability of the business and management of the Pre-reorganization Group, Mr. Xie, Mr. Zhou and other shareholders of Yunyi Inc. (other than Mr. Su and Mr. Ma) had no alternative but to establish the Company on September 26, 2019 as the new proposed listing vehicle. Since early 2020, the Group, operating through the Company, its subsidiaries and consolidated affiliated entities, and with significant efforts from the management team, and support from the existing shareholders, has been able to continue serving its customers with minimal interruption.

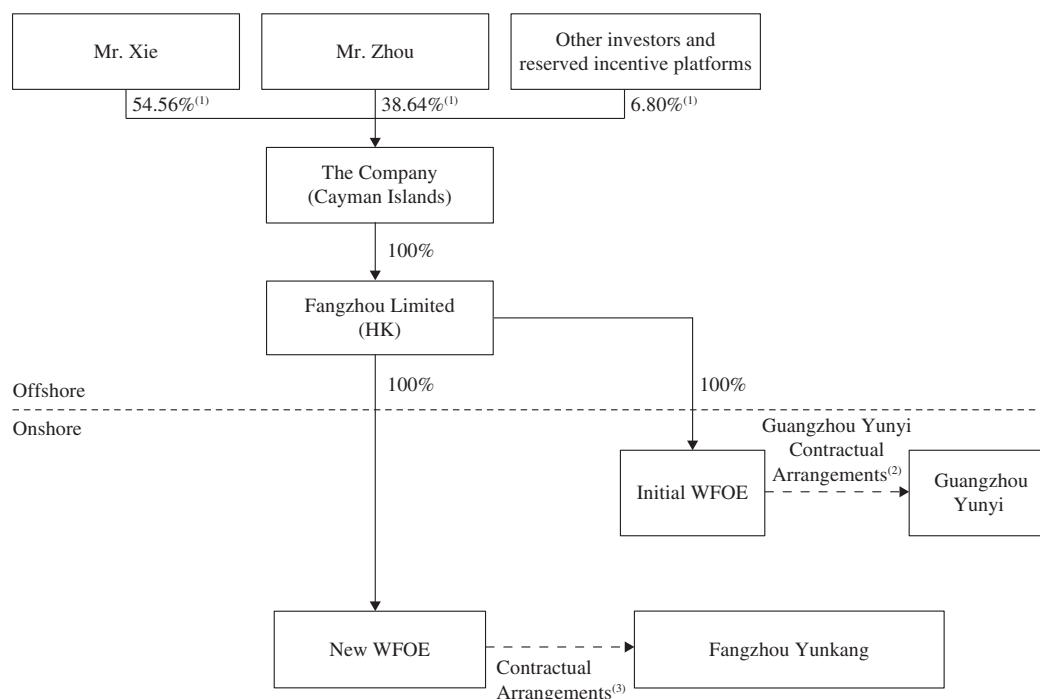
For the same purpose, the Initial WFOE was transferred to Fangzhou Limited to avoid further interruption. Accordingly, Yunyi Inc. convened a meeting of shareholders on February 7, 2021. At such meeting, with the support of approximately 98.6% of the votes cast by the shareholders of Yunyi Inc. present, a resolution was passed to subsequently approve the sale of 100% of the equity interest in the Initial WFOE (including the Guangzhou Yunyi Contractual Arrangements) to Fangzhou Limited for a consideration of US\$94,700,000. With a view to facilitating such acquisition and recover relevant intellectual property rights as soon as possible, the consideration was equal to the paid-in capital of the Initial WFOE and greatly exceeded the valuation of the Initial WFOE as assessed by Shenzhen Yongming Asset

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Appraisal Firm (深圳市永銘資產評估事務所), an independent valuer, in its valuation report, which was RMB21,297,100. The consideration for the acquisition was later distributed to the shareholders of Yunyi Inc. in accordance with its then effective articles of association. Based on the distribution waterfall outlined by the then effective articles of association of Yunyi Inc., the proceeds of the sale were distributed entirely to the series B and series A-1 preferred shareholders. The holders of series A preferred shares and ordinary shares (including Mr. Xie, Mr. Zhou, Mr. Ma and Mr. Su) did not receive any distribution of proceeds from the sale. The process of reorganization from the Pre-reorganization Group to the Group, as described in this paragraph and the paragraph above, are collectively referred to as the “**Reorganization**”.

In order to support the business of the Company and in accordance with the remaining shareholders’ stated goals for the Reorganization, the series A-1 preferred shareholders and series B preferred shareholders who were entitled to a distribution from Yunyi Inc. voluntarily entered into a letter of undertaking to contribute a total distribution amount of US\$94,700,000 to the Company without any shareholding increase in the Company.

Details of the simplified corporate structure of the Group after the Reorganization, the adoption of weighted voting rights structure and the completion of Series C round financing are set out as follows:



*Notes:*

- (1) The figures set out the respective voting power conferred upon the shareholder(s) under the weighted voting rights structure adopted in December 2020.
- (2) The Initial WFOE entered into Guangzhou Yunyi Contractual Arrangements with, among others, Guangzhou Yunyi on November 20, 2015.
- (3) The New WFOE entered into Contractual Arrangements with, among others, Fangzhou Yunkang on June 19, 2020 (which superseded the contractual arrangements entered into on April 28, 2020).

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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The Company's legal advisor as to Cayman Islands law also confirmed that (i) the removal of Mr. Su and Mr. Ma as directors of Yunyi Inc., (ii) the sale of the Initial WFOE to Fangzhou Limited by Yunyi Limited, and (iii) the distribution of the sale proceeds of the Initial WFOE did not violate the then effective articles of association of Yunyi Inc. or any applicable law, regulation, order or decree in the Cayman Islands.

The Company's PRC Legal Advisor is of the view that the Reorganization did not violate the then articles of association of members of the Pre-reorganization Group incorporated in the PRC nor the then effective applicable law, regulation in the PRC.

The Directors believe that the Reorganization, the transactions with Undisclosed Party and the Disruption of Production and Business Operations Incident will not negatively affect the Company's suitability for listing under Rule 8.04 of the Listing Rules nor the suitability of the Directors under Rules 3.08 and 3.09 of the Listing Rules on the basis that:

- (i) the historical disruptions and damages suffered by the Pre-reorganization Group were solely caused by misconduct of Mr. Su and Mr. Ma without the involvement of any other shareholders, directors or management members of Pre-reorganization Group/the Group;
- (ii) Mr. Su and Mr. Ma are no longer directors nor shareholders of the Group after completion of the Reorganization and therefore would not be able to cause any ongoing material adverse impact to the Group's business operations and financial positions;
- (iii) the purchase price of the Initial WFOE was above the fair market value as assessed by the independent valuer and the Reorganization was in compliance with the laws and regulations of the PRC and Cayman Islands;
- (iv) the Directors of the Group, namely Mr. Xie, Mr. Zhou and Mr. David McKee HAND, being also directors of the Pre-reorganization Group, have performed timely rectification and adopted measures to protect the shareholders of the Pre-reorganization Group as a whole, and as a result the disruptions and damages did not cause any material adverse impact to the Group's business operations and financial positions;
- (v) during the process of handling the relevant issues, Mr. Xie, Mr. Zhou and Mr. David McKee HAND have demonstrated the required levels of skill, care and diligence as a director of a listed company and consistently performed their fiduciary duties to protect the shareholders of the Company as a whole; and
- (vi) upon identification of the transactions with Undisclosed Party, Mr. Xie, Mr. Zhou and Mr. David McKee HAND, as directors of the Pre-reorganization Group, have made significant efforts to further strengthen the internal control systems of the Group through a series of measures including establishment of whistle-blowing mechanisms, establishment of scope of authority and responsibility for each employee position and also enhancement of separation of duties. In addition, after the Disruption of Production and Business Operations Incident, the aforementioned Directors have made their best endeavours to minimize the damage caused to the

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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Pre-reorganization Group and its business by timely reporting the same to the Guangzhou Municipal Public Security Bureau, maintaining relationship with relevant business partners and retaining employees and have effectively protected the Group's business and operations from damage caused by the Disruption of Production and Business Operations Incident.

### **Due Diligence by the Joint Sponsors**

In respect of the transactions with the Undisclosed Party, the Joint Sponsors (i) reviewed various documents including a summary of the Pre-reorganization Group's board discussion materials, the Pre-reorganization Group's internal investigation materials and a consultant report on the transactions with the Undisclosed Party; and (ii) interviewed each of the six incumbent directors of Yunyi Inc. at the relevant time and the persons responsible for the Pre-reorganization Group's procurement and accounting matters.

In respect of the Disruption of Production and Business Operations Incident, the Joint Sponsors reviewed (i) the Pre-reorganization Group's records of internal investigations and follow-up corporate actions following the Disruption of Production and Business Operations Incident; (ii) the first instance criminal judgment against Mr. Ma dated September 24, 2021 handed down by the People's Court of Huangpu District of Guangzhou; (iii) the second instance (final) criminal judgment against Mr. Ma dated February 16, 2023 handed down by the Guangzhou Intermediate People's Court; (iv) the first instance criminal judgment against Mr. Su dated July 19, 2023 handed down by the People's Court of Huangpu District of Guangzhou; and (v) the second instance (final) criminal judgment against Mr. Su dated October 27, 2023 handed down by the Guangzhou Intermediate People's Court.

In respect of the Reorganization, the Joint Sponsors (i) reviewed the Pre-reorganization Group's and the Group's relevant records of board and shareholder approvals as well as the appraiser's valuation report of the Initial WFOE; (ii) interviewed each of the six incumbent directors of Yunyi Inc. at the relevant time to understand the Reorganization and the basis of the transfer price of the Initial WFOE; (iii) reviewed advice from the Company's Cayman Islands, Hong Kong and PRC counsels; and (iv) consulted the Company's and the Joint Sponsors' PRC legal advisors.

Based on the Joint Sponsors' due diligence set forth above, nothing has come to the Joint Sponsors' attention that would lead them to disagree with the Company's conclusions (i) that the remaining directors were not involved in the transactions with the Undisclosed Party; (ii) regarding the corporate actions that the Pre-reorganization Group and the Group took in response to (a) the transactions with the Undisclosed Party and (b) the Disruption of Production and Business Operations Incident; (iii) regarding the fairness and legality of the Reorganization; and (iv) regarding the Company's suitability for listing and the suitability of the Directors under Rules 3.08 and 3.09 of the Listing Rules.

### **Public Shareholders' Risks**

On the basis of legal analysis provided by Cayman Islands, Hong Kong and PRC counsels, and to the best of the knowledge of the Company, we reasonably believe that Mr. Su and Mr. Ma do not have any solid legal grounds under Cayman Islands, Hong Kong or PRC laws for recourse against the Company, or any other member of the Group or any of their respective shareholders, for any claim of "loss of interests" in Yunyi Inc. and the Pre-reorganization Group due to the Reorganization (including acquisition of the Initial WFOE).

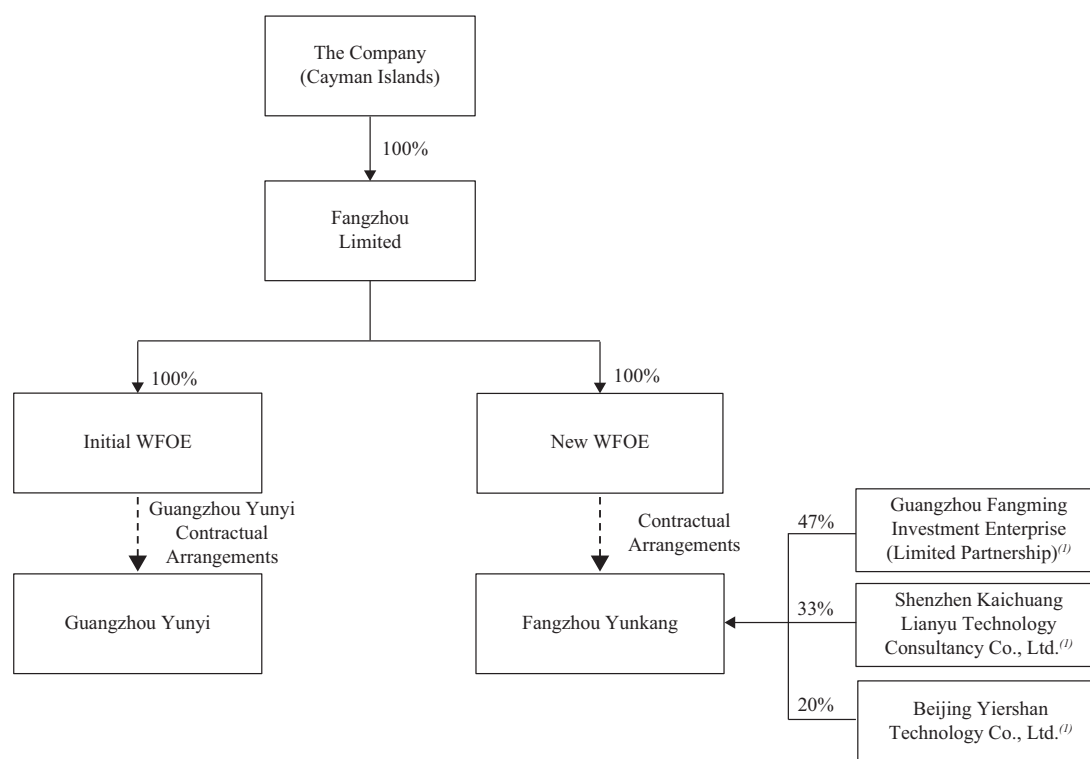
## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

In order to further protect the interests of future public shareholders of the Group, Mr. Xie and Mr. Zhou have undertaken to provide an indemnity to the public shareholders of the Company after the Listing for any potential loss suffered by the public shareholders as a result of litigation by Mr. Su and Mr. Ma against the Group.

### Restructuring of the Group’s PRC Entities after the Disruption of Production and Business Operations Incident

Accordingly, the New WFOE entered into various agreements on June 19, 2020 that constitute the Contractual Arrangements (which superseded the contractual arrangements entered into on April 28, 2020) with, among others, Fangzhou Yunkang, under which all economic benefits arising from the business of our Consolidated Affiliated Entities are transferred to the New WFOE to the extent permitted by the PRC laws and regulations. For further details on the Contractual Arrangements, see “Contractual Arrangements.”

The following chart sets forth our Group’s simplified corporate and shareholding structure immediately prior to our restructuring after the Disruption of Production and Business Operations Incident:



*Note:*

- (1) As of the Latest Practicable Date, Guangzhou Fangming Investment Enterprise (Limited Partnership) is wholly-owned by Mr. Xie. Shenzhen Kaichuang Lianyu Technology Consultancy Co., Ltd. is owned as to 55% and 45%, respectively, by Zhang Xinwei (張新偉) and Wang Wenchao (汪聞超), each of whom holds equity interest in Shenzhen Kaichuang Lianyu Technology Consultancy Co., Ltd. as a nominee appointed by Crescent Point. Beijing Yiershan Technology Co., Ltd. is wholly owned by Yang Jinghua (楊敬華), the mother of Mr. Zhou, who holds equity interest in Beijing Yiershan Technology Co., Ltd. as a nominee on behalf of Mr. Zhou.



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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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As part of our restructuring in contemplation of the Global Offering, we implemented the following onshore restructuring, which comprises steps undertaken in respect of our subsidiaries in the PRC.

### ***(1) Acquisition of Fangzhou Pharmaceutical***

Fangzhou Pharmaceutical was acquired by Guangzhou Fangming Investment Enterprise (Limited Partnership) (廣州市方明投資企業(有限合夥)), a partnership owned by Mr. Xie, and Liu Xiukui in July 2020 as nominee shareholders on behalf of Fangzhou Medicine, at nil consideration, which was determined based on market fair value and the financial position of Fangzhou Pharmaceutical at the time. The nominee arrangement aimed to streamline the relevant approval procedures and accelerate the completion of acquisition of Fangzhou Pharmaceutical. Since both nominees were domestic individual investors, the equity transfer process was considerably simpler than for a foreign investor, without the need to submit materials related to any complex corporate structure or registration.

On April 19, 2021, Fangzhou Information acquired the entire equity interest in Fangzhou Pharmaceutical from Liu Xiukui and Guangzhou Fangming Investment Enterprise (Limited Partnership) (廣州市方明投資企業(有限合夥)) at nil consideration, which was determined after taking into account the purpose of the onshore restructuring. Both Liu Xiukui and Guangzhou Fangming Investment Enterprise (Limited Partnership) held equity interest in Fangzhou Pharmaceutical as nominees on behalf of Fangzhou Medicine.

### ***(2) Acquisition of Beijing Fangyixing***

On August 12, 2019, Beijing Fangyixing was established as a limited liability company in the PRC and was wholly-owned by Mr. Xie. On the same day, Mr. Xie and Mr. Zhou entered into an acting-in-concert arrangement to jointly control Beijing Fangyixing since its date of incorporation. On February 12, 2020, New WFOE entered into a series of contractual arrangements with, among others, Beijing Fangyixing and Mr. Xie, through which New WFOE had acquired effective control over Beijing Fangyixing. As Beijing Fangyixing is not engaged in any business that is categorized as “Restricted” or “Prohibited” in the Negative List, in order to fulfill the narrowly tailored requirement of the contractual arrangements and as part of the restructuring in contemplation of the Global Offering, the contractual arrangement was terminated by New WFOE, Beijing Fangyixing and Mr. Xie on April 28, 2021.

On April 28, 2021, Fangzhou Information acquired the entire equity interest in Beijing Fangyixing from Mr. Xie at a consideration of RMB1.0 million, which was determined based on the then paid-in capital of Beijing Fangyixing, and the payment of such consideration was fully settled on February 25, 2022.

### ***(3) Acquisition of Xinjiang Internet Hospital***

On May 7, 2020, Xinjiang Internet Hospital was established as a limited liability company in the PRC and was owned by Mr. Xie and Liu Xiukui as to 90% and 10%, respectively. Each of Mr. Xie and Liu Xiukui was the nominee of Fangzhou Medicine.

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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On May 11, 2021, Fangzhou Yunkang and Fangzhou Information each acquired 30% and 70% of the equity interest in Xinjiang Internet Hospital, respectively, from Mr. Xie and Liu Xiukui at nil consideration, which was determined based on the then paid-in capital of Xinjiang Internet Hospital.

#### ***(4) Acquisition of Fangzhou Internet Hospital, Qishi Hospital and Fangzhou Media***

On August 4, 2020, Fangzhou Media was established as a limited liability company in the PRC and was owned by Yingtan Jianwang Innovation Investment Center (鷹潭健網創新投資中心), a company wholly-owned by Mr. Xie, and Liu Xiukui as to 95% and 5%, respectively. Each of Yingtan Jianwang Innovation Investment Center and Liu Xiukui was the nominee of Fangzhou Medicine.

On May 13, 2021, Fangzhou Yunkang acquired the entire equity interest in Fangzhou Media from Liu Xiukui and Yingtan Jianwang Innovation Investment Center (鷹潭健網創新投資中心) at nil consideration, which was determined based on the paid-in capital of Fangzhou Media.

On September 30, 2020, Qishi Hospital was established as a limited liability company in the PRC and was owned by Yingtan Jianwang Innovation Investment Center (鷹潭健網創新投資中心), a company wholly-owned by Mr. Xie, and Liu Xiukui as to 95% and 5%, respectively. Each of Yingtan Jianwang Innovation Investment Center and Liu Xiukui was the nominee of Fangzhou Medicine.

On June 3, 2021, Fangzhou Yunkang acquired the entire equity interest in Qishi Hospital from Liu Xiukui and Yingtan Jianwang Innovation Investment Center (鷹潭健網創新投資中心) at nil consideration, which was determined based on the then paid-in capital of Qishi Hospital.

On May 18, 2020, Fangzhou Internet Hospital was established as a limited liability company in the PRC and was owned by Mr. Xie and Liu Xiukui as to 99% and 1%, respectively. Each of Mr. Xie and Liu Xiukui was the nominee of Fangzhou Medicine.

On June 16, 2021, Fangzhou Yunkang acquired the entire equity interest in Fangzhou Internet Hospital from Mr. Xie and Liu Xiukui at nil consideration, which was determined based on the then paid-in capital of Fangzhou Internet Hospital.

#### ***(5) Acquisition of Fangzhou Medicine***

On August 20, 2019, Fangzhou Medicine was established as a limited liability company in the PRC and was wholly-owned by Mr. Xie. On the same day, Mr. Xie and Mr. Zhou entered into an acting-in-concert arrangement to jointly control Fangzhou Medicine since its date of incorporation date.

On April 19, 2021, Fangzhou Yunkang acquired the entire equity interest in Fangzhou Medicine from Mr. Xie at nil consideration, which was determined based on the then paid-in capital of Fangzhou Medicine.

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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### ***(6) Capital injection into Fangzhou Information by Blue Saffron Asia Pte. Ltd. and Acquisition of Fangzhou Information***

On September 29, 2019, Fangzhou Information was established as a limited liability company in the PRC and was owned by Mr. Xie and Liu Xiukui as to 99% and 1%, respectively. Mr. Xie and Liu Xiukui were the nominees of Fangzhou Medicine.

On May 26, 2021, the registered capital of Fangzhou Information was increased to RMB30.303 million, with Blue Saffron Asia Pte. Ltd., a company incorporated in Singapore and an Independent Third Party of the Company, subscribed for additional RMB303,000. Upon completion of such capital injection, Fangzhou Information was owned by Mr. Xie, Liu Xiukui and Blue Saffron Asia Pte. Ltd. as to 98.01%, 0.99% and 1.00%, respectively. Accordingly, Fangzhou Information was converted from a limited liability company into a sino-foreign equity joint venture limited company.

In order to acquire the entire equity interests in Fangzhou Information by the Group, on July 16, 2021, New WFOE acquired the entire equity interest in Fangzhou Information from Mr. Xie, Liu Xiukui and Blue Saffron Asia Pte. Ltd. at a consideration of RMB1 million, nil and RMB303,000, respectively, which was determined based on the registered capital of Fangzhou Information subscribed by each of the shareholders, and the payment of such consideration was fully settled on March 3, 2022. Upon completion of such transfer, Fangzhou Information became an indirect wholly-owned subsidiary of the Group.

### ***(7) Incorporation of several subsidiaries***

On November 8, 2021, Fangzhou Health was incorporated as a wholly-owned subsidiary of Fangzhou Information. On December 13, 2021, Heilongjiang Chengguang Lanjiang Pharmaceutical Retail Co., Ltd. (黑龍江省誠廣藍江藥品零售有限公司) was incorporated and was held as to 51% and 49% by Fangzhou Pharmaceutical and Yang Yukun, an Independent Third Party of the Company, respectively. On December 31, 2021, Shanghai Fangyixing Information Technology Co., Ltd. (上海方易行信息科技有限公司) was incorporated as a wholly-owned subsidiary of Fangfeng Technology. Fangzhou Beijing was incorporated and was held as to 99% and 1% by Fangzhou Pharmaceutical and Beijing Duoshi Weidan Cosmetic and Hairdressing Co., Ltd. (北京市朶詩薇丹美容美髮有限公司), an Independent Third Party of the Company, respectively. On March 23, 2022, Fangzhou Pharmaceutical acquired the 1% equity interest in Fangzhou Beijing from Beijing Duoshi Weidan Cosmetic and Hairdressing Co., Ltd. at a consideration of RMB10,000, which was determined based on the registered capital of Fangzhou Beijing. On June 6, 2022, Yunyi Information was incorporated in the PRC and was held by the New WFOE and Fangzhou Yunkang as to 50% and 50%, respectively.

### ***(8) Removal of Guangzhou Yunyi***

The Initial WFOE entered into various agreements on November 20, 2015 that constitute the Guangzhou Yunyi Contractual Arrangements with, among others, Guangzhou Yunyi, under which the Initial WFOE have acquired effective control over the financial and operational management and results of Guangzhou Yunyi and are entitled to substantially all the economic

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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benefit derived from the operations of Guangzhou Yunyi. Following the incorporation of Fangzhou Medicine on August 20, 2019, Guangzhou Yunyi's business gradually migrated to Fangzhou Medicine. As of the Latest Practicable Date, Guangzhou Yunyi had no business operation.

Pursuant to the terms of the relevant agreements in Guangzhou Yunyi Contractual Arrangements, the Initial WFOE is entitled to transfer its rights and obligations under the agreements with written notice to Guangzhou Yunyi, Mr. Su, Mr. Ma and Mr. Xie. In order to reduce the management cost of the Company and improve management efficiency of the Guangzhou Yunyi Contractual Arrangements and the Contractual Arrangements, considering that Guangzhou Yunyi has no business operation, on March 27, 2023 the Initial WFOE transferred all its rights and obligations under the Guangzhou Yunyi Contractual Arrangements to Guangdong Fangming Technology Co., Ltd. (廣東方銘科技有限公司), a limited liability company that was held by Mr. Xie and Liu Xiukui as to 90% and 10%, respectively, by serving a written notice on such transfer to Guangzhou Yunyi, Mr. Su, Mr. Ma and Mr. Xie. Upon such transfer, Guangzhou Yunyi was no longer controlled by the Initial WFOE and accordingly excluded from our Group.

### CONCERT PARTY ARRANGEMENT

Pursuant to the Concert Deed entered into by Mr. Xie and Mr. Zhou dated September 26, 2019 and their mutual undertakings issued in February 2024, Mr. Xie and Mr. Zhou confirmed and agreed that they have acted and will continue to act in concert and collectively for all material management affairs and the arrival and/or execution of all commercial decisions, including but not limited to financial and operational matters, of our Group since date of the Concert Deed, and they have casted and will continue to cast unanimous vote collectively for or against all resolutions in all Board and Shareholders' meetings and discussions of the Group. If Mr. Xie and Mr. Zhou are unable to reach a consensus on relevant matters after extensive discussion, Mr. Xie's opinion shall take precedence. Please see the section headed "Substantial Shareholders" for details of the shareholding interest of our Controlling Shareholders.

### DEED OF VOTING PROXY

On June 12, 2024, Tech-Med Investments (S) Pte. Ltd. executed a deed of voting proxy (the "**Voting Proxy**"), pursuant to which Tech-Med Investments (S) Pte. Ltd. irrevocably and unconditionally appointed Mr. Xie and Mr. Zhou jointly as its true and lawful attorney and proxy with respect to all the Shares held by it at the general meetings of the Company, effective immediately before the Listing. The Voting Proxy shall automatically terminate if Crescent Point's ownership falls below 30% of the Company's total issued share capital, whether held directly or through indirect means. By entrusting such voting rights jointly to Mr. Xie and Mr. Zhou, Tech-Med Investments (S) Pte. Ltd. affirms its support and faith in the leadership and management of Mr. Xie and Mr. Zhou to act in a manner that is aligned with the interests of our Group and Shareholders as a whole. The voting proxy arrangement will be beneficial to the overall strategic planning and decision-making process of the Company.

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

### CAPITALIZATION OF THE COMPANY

As of the Latest Practicable Date, our Company has adopted a weighted voting rights structure. Under this structure, our Company's authorized share capital comprises 1,478,144,936 Class A Ordinary Shares, 450,192,125 Class B Ordinary Shares, 115,165,045 Series A Preferred Shares, 86,828,195 Series A-1 Preferred Shares, 197,737,720 Series B Preferred Shares, 155,180,335 Series C Preferred Shares, 8,664,773 Series D Preferred Shares and 8,086,871 Series D+ Preferred Shares. Each Class A Ordinary Share entitles the holder to exercise one vote, each Class B Ordinary Share entitles the holder to exercise 20 votes and each Preferred Share entitles the holder to exercise such number of votes as equals the whole number of Ordinary Shares into which such holder's collective Preferred Shares are convertible, respectively, on any resolution tabled at the Company's general meetings. The weighted voting rights structure will be cancelled immediately prior to Listing, and each Class A Ordinary Share, Class B Ordinary Share and Preferred Share will be automatically converted into one Share.

The following table sets out our shareholding structure upon the completion of the Global Offering assuming the weighted voting rights structure is cancelled and the Over-allotment Option is not exercised.

Shareholders	Ordinary Shares	Aggregate ownership/ voting right percentage upon completion of the Global Offering <sup>(1)</sup>
Fangrong Management Limited <sup>(2)</sup>	265,538,362	19.81%
Xingyu Holdings L.P. <sup>(2)</sup>	5,585,180	0.42%
Fangzhan Holdings L.P. <sup>(2)</sup>	5,481,985	0.41%
Celaeno Group Limited <sup>(3)</sup>	186,158,297	13.89%
Silica Brothers Corp. <sup>(3)</sup>	50,465,760	3.77%
Tech-Med Investments (S) Pte. Ltd. <sup>(4)</sup>	138,430,610	10.33%
CP Pharmatech Singapore Pte. Ltd. <sup>(4)</sup>	126,151,645	9.41%
Crescent Trident Singapore Pte. Ltd. <sup>(4)</sup>	115,165,045	8.59%
Asia-Pac E-Commerce Opportunities Pte. Ltd. <sup>(4)</sup>	57,696,515	4.30%
Endeavor Cloud Limited <sup>(5)</sup>	33,268,750	2.48%
FAST GOAL INTERNATIONAL LIMITED <sup>(5)</sup>	32,120,000	2.40%
Gaoxin Thrive Limited <sup>(5)</sup>	32,900,000	2.45%
Asia Tech Investments Ltd. <sup>(5)</sup>	116,875,898	8.72%
HBM Trident 2 Holdings Ltd. <sup>(6)</sup>	58,420,980	4.36%
CTCB Holdings Limited <sup>(7)</sup>	5,415,483	0.40%
ATI Opportunities (Nevis) Ltd <sup>(8)</sup>	3,249,290	0.24%
GIG Hong Kong Limited <sup>(9)</sup>	28,247,975	2.11%

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Shareholders	Ordinary Shares	Aggregate ownership/ voting right percentage upon completion of the Global Offering <sup>(1)</sup>
Liansheng Hanhai Limited (聯盛瀚海有限公司) <sup>(10)</sup>	14,007,415	1.05%
Volcanics Venture Fund, L.P. <sup>(11)</sup>	11,205,930	0.84%
Prime Orient Holdings Ltd. <sup>(12)</sup>	6,582,337	0.49%
Mr. ZOU Yuming <sup>(13)</sup>	3,500,000	0.26%
Torano Investments Limited <sup>(13)</sup>	20,000,000	1.49%
Public Shareholders	23,800,000	1.78%
<b>Total</b>	<b>1,340,267,457</b>	<b>100%</b>

*Notes:*

- (1) Assuming the weighted voting rights structure is cancelled and the Over-allotment Option is not exercised.
- (2) Fangrong Management Limited is wholly-owned by Mr. Xie. Each of Fangzhan Holdings L.P. and Xingyu Holdings L.P. is controlled by Mr. Xie.
- (3) Each of Celaeno Group Limited and Silica Brothers Corp. is wholly-owned by Mr. Zhou.
- (4) For details of Crescent Point Vehicles, see the section headed “—Pre-IPO Investments—5. Information about the principal Pre-IPO Investors—Crescent Point.”
- (5) Endeavor Cloud Limited, FAST GOAL INTERNATIONAL LIMITED, Gaoxin Thrive Limited and Asia Tech Investments Ltd. are platforms holding the underlying incentive shares in the total amount of 215,164,648 Class A Ordinary Shares under the RSU Scheme.
- (6) For details of HBM Trident 2 Holdings Ltd., see the section headed “—Pre-IPO Investments—5. Information about the principal Pre-IPO Investors—HBM Healthcare Investments AG.”
- (7) For details of CTCB Holdings Limited, see the section headed “—Pre-IPO Investments—5. Information about the principal Pre-IPO Investors—CTCB Holdings Limited.”
- (8) For details of ATI Opportunities (Nevis) Ltd, see the section headed “—Pre-IPO Investments—5. Information about the principal Pre-IPO Investors—ATI Opportunities (Nevis) Ltd.”
- (9) For details of GIG Hong Kong Limited, see the section headed “—Pre-IPO Investments—5. Information about the principal Pre-IPO Investors—GTJA Investment Group.”
- (10) For details of Liansheng Hanhai Limited, see the section headed “—Pre-IPO Investments—5. Information about the principal Pre-IPO Investors—Liansheng Hanhai.”
- (11) For details of Volcanics Venture Fund, L.P., see the section headed “—Pre-IPO Investments—5. Information about the principal Pre-IPO Investors—Volcanics Venture.”
- (12) For details of Prime Orient Holdings Ltd., see the section headed “—Pre-IPO Investments—5. Information about the principal Pre-IPO Investors—Prime Orient Holdings Ltd.”
- (13) In May 2024, 3,500,000 and 20,000,000 Shares underlying the RSUs were allotted and issued to Mr. ZOU Yuming and Torano Investments Limited (a company wholly owned by Mr. Zou to hold certain Shares underlying the RSUs granted to him), respectively, pursuant to the RSU Scheme.

# HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

## PRE-IPO INVESTMENTS

### 1. Overview

We have received six rounds of investment since our establishment, which are summarized below. All of our Pre-IPO Investors were issued Preferred Shares in our Company pursuant to the below Pre-IPO Investments.

Financing Round	Date of initial share purchase agreement	Date of last payment of consideration	Total number of shares under the share purchase agreement(s)	Cost per Share paid <sup>(8)</sup>	Total gross funds raised by the Company	Discount to the Offer Price <sup>(9)</sup>	Post-money valuation of our Company
1. Series A <sup>(1)</sup>	October 28, 2015	November 30, 2015	23,033,009 <sup>(7)</sup> (115,165,045 shares after share split)	US\$0.17	US\$20 million	83.37%	US\$120 million
2. Series A-1 <sup>(2)</sup>	April 2, 2017	May 18, 2018	17,365,639 <sup>(7)</sup> (86,828,195 shares after share split)	US\$0.36	US\$31 million	64.78%	US\$279 million
3. Series B <sup>(3)</sup>	September 4, 2018	January 11, 2019	39,547,544 <sup>(7)</sup> (197,737,720 shares after share split)	US\$0.36	US\$70.6 million	64.78%	US\$450.58 million
4. Series C <sup>(4)</sup>	June 30, 2020	December 28, 2020	31,036,067 <sup>(7)</sup> (155,180,335 shares after share split)	US\$0.29	US\$45 million	71.63%	US\$340 million
5. Series D <sup>(5)</sup>	December 25, 2021	April 14, 2022	8,664,773	US\$0.92	US\$8 million	10.00%	US\$1,208 million
6. Series D+ <sup>(6)</sup>	December 30, 2022	January 4, 2023	8,086,871	US\$1.06	US\$8.6 million	3.69% premium	US\$1,400 million

*Notes:*

- (1) Series A investor includes Crescent Trident Singapore Pte. Ltd.
- (2) Series A-1 investors include Asia-Pac E-Commerce Opportunities Pte. Ltd., Liansheng Hanhai Limited (“**Liansheng**”), Xingyu Holdings L.P. and Volcanics Venture Fund, L.P. Penta Investment Asia Limited (“**Penta**”) was the original Series A-1 Investor. Pursuant to a letter of undertaking dated February 7, 2021 among the Company, Series A-1 Investors, Series B Investors and Fangzhou Limited, Penta has agreed to cooperate with Liansheng, an investor of Penta, to make Liansheng to hold shares in the Company directly.
- (3) Series B investors include CP Pharmatech Singapore Pte. Ltd., Trident 2 Healthcare (S) Pte. Ltd., Asia-Pac E-Commerce Opportunities Pte. Ltd. and GIG Hong Kong Limited.
- (4) Series C investors include Tech-Med Investments (S) Pte. Ltd. and Trident 2 Healthcare (S) Pte. Ltd.

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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- (5) Series D investors include CTCB Holdings Limited and ATI Opportunities (Nevis) Ltd.
- (6) Series D+ investors include Prime Orient Holdings Ltd., Fangrong Management Limited and Celaeno Group Limited.
- (7) The share purchase transactions were completed before the share split conducted on August 9, 2021.
- (8) The cost per share paid after taking into account the effect of share split conducted on August 9, 2021.
- (9) The discount to the Offer Price is calculated based on the assumption that the Offer Price is HK\$7.98 per Share, being the mid-point of the indicative Offer Price range of HK\$7.60 to HK\$8.36.

### 2. Principal terms of the Pre-IPO Investments

Lock-up period	All the Pre-IPO Investors will be subject to a lock-up at the time of Listing for a period of at least six months following the Listing.
Use of proceeds from the Pre-IPO Investments	We utilized all of the proceeds from the Pre-IPO Investments for the development and operation of our business in accordance with the business plan or budget as approved by the Board. As of the Latest Practicable Date, approximately 95.9% of the net proceeds received by us from the Pre-IPO Investments had been utilized.
Strategic benefits the Pre-IPO Investors brought to our Company	At the time of the Pre-IPO Investments, our Directors were of the view that our Company would benefit from the additional capital provided by the Pre-IPO Investors' investments in our Company and their knowledge and experience. Our Pre-IPO Investors include professional institutional investors which can provide us with professional advice on our Group's development (including strategy planning) and our corporate governance (including financial management and talent development). The Pre-IPO Investments also demonstrate the Pre-IPO Investors' confidence in the business and operation of our Group.
Basis of determining the consideration paid	The consideration for the Pre-IPO Investments were determined based on arm's length negotiations between our Company and the Pre-IPO Investors after taking into consideration the timing of the investments and the status of our business and operating entities.



### 3. Special rights of the Pre-IPO Investors

All of our Pre-IPO Investors are currently bound by the terms of the existing articles of association, which will be replaced by our Articles effective from the Listing Date. Certain special rights in relation to our Company were granted to the Pre-IPO Investors, including, among others, information and observer rights, right of first offer, nomination of directors, right of first refusal, redemption right and several covenants which require prior approval from holders of Preferred Shares. All such special rights (except for redemption right, which will be terminated upon the Company's filing of its listing application, provided that the redemption right shall be reinstated automatically upon the earliest of (i) the return of or rejection by the regulatory authority in relation to such listing application; (ii) the Company withdraws its listing application or terminates the initial public offering; (iii) the lapse of such listing application and the Company fails to refile the listing application within 3 months; or (iv) the Company fails to complete a qualified initial public offering by December 31, 2024) will terminate effective upon completion of the Global Offering.

### 4. Public Float

Immediately following the Global Offering (assuming the weighted voting rights structure is cancelled and without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option), each of Crescent Point Vehicles is advised by Crescent Point, and will be collectively interested in approximately 30.90% of the total issued share capital of our Company. Therefore, they will be considered as core connected persons of our Company and the Shares held by Crescent Point Vehicles will not be counted towards the public float for the purpose of Rule 8.08 of the Listing Rules upon the Listing.

As Mr. Xie and Mr. Zhou are our Directors and Controlling Shareholders, the Shares held by Mr. Xie (through Fangrong Management Limited, a limited liability company wholly-owned by Mr. Xie, Fangzhan Holdings L.P. and Xingyu Holdings L.P., each a limited partnership whose general partner is Xingyu Inc., a company wholly owned by Mr. Xie) and Mr. Zhou (through his wholly-owned companies, i.e. Celaeno Group Limited and Silica Brothers Corp.) will not be counted towards the public float for the purpose of Rule 8.08 of the Listing Rules upon the Listing.

Upon completion of the Listing (assuming the weighted voting rights structure is cancelled and without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option), Asia Tech Investments Ltd. will hold approximately 8.72% equity interest in our Company for the benefit of grantees under the RSU Scheme who are Directors and Mr. ZOU Yuming will hold approximately 1.75% equity interest (i.e. representing an aggregate of 23,500,000 Shares underlying RSUs granted to him under the RSU Scheme), the Shares held by them will not be counted towards the public float for the purpose of Rule 8.08 of the Listing Rules upon the Listing.

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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Except for the Shares held by Crescent Point Vehicles, Asia Tech Investments Ltd., Mr. Xie and Mr. Zhou (together with Fangrong Management Limited, Fangzhan Holdings L.P., Xingyu Holdings L.P., Celaeno Group Limited and Silica Brothers Corp.) and Mr. ZOU Yuming (together with Torano Investments Limited), none of the other Shareholders (i) is a core connected person of the Group; (ii) has been financed directly or indirectly by a core connected person of the Group for the subscription of Shares; or (iii) is accustomed to take instructions from a core connected person of the Group in relation to the acquisition, disposal, voting or other disposition of the Shares registered in his/her/its name or otherwise held by him/her/it, the Shares held by other Shareholders representing approximately 18.59% of the total issued share capital of our Company immediately following the Global Offering (assuming the weighted voting rights structure is cancelled and without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option), will be counted towards the public float for the purpose of Rule 8.08 of the Listing Rules upon the Listing.

We have applied to the Stock Exchange to request the Stock Exchange to exercise its discretion under Rule 8.08(1)(d) of the Listing Rules, and the Stock Exchange has granted our Company a waiver from strict compliance with the requirements of Rule 8.08(1)(a) of the Listing Rules, pursuant to which the public float of our Company may fall below 25% of the total issued share capital of our Company. For details of the relevant waiver, see “Waivers from Strict Compliance with the Listing Rules—Waiver in relation to Public Float” in this prospectus.

### **5. Information about the Pre-IPO Investors**

Set out below is a description of the Pre-IPO Investors that are private equity funds and investment companies, and that have made meaningful investments in our Company (each holding between 0.25% to 33.23% of the total issued Shares immediately prior to the Global Offering (assuming all the Preferred Shares are converted into Ordinary Shares)).

#### ***Crescent Point***

Each of Crescent Point Vehicles is a limited liability company incorporated under the laws of Singapore and advised by Crescent Point, a private equity manager regulated by the British Virgin Islands Financial Services Commission with an investment focus in Asia and ultimately controlled by David McKee Hand, a non-executive Director of the Company.

The ultimate beneficial owner of Crescent Trident Singapore Pte. Ltd. and Asia-Pac E-Commerce Opportunities Pte. Ltd. is David McKee Hand. The ultimate beneficial owner of CP Pharmatech Singapore Pte. Ltd. and Tech-Med Investments (S) Pte. Ltd. is Danai Rojanavanichkul, a high net worth individual and an Independent Third Party (except for his interest in the Company disclosed in this prospectus).

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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Crescent Point Vehicles approached our Company for investment opportunities upon conducting industry research, and it invested in our Company because of our development potential and the prospect of the healthcare industry. Immediately prior to the Global Offering, Crescent Point Vehicles collectively held approximately 33.23% of the total issued Shares (assuming all Preferred Shares are converted into Ordinary Shares). Immediately following completion of the Global Offering (assuming the weighted voting rights structure is cancelled and without taking into account the Shares which may be allotted and issued upon the exercise of the Over-allotment Option), Crescent Point Vehicles collectively will hold approximately 32.64% of the total issued share capital of our Company.

### *Liansheng Hanhai*

Liansheng Hanhai Limited (聯盛瀚海有限公司) is a limited liability company incorporated under the laws of BVI. Liansheng Hanhai Limited is principally engaged in investment holdings and is ultimately controlled and beneficially owned by Lin Li (蘭力), an Independent Third Party of the Company. Mr. Lin is the major shareholder of a company principally engaged in sales and distribution of computer peripheral equipment. Liansheng Hanhai Limited approached our Company for investment opportunities upon conducting industry research, and it invested in our Company because of our development potential and the prospect of the healthcare industry. Immediately prior to the Global Offering, Liansheng Hanhai Limited held approximately 1.06% of the total issued Shares (assuming all Preferred Shares are converted into Ordinary Shares). Immediately following completion of the Global Offering (assuming the weighted voting rights structure is cancelled and without taking into account the Shares which may be allotted and issued upon the exercise of the Over-allotment Option), Liansheng Hanhai Limited will hold approximately 1.05% of the total issued share capital of our Company.

### *Volcanics Venture*

Volcanics Venture Fund, L.P. is a limited liability partnership incorporated under the laws of the Cayman Islands and is focused on equity investments in early or growth stage companies in the fields of internet innovation and healthcare. The general partner of Volcanics Venture Fund, L.P. is Volcanics Venture GP, L.P., an Independent Third Party of the Company. To the best knowledge of our Directors, no ultimate beneficial owner of any limited partner or general partner holds more than 30% equity of Volcanics Venture Fund, L.P. Volcanics Venture Fund, L.P. approached our Company for investment opportunities upon conducting industry research, and it invested in our Company because of our development potential and the prospect of the healthcare industry. Immediately prior to the Global Offering, Volcanics Venture Fund, L.P. held approximately 0.85% of the total issued Shares (assuming all Preferred Shares are converted into Ordinary Shares). Immediately following completion of the Global Offering (assuming the weighted voting rights structure is cancelled and without taking into account the Shares which may be allotted and issued upon the exercise of the Over-allotment Option), Volcanics Venture Fund, L.P. will hold approximately 0.84% of the total issued share capital of our Company.

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### *HBM Healthcare Investments AG*

Trident 2 Healthcare (S) Pte. Ltd. is a limited liability company incorporated under the laws of Singapore and is a wholly-owned subsidiary of HBM Trident 2 Holdings Ltd., a limited liability company incorporated in the Cayman Islands, which is in turn 100% controlled by HBM Healthcare Investments (Cayman) Ltd. HBM Healthcare Investments (Cayman) Ltd. is a wholly-owned subsidiary of HBM Healthcare Investments AG, a SIX Swiss Exchange listed investment company with USD2.2 billion net assets and an Independent Third Party of the Company. Our Company became acquainted with HBM Healthcare Investments AG through introduction by Crescent Point, one of our Pre-IPO Investors. It invested in our Company because of our development potential and the prospect of the healthcare industry. In May 2024, Trident 2 Healthcare (S) Pte. Ltd. transferred all of the Shares held by it to HBM Trident 2 Holdings Ltd.. Immediately prior to the Global Offering, HBM Trident 2 Holdings Ltd. held approximately 4.44% of the total issued Shares (assuming all Preferred Shares are converted into Ordinary Shares). Immediately following completion of the Global Offering (assuming the weighted voting rights structure is cancelled and without taking into account the Shares which may be allotted and issued upon the exercise of the Over-allotment Option), HBM Trident 2 Holdings Ltd. will hold approximately 4.36% of the total issued share capital of our Company.

The board of directors of HBM Healthcare Investments (Cayman) Ltd. has sole voting and investment power with respect to the Shares held by HBM Trident 2 Holdings Ltd.. The board of directors of HBM Healthcare Investments (Cayman) Ltd. is comprised of Jean-Marc Lesieur, Richard Coles, Sophia Harris, Dr. Andreas Wicki, Paul Woodhouse and Mark Kronenfeld, none of whom has individual voting or investment power with respect to such Shares, and each disclaims beneficial ownership of such Shares except to the extent of any pecuniary interest therein.

### *GTJA Investment Group*

GIG Hong Kong Limited is a limited company incorporated under the laws of Hong Kong and is a group member of GTJA Investment Group. GTJA Investment Group invests in early and growth-stage companies in China and around the world with a focus on medical and healthcare industry. GIG Hong Kong Limited is wholly-owned by Shanghai GTJA Investment Management Co., Ltd., which is in turn wholly-owned by Shenzhen Gaotejia Investment Group Co., Ltd (深圳市高特佳投資集團有限公司), whose ultimate beneficial owner is BIAN Zhuang (卞莊), an Independent Third Party of the Company. GTJA Investment Group approached our Company for investment opportunities upon conducting industry research, and it invested in our Company because of our development potential and the prospect of the healthcare industry. Immediately prior to the Global Offering, GIG Hong Kong Limited held approximately 2.15% of the total issued Shares (assuming all Preferred Shares are converted into Ordinary Shares). Immediately following completion of the Global Offering (assuming the weighted voting rights structure is cancelled and without taking into account the Shares which may be allotted and issued upon the exercise of the Over-allotment Option), GIG Hong Kong Limited will hold approximately 2.11% of the total issued share capital of our Company.

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### *CTCB Holdings Limited*

CTCB Holdings Limited is a BVI-registered investment company founded by Malus Holdings Limited, focusing on the Technology, Media and Telecom (TMT) sectors. The management team is comprised of experts with an extensive background at banks, securities companies, listed enterprises, and Internet companies, along with significant experience in the TMT sector investment, operations, and capital markets. CTCB Holdings Limited is wholly-owned by Malus Holdings Limited, which is a BVI limited company wholly owned by WEI Shuming (魏舒明), an Independent Third Party of the Company. CTCB Holdings Limited approached our Company for investment opportunities upon conducting industry research, and it invested in our Company because of our development potential and the prospect of the healthcare industry. Immediately prior to the Global Offering, CTCB Holdings Limited held approximately 0.41% of the total issued Shares (assuming all Preferred Shares are converted into Ordinary Shares). Immediately following completion of the Global Offering (assuming the weighted voting rights structure is cancelled and without taking into account the Shares which may be allotted and issued upon the exercise of the Over-allotment Option), CTCB Holdings Limited will hold approximately 0.40% of the total issued share capital of our Company.

### *ATI Opportunities (Nevis) Ltd*

ATI Opportunities (Nevis) Ltd is principally engaged in investment holdings and is owned as to 100% by Hengdeli International Company Limited, a wholly owned subsidiary of Hengdeli Holdings Limited (Stock Code: 3389), a company listed on the Stock Exchange and an Independent Third Party of the Company. Our Company became acquainted with ATI Opportunities (Nevis) Ltd through introduction by Crescent Point, one of our Pre-IPO Investors. It invested in our Company because of our development potential and the prospect of the healthcare industry. Immediately prior to the Global Offering, ATI Opportunities (Nevis) Ltd held approximately 0.25% of the total issued Shares (assuming all Preferred Shares are converted into Ordinary Shares). Immediately following completion of the Global Offering (assuming the weighted voting rights structure is cancelled and without taking into account the Shares which may be allotted and issued upon the exercise of the Over-allotment Option), ATI Opportunities (Nevis) Ltd will hold approximately 0.24% of the total issued share capital of our Company.

### *Prime Orient Holdings Ltd.*

Prime Orient Holdings Ltd. is an investment holding company investing mainly in consumer-oriented businesses in Asia and an Independent Third Party of the Company. Prime Orient Holdings Ltd. is wholly-owned by Lawrence Harding, who has over 20 years of experience in investing in a variety of sectors globally. Mr. Harding is the founder and managing partner of Presidio Capital, a private investment group focusing on the origination and structuring of investments and making investments in emerging markets. Our Company became acquainted with Prime Orient Holdings Ltd. through introduction by Crescent Point, one of our Pre-IPO Investors. It invested in our Company because of our development potential and the prospect of the healthcare industry. Immediately prior to the Global Offering, Prime Orient Holdings Ltd. held approximately 0.50% of the total issued Shares (assuming all

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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Preferred Shares are converted into Ordinary Shares). Immediately following completion of the Global Offering (assuming the weighted voting rights structure is cancelled and without taking into account the Shares which may be allotted and issued upon the exercise of the Over-allotment Option), Prime Orient Holdings Ltd. will hold approximately 0.49% of the total issued share capital of our Company.

Except for Crescent Point Vehicles, who will collectively be interested in approximately 30.90% of the total issued share capital of our Company immediately following completion of the Global Offering (assuming the weighted voting rights structure is cancelled and without taking into account the Shares which may be allotted and issued upon the exercise of the Over-allotment Option), and therefore each a core connected person of our Company, to the best knowledge of the Directors, all other Pre-IPO Investors are independent from the Group.

### COMPLIANCE WITH GUIDE FOR NEW LISTING APPLICANTS

Based on the documents provided by the Company relating to the Pre-IPO Investments, the Joint Sponsors confirm that the Pre-IPO Investments are in compliance with Chapter 4.2 of the Guide for New Listing Applicants issued by the Stock Exchange.

### REGULATORY REQUIREMENTS OF THE PRC

According to the Regulations for Merger and Acquisition of Domestic Enterprises by Foreign Investors 《關於外國投資者併購境內企業的規定》 (the “**M&A Rules**”) jointly issued by MOFCOM, the SASAC, the STA, the CSRC, the SAIC and the SAFE on August 8, 2006, effective as of September 8, 2006 and amended on June 22, 2009, if a PRC company or individual intends to acquire its/his/her related domestic company through an offshore company which it/he/she lawfully established or controls, such acquisition shall be subject to the examination and approval of MOFCOM. The M&A Rules, among other things, further purports to require that an offshore special vehicle, or a special purpose vehicle, formed for listing purposes and controlled directly or indirectly by PRC companies or individuals, shall obtain the approval of the CSRC prior to the listing and trading of such special purpose vehicle’s securities on an overseas stock exchange, especially in the event that the special purpose vehicle acquires shares of or equity interests in the PRC companies in exchange for the shares of offshore companies.

Zhong Lun Law Firm, our legal advisor as to the laws of the PRC, is of the opinion that, unless new laws and regulations are enacted or MOFCOM and CSRC publish new provisions or interpretations on the M&A Rules in the future, prior CSRC or MOFCOM approval for the Global Offering is not required because (i) the CSRC currently has not issued any definitive rule or interpretation concerning whether offerings akin to this Global Offering are subject to the M&A Rules; (ii) none of the incorporation or acquisition of the PRC subsidiaries involves the merger with or acquisition of the equity or asset of a PRC domestic enterprise as defined under the M&A Rules; and (iii) no provision in the M&A Rules clearly classified contractual arrangements as a type of transaction subject to the M&A Rules. However, there is uncertainty as to how the M&A Rules will be interpreted or implemented.

### SAFE REGISTRATION IN THE PRC

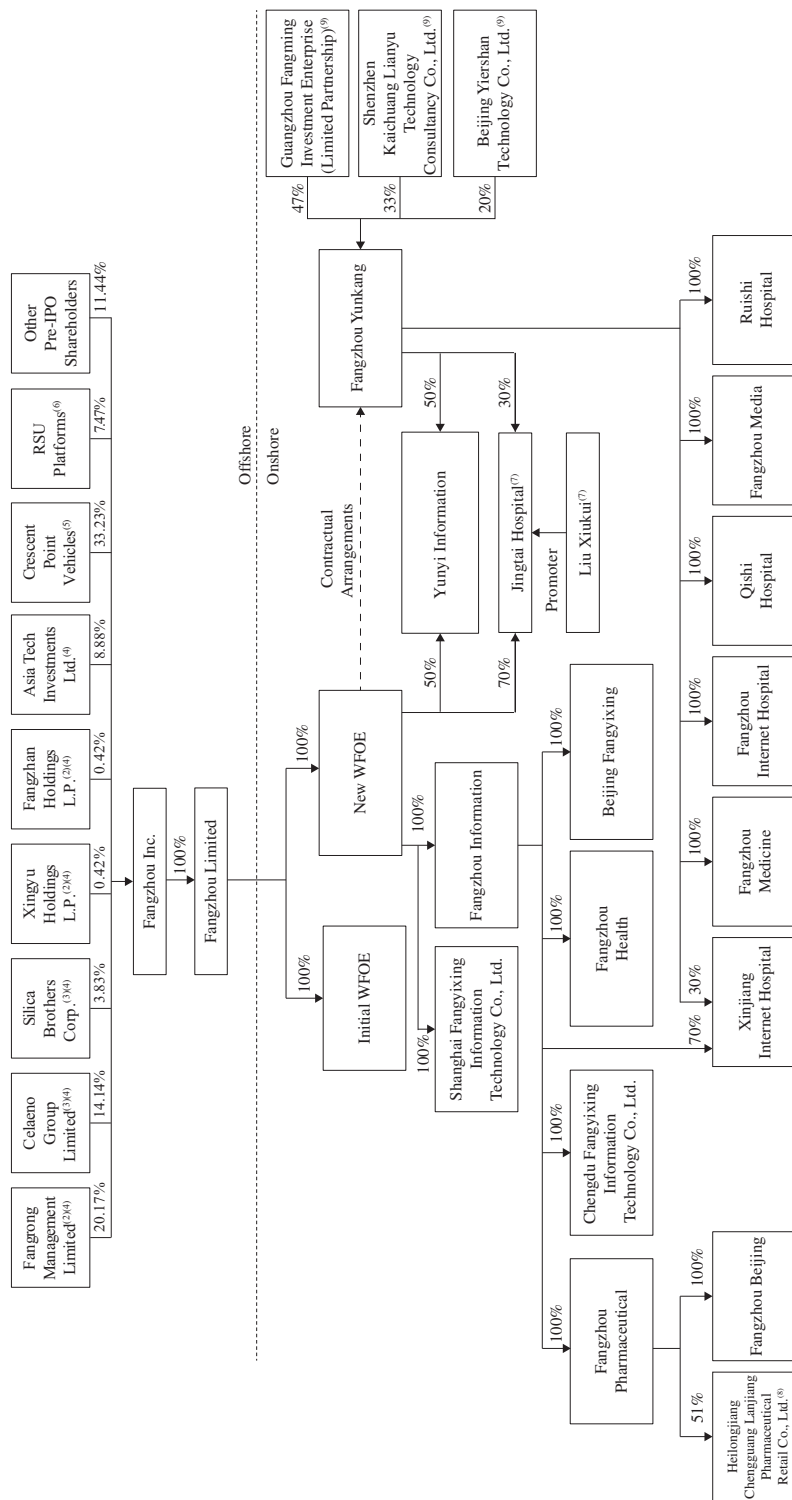
Pursuant to the SAFE Circular on Foreign Exchange Administration of Overseas Investment, Financing and Round-trip Investments Conducted by Domestic Residents through Special Purpose Vehicles 《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》 (the “**SAFE Circular 37**”), promulgated by SAFE and which replaced the Circular on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents’ Corporate Financing and Roundtrip Investment through Offshore Special Purpose Vehicles 《關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》 (the “**SAFE Circular 75**”) which became effective on July 14, 2014, (a) a PRC resident must register with the local SAFE branch before he or she contributes assets or equity interests in an overseas special purpose vehicle (the “**Overseas SPV**”) that is directly established or indirectly controlled by the PRC resident for the purpose of conducting investment or financing, and (b) following the initial registration, the PRC resident is also required to register with the local SAFE branch for any major change in respect of the Overseas SPV, including, among other things, a change of Overseas SPV’s PRC resident shareholder(s), the name of the Overseas SPV, terms of operation, or any increase or reduction of the Overseas SPV’s capital, share transfer or swap, and merger or division. Pursuant to SAFE Circular 37, failure to comply with these registration procedures may result in penalties.

Pursuant to the SAFE Circular on Further Simplification and Improvement in Foreign Exchange Administration on Direct Investment 《關於進一步簡化和改進直接投資外匯管理政策的通知》 (the “**SAFE Circular 13**”), promulgated by SAFE which became effective on June 1, 2015, the power to accept SAFE registration was delegated from local SAFE to local banks where the assets or interest in the domestic entity are located.

Mr. Xie has completed the registration under the SAFE Circular 37 in October 2019.

**CORPORATE STRUCTURE IMMEDIATELY AFTER COMPLETION OF THE RESTRUCTURING AND PRIOR TO THE GLOBAL OFFERING**

The following diagram illustrates the corporate and shareholding structure of our Group immediately prior to the completion of the Global Offering.



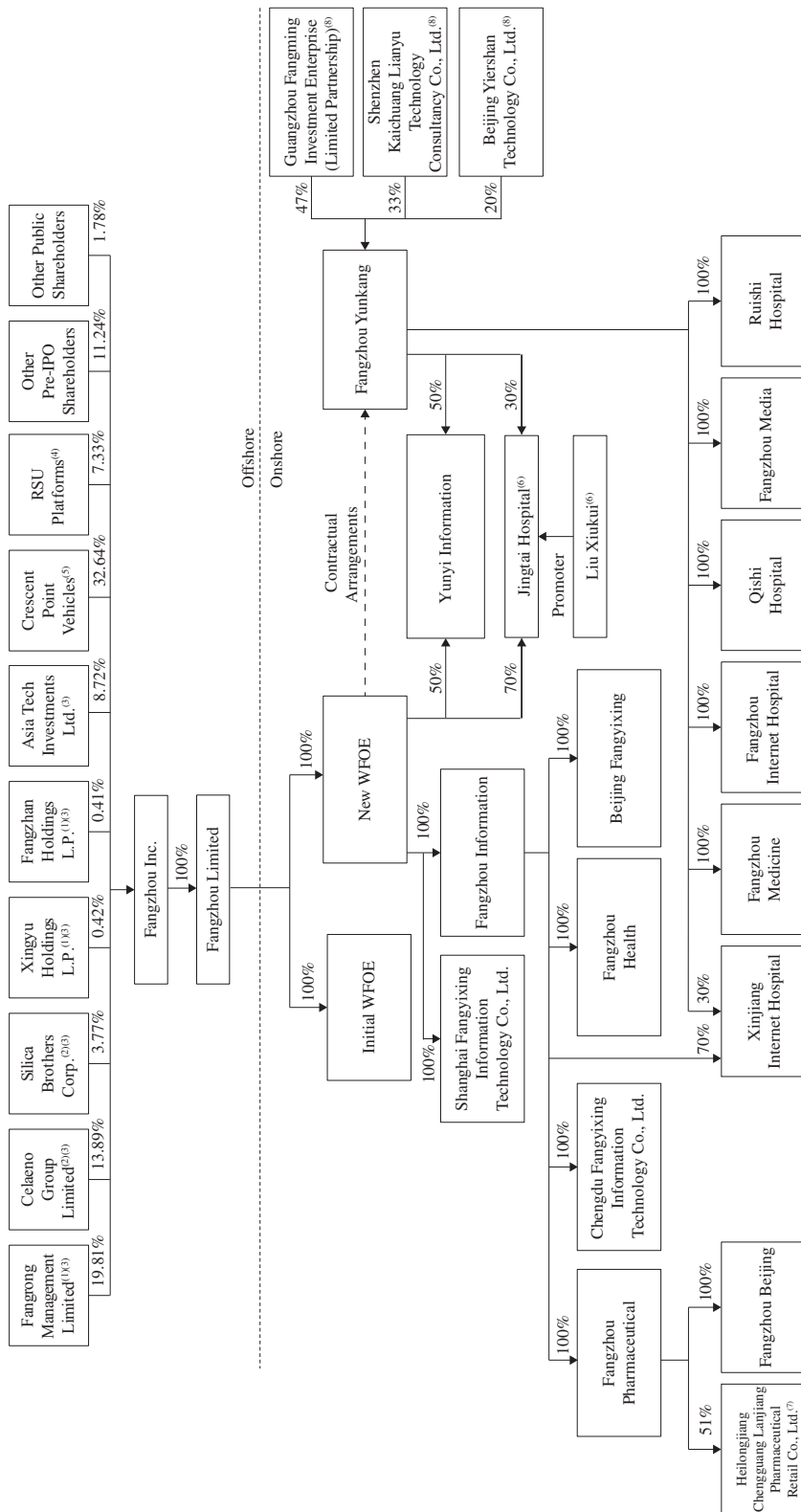


*Notes:*

- (1) The above diagram assumes that the weighted voting rights structure has been cancelled.
- (2) Fangrong Management Limited is wholly-owned by Mr. Xie. The general partner of Fangzhan Holdings L.P. and Xingyu Holdings L.P. is Xingyu Inc., a company wholly owned by Mr. Xie.
- (3) Each of Celaeno Group Limited and Silica Brothers Corp. is wholly-owned by Mr. Zhou.
- (4) Approximately 51.34% and 48.41% of interest in Asia Tech Investments Ltd. were held by Mr. Xie and Mr. Zhou, respectively. Therefore, each of Mr. Xie and Mr. Zhou is deemed to be interested in the Shares of the Company held by Asia Tech Investments Ltd. in accordance with SFO.
- Mr. Xie and Mr. Zhou (pursuant to the Concert Deed), together with Fangrong Management Limited, Fangzhan Holdings L.P., Xingyu Holdings L.P., Celaeno Group Limited, Silica Brothers Corp. and Asia Tech Investments Ltd., are acting together as a group of Controlling Shareholders. Immediately before the Listing (assuming the weighted voting rights structure is cancelled, all Preferred Shares are fully converted into Ordinary Shares), our ultimate Controlling Shareholders will collectively control approximately 47.86% of the voting interests in the Company.
- (5) Each of Crescent Point Vehicles is advised by Crescent Point, which is ultimately controlled by David McKee Hand, our non-executive Director. On June 12, 2024, Tech-Med Investments (S) Pte. Ltd. executed a deed of voting proxy, pursuant to which Tech-Med Investments (S) Pte. Ltd. irrevocably and unconditionally appointed Mr. Xie and Mr. Zhou jointly as its true and lawful attorney and proxy with respect to all the Shares held by it at the general meetings of the Company, effective immediately before the Listing.
- (6) Endeavor Cloud Limited, FAST GOAL INTERNATIONAL LIMITED and Gaoxin Thrive Limited are platforms holding underlying incentive shares in the total amount of 98,288,750 Class A Ordinary Shares under the RSU Scheme.
- (7) Liu Xiukui is the registered promoter of Jingtai Hospital and a nominee of the New WFOE and Fangzhou Yunkang. The New WFOE and Fangzhou Yunkang each holds 70% and 30% of the registered capital and promoter's interest in Jingtai Hospital.
- (8) The remaining 49% interest in Heilongjiang Chengguang Lanjiang Pharmaceutical Retail Co., Ltd. is held by Yang Yukun (楊玉坤), and an Independent Third Party.
- (9) Guangzhou Fangming Investment Enterprise (Limited Partnership) is a limited partnership wholly-owned by Mr. Xie. Shenzhen Kaichuang Lianyu Technology Consultancy Co., Ltd. is a limited liability company owned as to 55% and 45%, respectively, by Zhang Xinwei (張新偉) and Wang Wenchao (王聞超), each of whom holds equity interest in Shenzhen Kaichuang Lianyu Technology Consultancy Co., Ltd. as a nominee appointed by Crescent Point. Beijing Yiershan Technology Co., Ltd. is a limited liability company wholly owned by Yang Jinghua (楊敬華), the mother of Mr. Zhou, who holds equity interest in Beijing Yiershan Technology Co., Ltd. as the nominee on behalf of Mr. Zhou.

**CORPORATE STRUCTURE IMMEDIATELY FOLLOWING THE GLOBAL OFFERING**

The following diagram illustrates the corporate and shareholding structure of our Group immediately following the completion of the Global Offering (assuming the weighted voting rights structure is cancelled and the Over-allotment Option is not exercised).



*Notes:*

- (1) Fangrong Management Limited is wholly-owned by Mr. Xie. The general partner of Fangzhan Holdings L.P. and Xingyu Holdings L.P. is Xingyu Inc., a company wholly owned by Mr. Xie.
- (2) Each of Celaeno Group Limited and Silica Brothers Corp. is wholly-owned by Mr. Zhou.
- (3) Approximately 51.34% and 48.41% of interest in Asia Tech Investments Ltd. were held by Mr. Xie and Mr. Zhou, respectively. Therefore, each of Mr. Xie and Mr. Zhou is deemed to be interested in the Shares of the Company held by Asia Tech Investments Ltd. in accordance with SFO.
- Mr. Xie and Mr. Zhou (pursuant to the Concert Deed), together with Fangrong Management Limited, Fangzhan Holdings L.P., Xingyu Holdings L.P., Celaeno Group Limited, Silica Brothers Corp. and Asia Tech Investments Ltd., are acting together as a group of Controlling Shareholders. Immediately following the completion of the Global Offering (assuming the weighted voting rights structure is cancelled and the Over-allotment Option is not exercised), our ultimate Controlling Shareholders, by virtue of their shareholding together with the voting proxy conferred upon them, will collectively control approximately 57.34% of shareholding interest in the Company.
- (4) Endeavor Cloud Limited, FAST GOAL INTERNATIONAL LIMITED and Gaoxin Thrive Limited are platforms holding underlying incentive shares in the total amount of 98,288,750 Shares under the RSU Scheme.
- (5) Each of Crescent Point Vehicles is advised by Crescent Point, which is ultimately controlled by David McKee Hand, our non-executive Director. On June 12, 2024, Tech-Med Investments (S) Pte. Ltd. executed a deed of voting proxy, pursuant to which Tech-Med Investments (S) Pte. Ltd. irrevocably and unconditionally appointed Mr. Xie and Mr. Zhou jointly as its true and lawful attorney and proxy with respect to all the Shares held by it at the general meetings of the Company, effective immediately before the Listing.
- (6) Liu Xiukui is the registered promoter of Jingtai Hospital and a nominee of the New WFOE and Fangzhou Yunkang. The New WFOE and Fangzhou Yunkang each holds 70% and 30% of the registered capital and promoter's interest in Jingtai Hospital.
- (7) The remaining 49% interest in Heilongjiang Chengguang Lanjiang Pharmaceutical Retail Co., Ltd. is held by Yang Yukun (楊玉坤), and an Independent Third Party.
- (8) Guangzhou Fangming Investment Enterprise (Limited Partnership) is a limited partnership wholly-owned by Mr. Xie. Shenzhen Kaichuang Lianyu Technology Consultancy Co., Ltd. is a limited liability company owned as to 55% and 45%, respectively, by Zhang Xinwei (張新偉) and Wang Wenchao (汪聞超), each of whom holds equity interest in Shenzhen Kaichuang Lianyu Technology Consultancy Co., Ltd. as a nominee appointed by Crescent Point. Beijing Yiershan Technology Co., Ltd. is a limited liability company wholly owned by Yang Jinghua (楊敬華), the mother of Mr. Zhou, who holds equity interest in Beijing Yiershan Technology Co., Ltd. as the nominee on behalf of Mr. Zhou.

### OVERVIEW

We are the largest online chronic disease management platform in China in terms of average MAU in 2023, according to CIC. We commenced our business with a focus on chronic disease management to address the needs of patients with chronic diseases, such as hypertension, cardiovascular and respiratory chronic diseases. Leveraging our chronic disease management platform, we are dedicated to providing tailored medical care and precision medicine for a growing population of chronic disease patients, with a view towards extending our services to a wider range of disease areas.

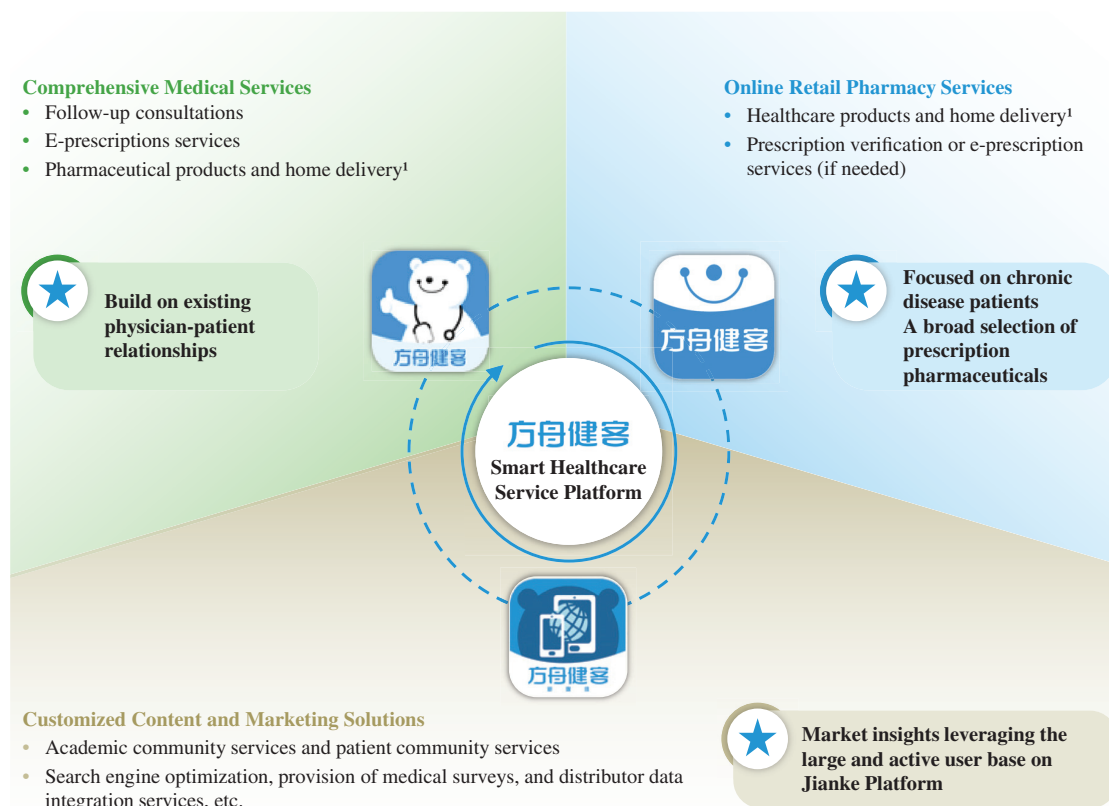
The market for online chronic disease management services in China is at an inflection point, with vast market potential created by a favorable regulatory environment for online prescription drug sales and the establishment of a tiered medical treatment system to promote more efficient allocation of medical resources. According to CIC, the market size of online to-consumer CDM market in terms of GMV in China increased from RMB0.5 billion in 2015 to RMB45.5 billion in 2023, representing a CAGR of 75.6%, and is expected to reach RMB599.5 billion in 2030, representing a CAGR of 44.5%.

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

In addition, our platform's large and active user base allows us to effectively connect and engage with doctors and patients, providing them targeted medical knowledge and content. By leveraging these powerful network effects, our platform provides pharmaceutical companies with customized content and marketing solutions to better inform physicians and patients about chronic disease conditions and treatment options, as well as increase disease awareness among the public.

With our technological capabilities, we provide digitalized solutions for key participants in the healthcare industry. Anchored in long-term physician-patient relationships, our ecosystem enables us to capture the significant customer lifetime value of chronic disease patients, while also addressing the needs of other key stakeholders in the healthcare system, including physicians and pharmaceutical companies. Our Jianke Platform improves connectivity between patients and physicians, resulting in better treatment efficiency and enabling physicians to manage their chronic disease patients in a more efficient manner. The following diagram illustrates the major services or products provided in, and key characteristics of, each of our business segments, as well as key highlights of our operating data.

# BUSINESS



★ Key characteristics of each business segment

Medical Resources	CDM Service Capabilities	Pharmaceutical Supply Chain	Technology Infrastructure
<ul style="list-style-type: none"> <li>■ 212,000+ registered physicians practicing offline at 15,600+ medical institutions<sup>2</sup></li> <li>■ Approximately 58.8% registered physicians were working for Class III Hospitals<sup>2</sup></li> </ul>	<ul style="list-style-type: none"> <li>■ 8.4 million average MAU<sup>3</sup></li> <li>■ 169 CDM staff led by medical professionals<sup>2</sup></li> </ul>	<ul style="list-style-type: none"> <li>■ 212,000+ drug SKUs offered<sup>2</sup></li> <li>■ 1,400+ suppliers<sup>2</sup></li> <li>■ 760+ collaborated pharmaceutical companies<sup>2</sup></li> <li>■ 81%+ of GMV are prescription drugs<sup>4</sup></li> </ul>	<ul style="list-style-type: none"> <li>■ Data engine recorded 83.9 million consultations and 45.7 million prescriptions<sup>2</sup></li> <li>■ AI medical assistant handled 43.1% routine consultations independently<sup>4</sup></li> </ul>

*Notes:*

1. Delivery services are provided by qualified third-party logistics and courier companies.
2. As of December 31, 2023.
3. For the year ended December 31, 2023.
4. During the Track Record Period.

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Leveraging our Jianke Platform and big data analysis capabilities, we have accumulated significant amounts of user data, which allows us to analyze user attributes, recognize our customers' needs and preferences, and continuously improve our products and services. As of December 31, 2023, our Jianke Platform had approximately 42.7 million registered users. For the year ended December 31, 2023, our Jianke Platform had an average of approximately 8.4 million MAU. As of December 31, 2023, our H2H service platform had more than 212,000 registered physicians from over 15,600 medical institutions. As of December 31, 2023, approximately 58.8% of our registered physicians were working for Class III hospitals and approximately 38.4% of our registered physicians had obtained a title of associate chief physician or above. By analyzing the prescription data and diagnosis records of our registered physicians, we have developed an AI medical assistant, which helped consolidate information provided by the patients for physicians' reference in approximately 65.7% of consultations during the Track Record Period.

We benefit from a high proportion of prescription drug sales and high spending per user, which reflects an active and high quality base of physicians and patient users. In 2021, 2022 and 2023, our prescription drug GMV represented approximately 88.9%, 84.2% and 81.1% of our total GMV, respectively, which was the highest in the industry for the same years, according to CIC. Our prescription drug GMV as a percentage of our total GMV decreased slightly in 2022, primarily due to increased sales of OTC drugs as a result of the resurgence of COVID-19 in the second half of 2022. For 2023, the percentage of prescription drug GMV decreased primarily due to a shift in our product mix, which reflected an increased proportion of certain higher margin OTC drugs within our product portfolio. Our GMV refers to gross merchandise volume, the total value of all orders placed on the Jianke Platform and through third-party e-commerce platforms. We also achieved high spending per paying user during the Track Record Period. The average spending per paying user amounted to RMB766.3, RMB626.7 and RMB558.9 in 2021, 2022 and 2023, respectively, which was higher than the industry average for the respective year, according to CIC. This was primarily attributable to frequent interaction among physicians and patients which enhanced patients' confidence in our platform and encouraged better treatment adherence and treatment compliance.

Our revenue in 2021, 2022 and 2023 amounted to RMB1,758.7 million, RMB2,204.3 million and RMB2,434.3 million, respectively. In particular, revenue generated from our comprehensive medical services in 2021, 2022 and 2023 amounted to RMB719.7 million, RMB868.2 million and RMB983.7 million, respectively.

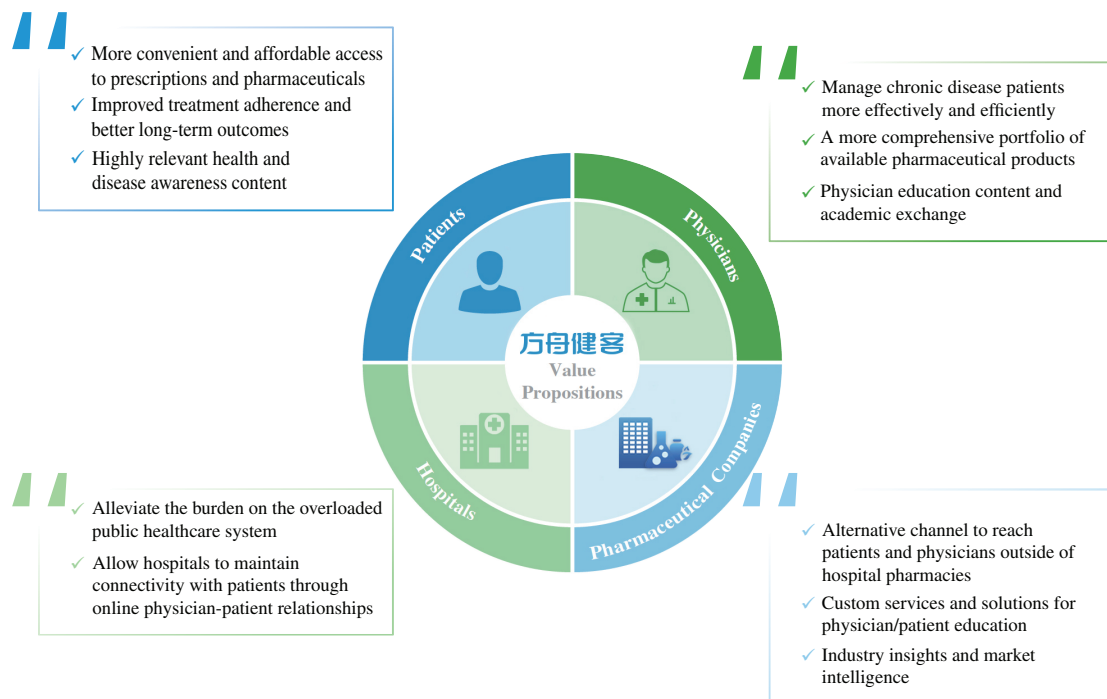
### OUR VALUE PROPOSITIONS

China is confronting an increasing prevalence of chronic diseases, primarily driven by a number of trends, including an increasing aging population, earlier onset of chronic diseases, and an increasing number of terminal diseases becoming manageable chronic conditions due to recent medical advances. Successful chronic disease management typically requires long-term medical care. A significant number of chronic disease patients seek routine consultations and prescription refills at major hospitals in first- and second-tier cities, where the majority of medical resources are concentrated, further burdening China's already

overloaded healthcare system. According to CIC, the soaring demand for medical treatment and uneven distribution of medical resources create a significant opportunity to help physicians more efficiently manage their patient load, while addressing the needs of chronic disease patients for convenient and easy access to medical care.

We have established a full-service online chronic disease management platform that provides significant value to key participants in the chronic disease management industry. Our large customer base anchored in “real world” physician-patient relationships, ongoing collaboration with leading pharmaceutical companies, and highly efficient business operations have positioned us to capture these opportunities and bring value to industry participants.

### Value Propositions



*For patients.* Due to the limited medical resources in many regional hospitals and clinics in China, we recognize that chronic disease patients may often be confronted with difficulties in obtaining timely routine medical treatment and prescription refills. Our platform reduces patients’ time spent on commuting to hospitals, and queuing for physician consultations or prescriptions refills. Our chronic disease management service center also provides a number of long-term value-added services, including patient education, medication guidance and prescription refill notifications. We believe that providing patients with easy access to medical consultations and prescriptions can help to improve treatment adherence, and lead to better long-term outcomes. In addition, our patient community services also enable patients to receive targeted medical content, such as articles, short videos, and video live streams, by following a specific physician or disease area on our Jianke Platform.

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*For physicians.* We recognize that physicians in many traditional medical institutions have limited tools to effectively manage the large volume of chronic disease patients. Our platform facilitates ongoing remote interactions between physicians and their patients, enabling physicians to be more efficient in providing routine consultations and treatment for a larger cohort of patients. We also provide physicians with a significantly more comprehensive portfolio of pharmaceutical products for which they are able to issue prescriptions so as to better serve the diverse needs of their patients. Moreover, our academic community services provide physicians with a platform to learn and engage with peers, and stay informed about new developments relating to their areas of practice.

*For pharmaceutical companies.* Pharmaceutical companies' access to hospital pharmacy distribution has become increasingly challenging due to policy changes in recent years. Our platform provides pharmaceutical companies with a novel alternative channel to reach patients and physicians outside of hospital pharmacies. In addition, we are able to provide pharmaceutical companies with a variety of customized content and marketing solutions to better inform physicians and patients about chronic disease conditions and raise awareness about treatment options.

*For hospitals.* Many hospitals in China have limited resources for chronic disease management. Our online chronic disease management platform is aligned with the PRC government's overarching public health goal of relieving the burden on major hospitals in China and promoting online options for patients requiring routine consultations and periodic prescriptions. It effectively complements traditional healthcare services and relieves the burden of the overloaded public healthcare system. It further benefits hospitals by allowing healthcare providers to stay connected to their long-term chronic disease patients through online physician-patient relationships established by physicians registered on our platform. When such patients require offline medical services, such as surgical treatments or in-patient care, these patients would be inclined to procure such services from the hospitals at which their physicians are employed.

### OUR STRENGTHS

#### Leading online chronic disease management platform in China

We are the largest online chronic disease management platform in China in terms of average MAU in 2023, according to CIC. As one of the earliest pioneers in the Internet healthcare industry, we commenced our business with a strategic focus on chronic diseases, which have become a growing public healthcare concern in China. According to CIC, the number of chronic disease patients in China increased from 330.7 million in 2015 to 504.5 million in 2023, representing a CAGR of 5.4% and is expected to continue to grow and reach 574.7 million in 2030, representing a CAGR of 1.9% from 2023 to 2030. The soaring demand for medical treatment and uneven distribution of medical resources in China create a significant opportunity to help physicians more efficiently manage their patient load, while addressing the needs of chronic disease patients for convenient and easy access to medical care. Leveraging the deep experience of our senior management team, we have remained at the



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forefront of the industry as a continuous innovator of services to address these needs. We started our business in online retail pharmacy services and subsequently launched our H2H service platform, enabling us to provide integrated online chronic disease management services.

- *H2H service platform.* In 2018, we launched our H2H service platform to build on existing offline physician-patient relationships and help provide more convenient connectivity between patients and their physicians. Under our model, after an initial in-person consultation, the patient and physician are able to easily connect online through our platform, which also provides physicians with tools for more efficient chronic disease management. Follow-up consultations can be performed virtually through the platform, and physicians are also able to issue electronic prescriptions, which we can fulfill through our pharmaceutical supply chain, and deliver directly to patients using qualified third-party couriers. As of December 31, 2023, our H2H service platform had more than 212,000 registered physicians from over 15,600 medical institutions.
- *Online retail pharmacy service platform.* Chronic disease patients require regular disease monitoring, and often need ongoing treatment with prescription medications. Due to the uneven distribution of medical resources in China, many chronic disease patients are confronted with difficulties in obtaining convenient routine medical treatment and easy access to a range of prescription medications. To address such challenges, we developed our online retail pharmacy service platform, providing customers with access to a wide selection of prescription drugs and convenient home delivery. In addition, we provide online consultation and medication guidance through our in-house medical professionals or registered physicians for customers seeking to purchase pharmaceutical products.

To support our H2H service platform and online retail pharmacy service platform, we established our chronic disease management service center, which we believe is a key competitive advantage that sets us apart from our peers. The medical expertise of our CDM staff allows us to offer a more professional standard of service to our customers, including patient education, medication guidance and drug refill notifications, while improving our customer satisfaction and customer retention.

Our H2H service platform and online retail pharmacy service platform provide a comprehensive portfolio of services. Anchored in long-term physician-patient relationships, our ecosystem enables us to capture the significant customer lifetime value of chronic disease patients, while also addressing the needs of other key stakeholders in the healthcare system, including physicians and pharmaceutical companies. This ability to connect and bring value to each of these critical stakeholders distinguishes us from our competitors.

**Loyal and active paying user base anchored on long-term physician-patient relationships**

Patients with chronic conditions typically require recurring medical consultations and prescriptions, many of which are routine and can be done remotely. Individual users can obtain online consultation and e-prescriptions, and complete medicine purchase all on our H2H platform and online retail pharmacy service platform. In particular, our H2H service platform provides individual users with easy access to medical resources and enables physicians to more efficiently manage their cohort of chronic disease patients. Anchored on existing patient-physician relationships, our platform significantly benefits registered physicians by providing them the convenience of conducting online follow-up consultations with their existing, and often long-term, patients. This in turn enables more effective patient management, especially for patients who may have difficulties attending in-person consultations. Our online retail pharmacy service platform attracts users by offering a comprehensive selection of healthcare products, with a focus on providing a broad selection of prescription pharmaceuticals to serve the diverse needs of chronic disease patients. As individual users deepen their relationship with the registered physicians and rely on services available on our platform, their consumption behavior shifts towards online chronic disease management and they become more loyal to our platform. With a high-quality user base, we are well-positioned to expand our service and product offerings to increase our market share. Our Jianke Platform and users are characterized by the following features:

- *Broad user base.* Our H2H service platform and online retail pharmacy service platform have attracted a broad user base. As of December 31, 2023, our Jianke Platform had approximately 42.7 million registered users. For the year ended December 31, 2023, our Jianke Platform had an average of approximately 8.4 million MAU. For the years ended December 31, 2021, 2022 and 2023, our advertising and platform service fees as a percentage of our total revenue was 4.4%, 3.9% and 3.8%, respectively, which was lower than the industry average for the respective year, according to CIC.
- *Highly active and loyal users.* Chronic disease patients typically require long-term medical care and follow-up treatment. Our H2H service platform fosters an interactive network of patients and physicians based on existing long-term relationships, resulting in strong user retention and repeat purchases. In 2021, 2022 and 2023, the repeat purchase rate on our Jianke Platform was 82.0%, 83.3% and 84.2%, respectively, which was higher than the industry average for the respective year, according to CIC. For the year ended December 31, 2023, the average retention rate of our registered physicians was approximately 93.2%. In addition, our average user retention rate remained consistently high throughout the Track Record Period, at 77.3%, 78.7% and 79.0% in 2021, 2022 and 2023, respectively, which was higher than the industry average of approximately 30-35% for the respective years, according to CIC.
- *Strong willingness to pay.* Typically referred by physicians after an initial offline consultation, patients on our H2H service platform generally exhibit a strong willingness to pay. For the year ended December 31, 2023, the conversion rate of active users to paying users on our H2H service platform was 36.2%. We also achieved high spending per paying user, which amounted to RMB766.3, RMB626.7 and RMB558.9 in 2021, 2022 and 2023, respectively, which was higher than the industry average for the respective year, according to CIC.

**Technology-driven platform to enhance customer satisfaction and operating efficiency**

We take a pragmatic approach in our technology development efforts, with a focus on rapid prototyping and iteration. In addition, we employ a variety of technologies across our Jianke Platform with the aim of providing a better user experience and improving our operating efficiency.

- *Improved customer satisfaction.* We utilize big data analytics to enhance user experience and continuously improve our products and services. We have accumulated significant user information, including users' browsing history, consultation records, prescriptions and refill data. By tracking and analyzing such data, we are able to more accurately assess the needs of our customers, and provide more tailored services, such as medication guidance, prescription refill reminders, side effect warnings and targeted medical content.
- *Proven operating efficiency.* We are focused on developing smart, AI-assisted technologies to increase our operating efficiency. For example, based on anonymous analysis of prescription data and diagnosis records of our registered physicians, we have developed an AI medical assistant to automatically generate responses to common patient queries. Our AI medical assistant provided assistance for approximately 65.7% of consultations during the Track Record Period. With the help of our AI medical assistant, the number of orders processed per person per day by our customer service personnel increased from 67.3 in 2019 when we first launched our AI medical assistant, to 366.2 in 2023, representing a CAGR of 52.7% from 2019 to 2023. We also employ (i) big data analytics to help determine pricing and improve our conversion rate; and (ii) neural networks to improve our search and recommendation engine.
- *Smart supply chain management.* We implement a "just-in-time" inventory management strategy, with the goal of maintaining low inventory levels and achieving rapid inventory turnover in order to reduce working capital requirements and improve operating efficiency. We have launched a smart supply chain management system supported by our image recognition and warehouse management technologies. This system utilizes powerful data analytics to optimize inventory levels based on predicted levels of demand, automatically replenish inventory as necessary to optimize our order fulfillment rates, and bring greater efficiency to our warehouse operations. For the year ended December 31, 2023, our inventory turnover days were 24.6 days, which, according to CIC, were significantly lower than most other online pharmaceutical retailers in China for the same year. In addition, our proprietary procurement system enabled us to procure products from over 1,400 suppliers and to offer over 212,000 drug SKUs as of December 31, 2023. By connecting directly to the inventory systems of our major suppliers, we have access to real-time price data from suppliers, enabling us to compare suppliers' bidding prices over 122,000 times a day. This automated approach allows us to minimize procurement search costs, while ensuring favorable pricing. Since the launch of our smart supply chain management system, we have lowered the procurement costs for 59.4% of SKUs purchased as of December 31, 2023.

**Strong and synergistic relationships with leading pharmaceutical companies**

In recent years, the PRC government has promulgated a series of policies intended to reduce the sale of prescription drugs through hospital pharmacies, resulting in a shift of prescription drug sales to other channels. Our Jianke Platform provides pharmaceutical companies with a novel alternative distribution channel outside of hospital pharmacies. Leveraging our broad user base of patients and physicians, we have become the partner-of-choice of leading multinational and domestic pharmaceutical companies. For instance, we have established strong collaborations with Pfizer Inc., Gilead Sciences, Inc., Novartis AG, and Baiyunshan Pharmaceutical among many others.

Since the inception of our online retail pharmacy service platform, we have developed strong relationships with pharmaceutical companies in order to better serve the needs of our customers. These relationships have enabled us to build a strong foundation for our supply chain infrastructure, and have a deep understanding of the pharmaceutical industry and the needs of our pharmaceutical company partners.

Based on this accumulated knowledge, we designed our platform with a focus on facilitating online connectivity between physicians and their patients in order to improve treatment compliance and adherence. By leveraging such trusted physician-patient relationships and our large user base of chronic disease patients, we are able to offer pharmaceutical companies a variety of customized content and marketing solutions to better inform physicians and patients about chronic disease conditions and potential treatment options, increase disease awareness among the public, and provide overall market intelligence. We believe that our platform is unique among competitors in that it serves as a sales channel for pharmaceutical products and provides pharmaceutical companies with a channel to better educate patients and physicians about chronic disease conditions and potential treatment options.

In turn, our collaboration with pharmaceutical companies allows us to maintain a stable supply of pharmaceutical products at attractive prices, while helping to attract and retain physicians and patients on our platform. As we grow in scale, we have better bargaining power to obtain more favorable prices from suppliers, which gives us greater flexibility in offering discounts and promotions to develop our user base and to maintain competitive pricing against our competitors. As we rapidly grow our base of registered physicians and patients, our platform is able to attract additional pharmaceutical companies for collaboration, resulting in a virtuous cycle that propels our business growth.

**Innovation-driven approach and ability to evolve our business as new opportunities arise**

Innovation has always been at the core of our business. With the experience and vision of our senior management team, we have a keen understanding of China's evolving healthcare system and are highly perceptive to the pain points and needs of industry stakeholders. We have been a pioneer in developing products and services to address white space markets and believe that continuous improvement and evolution of our products and services will continue to be key to our long-term success.

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We initially launched our platform with online retail pharmacy, and quickly established our chronic disease management service center in order to offer a more professional standard of service to our customers. As our platform grew, we realized that trusted physician-patient relationships were also essential for helping our patients manage their chronic disease conditions. In 2018, we introduced our H2H service platform, which provides easy connectivity between patients and their physicians, and enables more effective chronic disease management. We believe that this ability to continuously evolve our services and business model and adapt to market needs sets us apart from our competitors.

Due to China's changing healthcare regulatory landscape, it has become increasingly challenging for pharmaceutical companies to reach doctors through sales representatives and other traditional channels. Meanwhile, China's large scale Internet traffic platforms are reaching maturity, making it increasingly difficult and expensive to target niche audiences. Our ecosystem for chronic disease management allows us to access a large user base of physicians and chronic disease patients. We developed customized content and marketing solutions to help pharmaceutical companies reach this audience. For details, see “—Strong and synergistic relationships with leading pharmaceutical companies.”

### **Seasoned management team and strong investor base supporting our long-term growth**

We benefit from the leadership of our management team which has a strong technology background, along with an in-depth understanding of China's Internet healthcare industry. Our senior management team consists of members with extensive experience and expertise across a range of industries and specialties, including healthcare, pharmaceuticals, technology, Internet and sales and marketing. We have also attracted a strong investor base which includes leading private equity and venture capital funds, and leading healthcare investors who have provided us with significant resources to support our growth and long-term development.

Our seasoned management team is led by Mr. Xie and Mr. Zhou. Mr. Xie, our founder, chairman of the Board, executive Director and chief executive officer, has more than 15 years of experience in China's medical and healthcare industry. In recognition of Mr. Xie's achievements and his contribution to the industry, he was awarded the “Outstanding Influential Entrepreneur Award 2022” at the 11th China Finance Summit and named as the “Top 10 Healthcare Industry Innovation and Startup Entrepreneurs of the Year” by iyio.com in May 2017, as well as the “Top 10 Charismatic People in China Chain Pharmacies of the Year” by the Institute of Medical Economics of National Medical Products Administration in July 2018. In addition, Mr. Zhou, our executive Director and chief strategy officer, has extensive management experience and worked with a number of Internet and e-commerce companies in China prior to joining our Group, including serving as the chief executive officer in Lashou Group Inc., a company principally engaged in e-commerce services. Leveraging their professional expertise and industry insights, we established our online retail pharmacy service platform and our H2H service platform.

### OUR STRATEGIES

We will focus on a number of key growth strategies to achieve our long-term goal of empowering physicians and patients to better treat and manage chronic diseases.

#### **Enhance connectivity between physicians and patients and increase user engagement on our platform**

We believe that there are significant opportunities to continue to enhance the levels of connectivity and engagement between physicians and patients on our H2H service platform. We intend to expand our operations team in order to provide better support for physicians on our platform, especially for newly registered physicians who may lack familiarity with the functions of our platform. In addition, we plan to create more narrowly targeted approaches for encouraging physician activity by segmenting and profiling our registered physicians according to a number of factors, including, among others, geographic regions, years of medical experience, professional rank, hospital grade and platform activity level. We also intend to continue to add functionality and disease specific reference content to help physicians improve the level of care they are able to provide, thereby increasing the number of additional patients they can serve and manage through our platform.

Our technology infrastructure and front-end applications serve a crucial role in our platform ecosystem. As more physicians and patients join our platform, we will make investments, both in in-house capabilities and strategic partnerships and acquisitions, to improve their user experience and reduce interaction and cognitive frictions.

We also plan to invest further in raising our brand awareness among physicians and patients, in order to enhance their stickiness to our platform, and drive greater platform engagement. We will employ various marketing and promotional activities, including but not limited to, media and social media engagement, conference sponsorships, and marketing campaigns.

#### **Redefine the standard for smart chronic disease management services by expanding our expertise in chronic disease specialties and focusing on continuous innovation**

Our online chronic disease management platform provides an efficient and effective solution to address the needs of chronic disease patients, but we believe there remain significant opportunities for future development and innovation. Leveraging our established ecosystem, we aim to broaden our service coverage for additional disease specialties and indications with substantial patient needs. We will also partner with experienced specialists, medical institutions, and pharmaceutical companies to share their expertise and create standardized treatment regimens which can be quickly and easily referenced by other physicians on our platform. As our platform develops, we intend to add additional modules to our platform to interface with wearable devices to enable real-time monitoring and diagnosis. We seek to develop broader service coverage and functionalities on our platform by investing in in-house development as well as through strategic alliances and investment opportunities. We believe these initiatives will enable our platform to become an indispensable tool for both physicians and their patients in managing chronic diseases.

### **Build and grow our high-quality user base**

In the early stage of building our business foundation, we prioritized scaling our business. Through our efforts, we acquired a substantial user base, and became the largest online chronic disease management platform in China in 2023 in terms of average MAU, according to CIC. As of December 31, 2023, our H2H service platform had over 212,000 registered physicians from over 15,600 medical institutions. While we believe continuing to grow the number of users on our platform is essential to our business growth, we also want to focus on maintaining a highly active user base with strong customer loyalty and retention. We believe that the key to achieving this goal is to leverage our accumulated experience and deep operational expertise to develop and identify effective strategies for addressing the evolving needs of our users, and deliver a superior user experience.

### **Continue to broaden our product selection to better satisfy the needs of our users**

Our ability to provide a broad range of prescription drugs is our key competitive advantage. As of December 31, 2023, we had procured products from over 1,400 suppliers and had offered over 212,000 drug SKUs. We intend to further develop this capability by expanding our collaboration with both new and existing pharmaceutical companies, and leveraging our broad user base of physicians and patients to serve market segments with significant patient needs. We will target a mix of new specialty drugs for existing indications, as well as expanding our platform for additional specialties, such as cardiovascular, cerebrovascular, infectious diseases, dermatology, psychiatry and gynecology. By continuously expanding our product offering, we believe we will be able to better address the diverse needs of our customers.

In addition, the pharmaceutical supply chain in China is fragmented, often with significant regional pricing differences for identical drugs. We intend to expand our warehouse coverage and sourcing capability to additional geographic regions in order to achieve more favorable procurement prices from a broader network of suppliers.

### **Continue to attract and retain talent to support our growth**

The ability to attract, train and retain talented employees is essential to our growth strategy. We intend to actively recruit personnel with strong backgrounds in AI and data science, healthcare, chronic disease management, and the pharmaceutical industry. We believe that a balanced mix of skill sets is crucial to our continued development and innovation efforts.

Our approach to attracting talent and expertise will entail a combination of structured campus recruitment programs and lateral hires. In order to retain top talents, we intend to provide an attractive employee benefits package, including participation in an incentive share scheme, along with significant opportunities for training and career advancement.

## **OUR ONLINE CHRONIC DISEASE MANAGEMENT PLATFORM**

### **Overview**

We are the largest online chronic disease management platform in China in terms of average MAU in 2023. We commenced our business with a focus on chronic disease management to address the needs of chronic disease patients, with a view to extend our services to a wider range of disease areas.

Due to the limited medical resources in many regional hospitals and clinics in China, we recognize that many chronic disease patients are confronted with difficulties in obtaining timely routine medical treatment and easy access to a range of prescription medications. To resolve the pain points of patients, we provide online chronic disease management services through our Jianke Platform. Leveraging our technology capabilities, we provide digitalized solutions for major stakeholders in the healthcare system, addressing their needs and creating value through continuous innovation.

Our online chronic disease management platform primarily provides the following services:

- *Comprehensive Medical Services.* Our comprehensive medical services primarily include our H2H services, where patients and physicians are able to engage in online follow-up consultations, typically after initial in-person consultations, and physicians can issue e-prescriptions through our H2H service platform. We fulfill e-prescriptions through our pharmaceutical supply chain, and engage qualified third-party couriers for home delivery. Our H2H service platform was launched to address chronic disease patients' treatment needs created by the lack of ready access to reliable medical resources in China, and to capitalize on the burgeoning demand for remote consultations driven by its accessibility, flexibility, reduced outpatient waiting time and cost-effectiveness. We also provide medical services offline at Jingtai Hospital and Qishi Hospital.
- *Online Retail Pharmacy Services.* We provide a variety of healthcare products through our online retail pharmacy service platform, along with convenient home delivery for our customers through qualified third-party couriers. Our product offering consists primarily of prescription and OTC drugs, and we are especially focused on providing a broad selection of prescription pharmaceuticals, which patients can procure by relying on an existing prescription, or by requesting for an e-prescription which our in-house medical professionals can assist to issue. This allows patients to ensure the continuity of their medications and treatments without the inconvenience of arranging for hospital appointments. In addition, our platform offers home-use medical devices and accessories, healthcare and nutritional supplements and other wellness products. We also operate a number of offline pharmacies, which contributed an insignificant portion to our revenue for each year during the Track Record Period.



- *Customized Content and Marketing Solutions.* We provide pharmaceutical companies with a variety of customized content and marketing solutions to better inform physicians and patients about chronic disease conditions and raise awareness about treatment options. We offered such services during the Track Record Period after recognizing that such needs of pharmaceutical companies can be addressed by leveraging the large and active user base on our Jianke Platform. Our academic community services facilitate knowledge among physicians through publication of medical news articles and short videos on our Jianke Platform, hosting online medical conferences, and physician live stream video sessions with specialist physicians. Our patient community services offer relevant educational content according to the interests of our patient users. We also provide additional customized content and marketing solutions, including search engine optimization, provision of medical surveys, and distributor data integration services. Our customized content and marketing solutions business line also serves as an extension of our supplier management strategy, which helps us forge mutually beneficial and synergistic relationships with pharmaceutical companies from whom we procure our pharmaceutical products.

### **Our Growth and Key Operating Data**

Since we began operating the Jianke mobile applications and website in-house in July 2019, we have been focused on strengthening our business foundation and scaling our business through organic growth. Our past efforts have enabled us to build a large user base with approximately 42.7 million registered users as of December 31, 2023. For the year ended December 31, 2023, our Jianke Platform had an average of approximately 8.4 million MAUs. The number of registered physicians on our H2H platform increased from 191,106 as of December 31, 2021 to 205,000 and 212,892 as of December 31, 2022 and 2023, respectively. As of December 31, 2023, our registered physicians came from over 15,600 medical institutions, approximately 58.8% of them were working for Class III hospitals and approximately 38.4% of them had obtained a title of associate chief physician or above.

As our user base grew substantially and leveraging our strong medical resources of highly qualified registered physicians, we were able to focus on developing a high-quality base of loyal and active users with strong willingness to pay. In 2021, 2022 and 2023, the conversion rate of active users to paying users on our H2H service platform were 32.6%, 42.9% and 36.2%, respectively, while that of our online retail pharmacy service platform increased from 14.7% to 14.8% and 17.7%, respectively. Our conversion rate growth was primarily attributable to more effective marketing measures we took to promote our brand and develop consumer behavior on our platform. In particular, the notable increase in conversion rate for our H2H service platform in 2022 was primarily due to the implementation of measures aimed at enhancing the accessibility of our platform and simplifying the purchasing process. Such measures include: (i) migration of users from our WeChat official account to our WeChat mini-app, which provides a more streamlined user experience, (ii) enhancements to our pricing system to allow for more targeted discounts to new users, and (iii) an improved recommendation algorithm which provides customers with alternatives for out of stock

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products. The conversion rate of our H2H service platform decreased in 2023 as we introduced more free-of-charge patient education contents on our H2H service platform to attract new users, expand our user base, stimulate user activity and increase user stickiness. We anticipate improvements in our conversion rates as we continue to introduce new features aimed at enhancing the user experience on our platform.

As a result of the increased conversion rate during the Track Record Period, our number of paying users increased from approximately 2.5 million in 2021, to 3.9 million and 4.4 million in 2022 and 2023, respectively. In particular, the number of paying users for our comprehensive medical services increased rapidly by 53.4% from 2021 to 2022 and by 32.0% from 2022 to 2023. Similarly, the number of paying users for our online retail pharmacy services increased by 58.3% from 2021 to 2022 and by 16.4% from 2022 to 2023. For the year ended December 31, 2023, we also achieved high average retention rates for both our registered physicians and users of approximately 93.2% and 79.0%, respectively, which attest to the loyalty of our user base. Moreover, the repeat purchase rate of our paying users remained consistently high during the Track Record Period, as demonstrated in the table below, indicating our success in developing user stickiness on our platform.

Accordingly, we achieved an average spending per paying user of RMB766.3, RMB626.7 and RMB558.9 in 2021, 2022 and 2023, respectively, which was higher than the industry average for the respective year, according to CIC. While average spending per paying user exhibited a downward trend during the Track Record Period, this was mainly a reflection of the rapid expansion of our paying user base during the Track Record Period, which enabled us to negotiate more favorable procurement terms as our business scale increased, and in turn offer more competitive pricing on a range of products. Our average spending per paying user for comprehensive medical services was generally higher at RMB2,269.7 in 2021, RMB1,767.6 in 2022 and RMB1,450.4 in 2023. This is a result of the nature of H2H services as we primarily serve patients with the need for prescription drugs, which generally have higher unit prices. The average spending per paying user for our online retail pharmacy services was RMB516.1 in 2021, RMB420.2 in 2022 and RMB353.3 in 2023. The decrease in average spending per paying user primarily reflected the rapid expansion of our overall base of new paying users during the Track Record Period. This was in line with our business focus of expanding our user base and developing user stickiness on our platform. Although our average spending per paying user decreased in 2022 and 2023, we were able to expand our user base while achieving improved gross profit margins by leveraging our supply chain capabilities to procure pharmaceutical and healthcare products at more favorable prices.

As a result of the above, the total GMV of our Jianke Platform and our operations on third-party e-commerce platforms increased from RMB1,945.4 million in 2021 to RMB2,430.3 million and RMB2,481.5 million in 2022 and 2023, respectively. In particular, our prescription drug GMV accounted for a significant percentage of total GMV at 88.9%, 84.2% and 81.1% in 2021, 2022 and 2023, respectively.

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The following table sets out certain key operating metrics of our Jianke Platform as of the dates or for the years indicated.

	As of/For the year ended		
	December 31,		
	2021	2022	2023
Number of paying users <sup>(1)</sup>	2,538,606	3,878,195	4,439,660
Comprehensive medical services	360,511	553,033	730,251
Online retail pharmacy services	2,183,933	3,457,326	4,025,907
Average spending per paying user <sup>(2)</sup>			
(RMB)	766.3	626.7 <sup>(10)</sup>	558.9 <sup>(10)</sup>
Comprehensive medical services	2,269.7	1,767.6	1,450.4
Online retail pharmacy services	516.1	420.2	353.3
Average monthly active users (MAU) <sup>(3)</sup>	8,823,986	9,135,433 <sup>(11)</sup>	8,441,036 <sup>(11)</sup>
Average user retention rate <sup>(4)</sup>	77.3%	78.7%	79.0%
Number of registered physicians <sup>(5)</sup>	191,106	205,000	212,892
Average physician retention rate <sup>(6)</sup>	85.1%	91.9% <sup>(12)</sup>	93.2%
Repeat purchase rate <sup>(7)</sup>	82.0%	83.3%	84.2%
Conversion rate of active users to paying users on H2H service platform <sup>(8)</sup>	32.6%	42.9%	36.2% <sup>(13)</sup>
Conversion rate of active users to paying users on online retail pharmacy service platform <sup>(8)</sup>	14.7%	14.8%	17.7%
Total GMV <sup>(9)</sup>			
(RMB in millions)	1,945.4	2,430.3	2,481.5
Prescription drug GMV as a percentage of total GMV	88.9%	84.2% <sup>(14)</sup>	81.1% <sup>(14)</sup>

*Notes:*

- (1) “Paying users” refer to users who engage in revenue generating activities such as physician consultations or purchase of pharmaceutical products, as opposed to “non-paying users” who only engage in non-revenue generating activities such as participating in academic or patient community services, attending free online consultations, or browsing other content available to them free of charge. There are overlapping users who are both paying users of our comprehensive medical services and online retail pharmacy services. Such users are counted only once when determining the total paying users on our platform.
- (2) Average spending per paying user refers to the total GMV for a year divided by the number of paying users for the same year.
- (3) Monthly active users (MAU) refer to the number of active users who access our services on the Jianke Platform at least once during a calendar month, where such access includes browsing on the Jianke Platform, use of our online consultation services, e-prescription services and customer services, purchase of pharmaceutical and other healthcare products, and participation in patient community services. Average MAU for each year during the Track Record Period is the mean MAU by month during the year.

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## BUSINESS

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- (4) User retention rate in a given month refers to the percentage of total active users in the same month of the preceding year who remained active on the Jianke Platform during the next 12 months. A user is considered to have remained active during the 12-month period if he/she accessed our services at least once during the period, where such access includes browsing on the Jianke Platform, use of our online consultation services, e-prescription services and customer services, purchase of pharmaceutical and other healthcare products, and participation in patient community services. Average user retention rate for each year during the Track Record Period is the mean user retention rate by month during the year.
- (5) Number of registered physicians refers to the total number of physicians registered on the Jianke Platform as of a given date.
- (6) Physician retention rate in a given month refers to the percentage of total active registered physicians in the same month of the preceding year who remained active on the Jianke Platform during the next 12 months. A registered physician is considered to have remained active during the 12-month period if he/she engaged in an activity at least once during the period, where such activity includes provision of online consultation services and e-prescription services, and participation in academic community services through activities such as publishing articles or participating in live streams. Average physician retention rate for each year during the Track Record Period is the mean physician retention rate by month during the year.
- (7) Repeat purchase rate refers to the amount spent by users who placed two or more orders during a year divided by the total GMV for the same year.
- (8) Conversion rate of active users to paying users on our H2H service platform or online retail pharmacy service platform refers to the number of paying users divided by the number of active users on our H2H service platform or the Jianke Online Pharmacy App, respectively.
- (9) Total GMV refers to our total gross merchandise volume, which is the total value of all orders placed on the Jianke Platform and through third-party e-commerce platforms.
- (10) The decrease in average spending per paying user primarily reflected the rapid expansion of our paying user base during the Track Record Period, which enabled us to negotiate more favorable procurement terms as our business scale increased, and in turn offer more competitive pricing on a range of products while preserving our overall gross profit margins.
- (11) The elevated average MAU in 2022 primarily reflected the exceptionally high user activity in December 2022 driven by the COVID-19 pandemic which was effectively mitigated by early 2023. Our average MAU in 2023 was generally in line with that in 2021, although the latter was slightly higher due to the increased healthcare-related online traffic driven by the ongoing COVID-19 pandemic during that period.
- (12) Our average physician retention rate increased significantly in 2022 because we focused on cultivating the engagement and quality of our accumulated base of registered physicians. For details, see “Business—Medical Professional Network—Registered Physicians.”
- (13) The conversion rate of active users to paying users on our H2H service platform decreased in 2023 as we introduced more free-of-charge patient education contents on our H2H service platform to attract new users, expand our user base, stimulate user activity and increase user stickiness.
- (14) The decrease in prescription drug GMV as a percentage of our total GMV was primarily due to (i) the increased sales of OTC drugs as a result of the resurgence of COVID-19 in the second half of 2022; and (ii) a decrease in prescription drug GMV mainly due to a shift in our product mix, which reflected an increased proportion of certain higher margin OTC drugs within our product portfolio.

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The following table sets forth a breakdown of our revenue by business line for the years indicated.

	For the year ended December 31,					
	2021		2022		2023	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Comprehensive						
medical services	719,693	40.9	868,171	39.4	983,654	40.4
Online retail						
pharmacy services	1,011,427	57.5	1,252,123	56.8	1,297,106	53.3
Customized content						
and marketing						
solutions	27,553	1.6	60,254	2.7	87,046	3.6
Others	–	–	23,755	1.1	66,502	2.7
<b>Total</b>	<b><u>1,758,673</u></b>	<b><u>100.0</u></b>	<b><u>2,204,303</u></b>	<b><u>100.0</u></b>	<b><u>2,434,308</u></b>	<b><u>100.0</u></b>

Since 2022, we have engaged in the wholesale of pharmaceutical products to third-party distributors for the purpose of inventory management. Such sales enable the mitigation of inventory risk for certain items where actual sales may have deviated from original projections. Revenue generated from these transactions is immaterial. Our future participation in such transactions would largely depend on our future considerations and needs in inventory management. As such, revenue generated from such sales is classified as “Others” in our consolidated statements of profit or loss and other comprehensive income.

In addition, a significant portion of our revenue during the Track Record Period was attributable to the sales of pharmaceutical and other healthcare products with service package<sup>(1)</sup>, which accounted for 98.1%, 97.0% and 96.2% of our total revenue in 2021, 2022 and 2023, respectively. Such revenue was driven by our wide-ranging portfolio of pharmaceutical products, and also reflects the positive impact of offering medical services (including e-prescription and prescription refill services) through our registered physicians and in-house medical professionals. These services are an integral component of our product and service package, playing a vital role in driving patient retention and promoting treatment adherence. Furthermore, our registered physicians also provided online consultation services, which accounted for 0.3%, 0.3% and 0.2% of our total revenue in 2021, 2022 and 2023, respectively. Revenue generated from customized content and marketing solutions accounted for the remaining 1.6%, 2.7% and 3.6% of our total revenue in the respective years, as set forth in the table below.

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(1) Excluding revenue contribution from online consultation services.

## BUSINESS

	For the year ended December 31,					
	2021		2022		2023	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Revenue from:						
Sales of pharmaceutical and other healthcare products with service package <sup>(1)</sup>	1,726,693	98.1	2,138,509	97.0	2,342,942	96.2
Online consultation services	4,427	0.3	5,539	0.3	4,320	0.2
Customized content and marketing solutions	27,553	1.6	60,254	2.7	87,046	3.6
<b>Total</b>	<b><u>1,758,673</u></b>	<b><u>100.0</u></b>	<b><u>2,204,303</u></b>	<b><u>100.0</u></b>	<b><u>2,434,308</u></b>	<b><u>100.0</u></b>

*Note:*

(1) Excluding revenue contribution from online consultation services.

There is no overlapping business or transaction between our different business lines. Revenue generated from e-prescription services and/or sales of pharmaceutical products and other products is recorded according to the business line through which such e-prescription services were provided and/or orders were placed.

The table below sets forth a breakdown of our revenue by distribution channel for the years indicated.

	For the year ended December 31,					
	2021		2022		2023	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
<b>Online retail</b>						
<b>pharmacy services</b>	<b>1,011,427</b>	<b>57.5</b>	<b>1,252,123</b>	<b>56.8</b>	<b>1,297,106</b>	<b>53.3</b>
– Jianke Platform	945,047	53.7	1,169,075	53.0	1,138,834	46.8
– Third-party e-commerce platforms	63,898	3.6	79,939	3.6	155,045	6.4
– Offline pharmacies	2,482	0.1	3,109	0.1	3,227	0.1
<b>Comprehensive medical services</b>	<b>719,693</b>	<b>40.9</b>	<b>868,171</b>	<b>39.4</b>	<b>983,654</b>	<b>40.4</b>
– Jianke Platform	711,658	40.5	859,226	39.0	973,046	40.0
– Offline hospitals	8,035	0.5	8,945	0.4	10,608	0.4
<b>Customized content and marketing solutions</b>	<b>27,553</b>	<b>1.6</b>	<b>60,254</b>	<b>2.7</b>	<b>87,046</b>	<b>3.6</b>
<b>Others</b>	<b>–</b>	<b>–</b>	<b>23,755</b>	<b>1.1</b>	<b>66,502</b>	<b>2.7</b>
<b>Total</b>	<b><u>1,758,673</u></b>	<b><u>100.0</u></b>	<b><u>2,204,303</u></b>	<b><u>100.0</u></b>	<b><u>2,434,308</u></b>	<b><u>100.0</u></b>

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The table below sets forth a breakdown of our gross profit and gross profit margin by distribution channel for the years indicated.

	For the year ended December 31,					
	2021		2022		2023	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
<b>Online retail</b>						
<b>pharmacy services</b>	<b>155,000</b>	<b>15.3</b>	<b>206,693</b>	<b>16.5</b>	<b>263,191</b>	<b>20.3</b>
– Jianke Platform	146,790	15.5	194,634	16.6	247,767	21.8
– Third-party e-commerce platforms	7,362	11.5	10,958	13.7	14,324	9.2
– Offline pharmacies	848	34.2	1,101	35.4	1,100	34.1
<b>Comprehensive medical services</b>	<b>40,543</b>	<b>5.6</b>	<b>122,078</b>	<b>14.1</b>	<b>149,738</b>	<b>15.2</b>
– Jianke Platform	40,250	5.7	121,868	14.2	149,168	15.3
– Offline hospitals	293	3.6	210	2.3	570	5.4
<b>Customized content and marketing solutions</b>	<b>24,105</b>	<b>87.5</b>	<b>51,483</b>	<b>85.4</b>	<b>72,277</b>	<b>83.0</b>
<b>Others</b>	<b>–</b>	<b>–</b>	<b>330</b>	<b>1.4</b>	<b>2,201</b>	<b>3.3</b>
<b>Total</b>	<b>219,648</b>	<b>12.5</b>	<b>380,584</b>	<b>17.3</b>	<b>487,407</b>	<b>20.3</b>

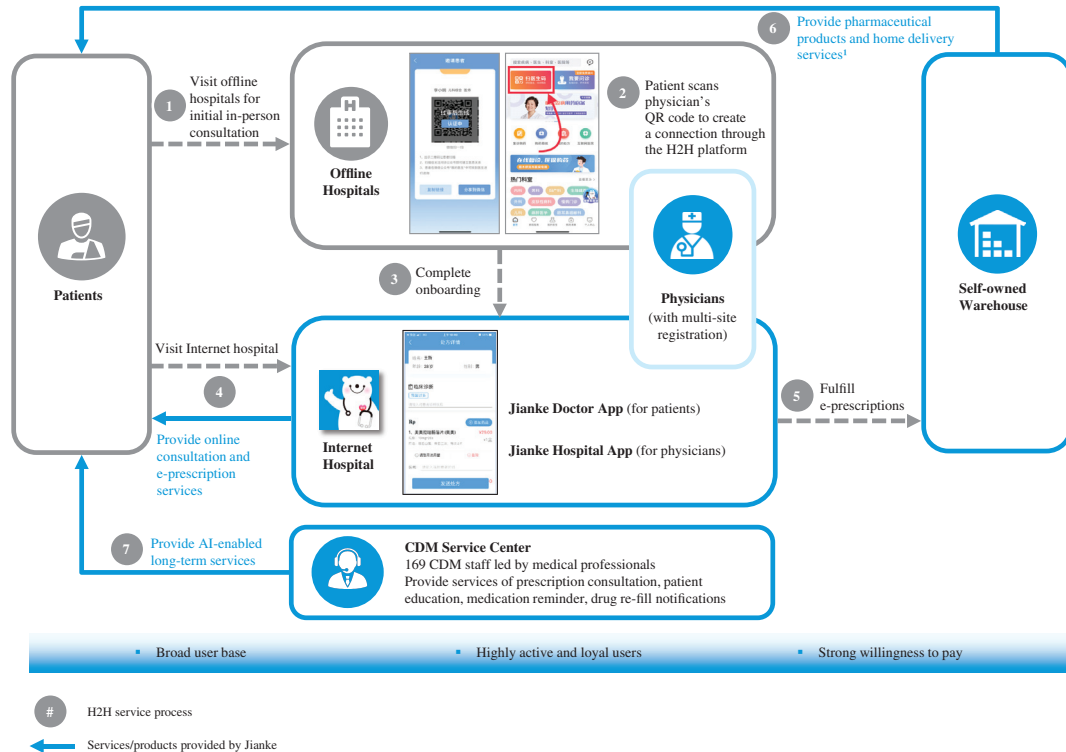
### Comprehensive Medical Services

Since our inception, we have focused on providing online chronic disease management services, which cover a variety of chronic diseases, such as cardiovascular and respiratory chronic diseases. We believe there is a substantial need for healthcare services from patients with chronic diseases, who typically require routine medical consultations and prescription refills in order to monitor and control their disease condition. Due to the uneven distribution of medical resources in China, these patients may need to spend substantial time on a regular basis commuting to crowded hospitals and queuing for follow-up consultations and prescription refills. To address these needs, we offer a range of medical services with our H2H service platform, a hospital-to-home telemedicine service platform.

## BUSINESS

### H2H Services

Our H2H services primarily include online medical consultation services, e-prescription and prescription refill services which are supported by our chronic disease management service center powered by our AI technology. See “—Our Chronic Disease Management (CDM) Service Center” and “—AI Technology” for details. The following diagram illustrates the service process of our H2H services.



#### Note:

- (1) Delivery services are provided by qualified third-party logistics and courier companies.

Our H2H services are primarily provided through our proprietary mobile applications. The following screenshots illustrate the interface of Jianke Doctor App (健客醫生), our mobile application for patients, and Jianke Hospital App (健客醫院), our mobile application for physicians. Our H2H services are also accessible through our desktop application and WeChat official account and mini program.





Interface of Jianke Doctor App



Interface of Jianke Hospital App

Our platform includes a physician profile catalog where patients can browse the backgrounds of our registered physicians. Each physician has a profile page that displays the physician's key experience, areas of expertise, user feedback, consultation fee and available consultation time slots. The following screenshots illustrate the physician profile catalog on our Jianke Doctor App.



Patient's interface



Patient can browse physicians' backgrounds

During the consultation session, a physician may advise his or her patient to conduct an examination or diagnostic test at a hospital or, if necessary, visit the physician in person. However, since chronic disease patients typically require periodic prescription drug refills and follow-up medical consultations to treat their condition, patients and physicians will continue to rely on our platform for ongoing communication and chronic disease management. As physicians refer new patients to our platform, and existing patients build engagement with their doctors through our platform, we anticipate that our user base and user retention will continue to grow.

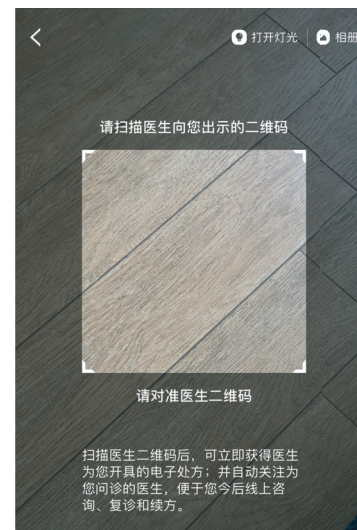
Our H2H service platform provides a unique QR code for each registered physician. A patient can scan a physician’s QR code with his or her mobile phone using WeChat or our Jianke Doctor App in order to “connect” with the physician on our platform. Once connected, the patient is able to make appointments for follow-up consultations or request prescription refills. The following screenshots illustrate how a patient and a physician can connect using the Jianke Doctor and Jianke Hospital mobile applications.



Physician’s QR code



Patient’s interface



Patient scanning the QR code

Online Consultation and E-prescription Services

Our online consultation services encompass consultations on a wide range of conditions and cases, with a primary focus on common and chronic illnesses, such as cardiovascular diseases and respiratory diseases. Our registered physicians have expertise in a range of specialties, allowing patients to seek consultations according to their individual needs. In contrast to a number of other telemedicine platforms focusing on completely virtual consultations, our online consultation services are anchored on existing offline physician-patient relationships. Although first-time patients may utilize our platform for their initial consultations, our online consultation services typically arise after in-person consultations with our registered physicians at the hospitals where they work. During the consultation session, the patient can communicate with the physician through texts, pictures and audio messages. Although patients are generally encouraged to follow through with the same physicians due to the long-term and recurring nature of chronic diseases, they may switch to other physicians or establish patient-physician relationships with different physicians, for instance where they have different chronic conditions that require different expertise.

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Our Jianke Platform empowers physicians to use their free time to provide online consultations for their patients, significantly improving their productivity. The agreements that we entered into with registered physicians during the Track Record Period did not contain any exclusive/non-competition terms. We also do not impose fixed working hours or mandatory minimum active hours on registered physicians. As such, registered physicians have the flexibility to decide the amount of time they would allocate to their other commitments such as their offline hospital work, and the proportion of their free time that they would use to provide online consultation services through our platform.

In addition, our platform helps registered physicians to effectively manage their time and handle the high patient volumes at offline hospitals. This in turn, encourages them to on-board new patients to our platform. During the Track Record Period, to the best knowledge of the Directors, the registered physicians on our platform did not encounter any capacity issues in allocating their time between offline hospital work and online consultations through our platform. We remain committed to enhancing our platform with new features that improve the user experience for registered physicians and increase their overall patient management efficiency.

Our H2H service platform is anchored on existing patient-physician relationships, and enables physicians to easily conduct online follow-up consultations with their cohort of chronic disease patients, while providing patients with added convenience. This approach is particularly effective for chronic disease management since such consultations are typically not time-sensitive, and physicians can use their free time to serve these patients. We believe that by providing physicians with additional functionality which increases their efficiency, they will be motivated to use our platform more frequently and encourage their existing offline long-term chronic disease patients to use our Jianke Platform. Moreover, we provide compensation to registered physicians to encourage activity on our platform and ensure that patient needs are met. Our compensation structure is designed to reward registered physicians who conduct online consultation and remain active on our H2H service platform based on various activity metrics, which further incentivizes them to continue introducing new patients to our platform.

Based on the patient's inputs during consultation sessions, the physician can prescribe medication in addition to providing medical advice. If the physician wishes to prescribe medication to the patient, our Jianke Hospital App provides an easy-to-use interface for creating e-prescriptions, which are issued through our platform and sent directly to the patient. The patient can place an order directly through our platform, and the e-prescription is also recorded in the patient's account for future reference. Even if patients do not complete an order through our platform, they are still able to access their e-prescriptions. We do not have internal policies that limit patients using our comprehensive medical services or e-prescription services to purchasing the prescribed drugs from our platform. As advised by our PRC Legal Advisor, there are currently no existing rules or regulations in the PRC that require private medical institutions (including internet hospitals) to separate prescription and dispensation of drugs.

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To the best knowledge of our management and as advised by our PRC Legal Advisor, as of the Latest Practicable Date, there were no laws, rules or regulations in China that explicitly stipulate whether and how the compensations that an online chronic disease management platform pays to registered physicians should be shared with hospitals or medical institutions where the physicians are employed. In addition, there are no provisions in our agreements with registered physicians that require service fees received by physicians to be shared with the medical institutions they are employed in. On the basis of the foregoing, we believe there was no revenue sharing mechanism during the Track Record Period between the registered physicians and the hospitals or medical institutions where they were employed in. In line with industry practice, there was also no revenue sharing mechanism between the Company and such hospitals or medical institutions. Given that the overall demand for healthcare in China exceeds the capacity of offline hospitals, the diversion of patients online for routine consultations and prescription medications is not expected to have a material impact on the business of offline hospitals.

If a patient needs drug refills, our Jianke Doctor App also provides a refill function that allows a patient to have quick access to consult with the physician to obtain an e-prescription for the refill. We typically verify the identity of patients using the real-name authentication services provided by Independent Third Parties.

After a patient makes an order through our platform, the order is fulfilled through our central warehouse. For the year ended December 31, 2023, our robust pharmaceutical supply chain has enabled us to fulfill a monthly average of more than 16,000 prescription and OTC drug SKUs with active sales. We engage qualified third-party couriers for home delivery.

### Monetization of H2H Services

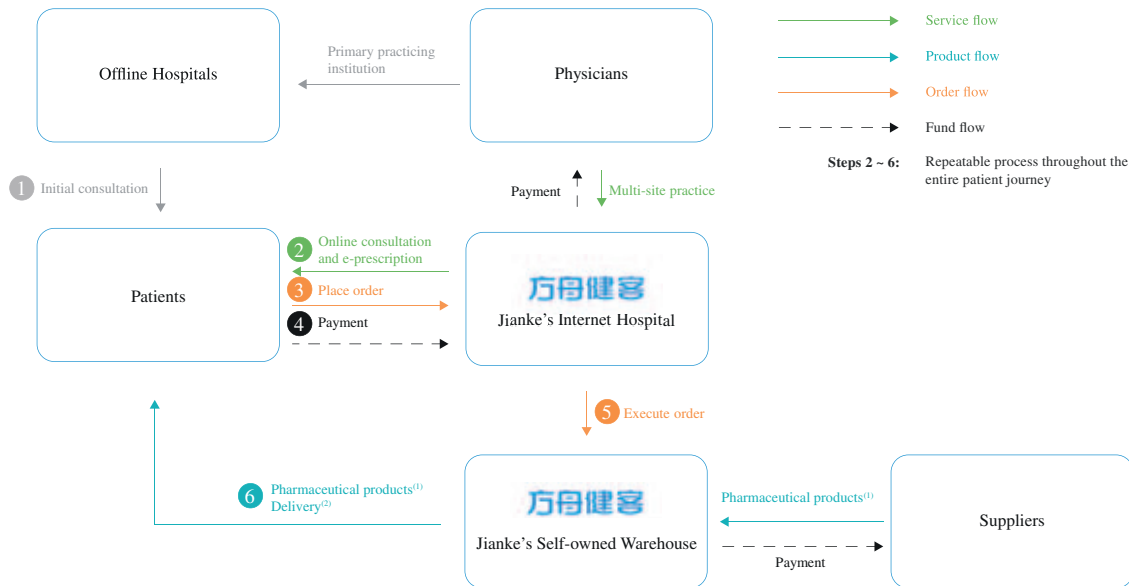
We provide a package of services to patients on our H2H platform, including online consultation, e-prescription and sales of pharmaceutical and other products, and charge them a service fee based on the services used. This service fee is comprised of online consultation fees, e-prescription service fees, and sales of pharmaceutical and other products. We do not participate in initial offline consultations between physicians and patients, and therefore do not charge patients for such service. Patients that use our online consultation service are typically charged an online consultation fee as set by the relevant registered physician. In certain instances, registered physicians may also provide online consultations free of charge. During the Track Record Period, we paid the online consultation fees from patients to the relevant registered physician in full, and these fees were recorded as revenue and in our cost of sales. If patients purchase prescription drugs through our H2H platform, we charge for the sale of pharmaceutical products along with an e-prescription service fee, which are sold as a package and recorded as part of our H2H service revenue. Apart from the aforementioned charges, there are no other fees payable by patients or registered physicians for the use of our H2H platform. As such, a significant portion of revenue that we generate from comprehensive medical services is tied to the sale of pharmaceutical products. As the sale of pharmaceutical products through our H2H platform is rooted in physician-patient relationships and our provision of comprehensive medical services, such sales are differentiated from pharmaceutical sales under our online retail pharmacy services.

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We and our registered physicians enter into service agreements, pursuant to which our registered physicians provide users with online consultation and e-prescription services subject to relevant rules and regulations. Registered physicians have discretion to set their own consultation fees, which are subject to a cap of RMB1,000 per consultation, and typically range from RMB10 to RMB50 per consultation. A physician's fee may be determined based on a variety of factors, including but not limited to the specific physician's level of expertise, experience and reputation. Some registered physicians may choose to offer their consultation services free of charge in order to attract more patients and build their reputation. The price for each consultation is explicitly displayed under the profile of each registered physician on our platform. Users are required to make payment directly on our platform prior to each consultation session. Registered physicians do not receive additional fees for issuing e-prescriptions for patients during each online consultation or for any pharmaceutical sales. Patients who receive an e-prescription after their consultation may place an order directly through our Jianke Doctor App.

We compensate registered physicians for online consultation and other services they provide through our platforms. For online consultation services provided, they are compensated based on the consultation services provided to the patients. We also compensate them based on their activity level and other services they provide. The amount of such compensation is determined based on a number of factors, including, among others, the number of hours spent conducting online consultations on our platform and their participation and contribution to our academic community and patient community services. We typically calculate the compensation payable to registered physicians on a monthly basis and registered physicians are entitled to request cash payments through their accounts on the Jianke Hospital App.

The following flowchart illustrates the services and fund flows between the key stakeholders involved in our comprehensive medical services.



*Notes:*

- (1) Pharmaceutical products include prescription drugs and other pharmaceutical products.
- (2) Delivery services are provided by qualified third-party logistics and courier companies.

### Our Responsibilities

Our responsibilities under the H2H services are summarized below:

- *Registration and verification.* We register accounts for both patient and physician users. We verify the physician's identity and qualification before registering the physician on our H2H service platform. We typically ask the physician to provide an electronic copy of his or her national identity card, practicing physician qualification certificate (醫師資格證書), practicing physician's license (醫師執業證書) and physician's title certificate (醫師職稱證書). Our employees check the information submitted by the physician against the registration information on the NHC's website. If necessary, our employees will reach out to relevant hospitals to confirm the physician's information. After we have reviewed and verified the physician's identity and qualification, we will register the physician on our platform and activate his or her account. In addition, registered physicians on our platform are required to maintain valid practicing certificates and complete valid multi-site practice registration with local physicians' authorities, which will allow them to practice at the multiple sites registered on their licenses, including our platform. We also reserve the right to modify the relevant terms regarding physicians' scope of services, pricing and how services are performed. As of the Latest Practicable Date, to the best of our knowledge, all of the registered physicians who are allowed to provide online consultation and e-prescription services on our platform have valid practicing certificates and have completed multi-site registrations with the relevant authorities. We review the validity of their practicing certificates and practice registrations at least annually. Registered physicians who fail to maintain valid certification or registration will not be allowed to provide online consultation and e-prescription services on our platform.
- *User account administration and protection.* We administer users' accounts on our platforms. We are committed to protecting information and privacy of our users. We have implemented data security policies and developed procedures such as regular system checks, user authorization review and data back-up to safeguard the information stored on our platforms.
- *E-prescription and refills.* After the patient receives the prescription, the patient can place an order through an online pharmacy on the Jianke Doctor App. The e-prescription is recorded in the patient's account for future reference. If a patient needs drug refills, the Jianke Doctor App provides a refill function, giving the patient quick access to consult with the physician and obtain an e-prescription for the refill.
- *Record keeping.* We keep a record for each patient's medical consultation history and prescription history. The patient can access his or her records on the Jianke Doctor App and send the record to the physicians registered on our platform. We also keep a record for each physician's medical consultation history and prescription history. The physician can log on to the Jianke Hospital App to check his or her past consultation sessions and prescriptions.
- *System maintenance and upgrades.* We maintain and upgrade our Jianke Platform from time to time to ensure smooth online operation, optimize our platform functionalities and improve user experience.

### ***Our Offline Hospitals***

As a complement to our online services, we also provide medical services offline at Jingtai Hospital and Qishi Hospital. Jingtai Hospital is located in Baiyun District, Guangzhou, Guangdong Province. It operates 10 specialty departments and has outpatient capabilities. As of December 31, 2023, Jingtai Hospital had 22 full-time employees, including four qualified physicians. Qishi Hospital, which is also located in Guangzhou, had minimal offline operations during the Track Record Period. As of December 31, 2023, Qishi Hospital had 22 full-time employees, including eight qualified physicians. Our offline hospitals generate revenue mainly from provision of medical services, such as consultation, health check-up, treatment and prescription services. For each year during the Track Record Period, revenue generated from the provision of offline medical services at our offline hospitals represented less than 1.0% of our total revenue, which was insignificant to our overall business. Our offline hospitals generated a modest amount of gross profit for each year comprising the Track Record Period, which had an immaterial impact on our overall financial performance. Given that we intend to focus on our online businesses going forward, our offline hospitals will not constitute a major part of our overall development plans or future business strategy. As such, we expect to maintain minimal operations at our offline hospitals primarily to supplement our online business. These operations include providing facilities for offline medical care and onsite medical practice training activities for our in-house medical professionals. By maintaining such operations at our offline hospitals, we are able to gain valuable insights into the dynamics of patients and physicians in offline settings, which in turn enables us to better understand the needs of our registered physicians.

### **Online Retail Pharmacy Services**

We recognize that chronic disease patients in China often face significant challenges and inconvenience in obtaining prescription drugs. In order to address these pain points, we operate an online retail pharmacy service platform, providing customers with a wide range of pharmaceutical products, with special focus on prescription drugs to serve the needs of chronic disease patients. In addition, our platform offers home-use medical devices and accessories, healthcare and nutritional supplements and other wellness products. We provide convenient home delivery for our customers by engaging qualified third-party logistics and courier companies, such as SF Express, YTO Express, ZTO Express and China Postal Express and Logistics, among others. Our online retail pharmacy services can be accessed round the clock through our mobile application, Jianke Online Pharmacy App (健客網上藥店), as well as our WeChat mini program and our website Jianke.com. Our user account details are synced across our Jianke Platform, and re-registration is not required when users login to our various applications or portals. We also provide our products through established third-party e-commerce platforms, such as JD.com, Pinduoduo, Meituan and Ping An Good Doctor, among others. We typically run self-operated stores on these e-commerce platforms in order to broaden our market reach and enhance our brand awareness. Users can make payment at the time they place the order using Alipay or WeChat Pay.

The following screenshots illustrate the interfaces of Jianke Online Pharmacy App, our WeChat mini program and our website.



The mobile application interface



The mini program interface



The website interface

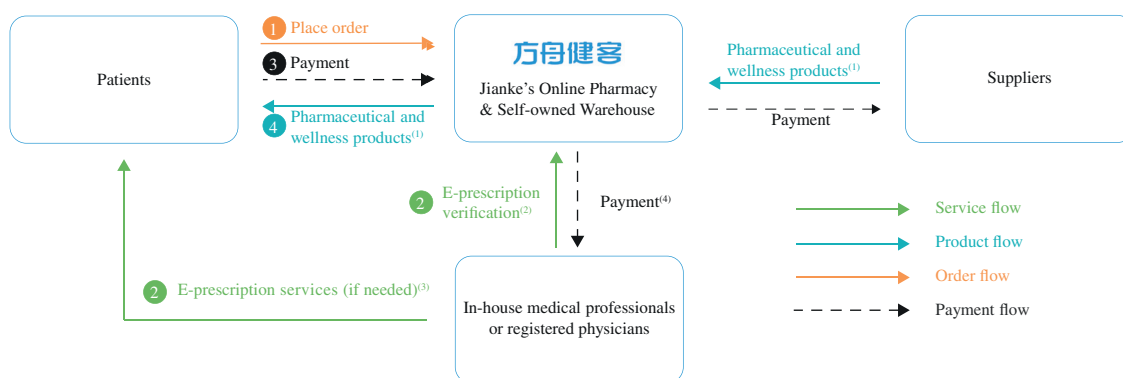


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If an order placed by a patient includes a prescription drug, we will require patients to upload a valid prescription for the relevant drug. Where the patient uploads a previously issued prescription, our in-house medical professionals are responsible for reviewing and verifying the prescription before approving the order. If the patient does not have a readily available prescription, the patient will be prompted to enter into a consultation session with our in-house medical professionals or registered physicians in order to obtain a proper prescription. To facilitate such purchase, we provide e-prescription assistance services as part of our online retail pharmacy services. The e-prescription assistance service is typically offered in conjunction with the sales of prescription drugs, and this package is recorded as part of our online retail pharmacy services revenue. This service is primarily provided by our in-house medical professionals and, to a lesser extent, the external physicians registered with us. In many instances, our medical professionals call patients to confirm their health conditions and symptoms before issuing e-prescriptions. Other than the abovementioned fees, we and the registered physicians do not charge patients any additional fees for our online retail pharmacy services.

Revenue generated from our online retail pharmacy services consists primarily of sales of various pharmaceutical and healthcare products on our platform. In 2021, 2022 and 2023, we recognized revenue from our online retail pharmacy services of RMB1,011.4 million, RMB1,252.1 million and RMB1,297.1 million, respectively. See “—Pricing” for details of the pricing policy of our online retail pharmacy services.

The following flowchart illustrates the services and fund flows between the key stakeholders involved in our online retail pharmacy services.



*Notes:*

- (1) Include prescription and OTC drugs, medical devices, healthcare and nutritional supplements and other wellness products.
- (2) For the situation where a patient places an order for prescription drugs and uploads a previously issued prescription.
- (3) E-prescription service is provided by physicians for patients who place an order for prescription drugs but do not have an existing prescription for the relevant prescription drugs.
- (4) We do not pay our in-house medical professionals separately for e-prescription services. We compensate our registered physicians for their activity on our platform.

### *Our Products*

Our products sold on the online retail pharmacy service platform primarily include the following:

- *Prescription drugs.* We provide a variety of prescription drugs that cover a range of medical specialties, including, but not limited to, cardiovascular diseases, respiratory diseases, men's and women's health, dermatology, infectious diseases and psychiatry. We typically ask users to upload their prescriptions when placing an order. Our in-house medical professionals will review the prescription and approve the transaction upon verifying the authenticity of the prescription. We also provide e-prescription assistance services for users without a prescription. See “—Our Online Chronic Disease Management Platform—Comprehensive Medical Services—H2H Services—Online Consultation and E-prescription Services” for details.
- *OTC drugs.* We also provide a wide spectrum of OTC drugs. Users can place an order either through Jianke Online Pharmacy App or Jianke.com. The OTC drugs we provide cover a variety of disease areas, primarily including cold and fever, oral diseases, ear, nose and throat diseases, gastroenteritis and dermatosis.
- *Medical devices and accessories.* We provide a variety of home-use medical devices and accessories, including blood pressure monitors, blood glucose monitors, atomizer and oxygen inhalers, nasal wash systems. We also offer various home-use medical care accessories, such as cotton swabs, bandages and thermometer.
- *Healthcare and nutritional supplements.* We provide a broad spectrum of healthcare and nutritional supplements satisfying the needs of all age group, including vitamins, minerals, herbal supplement products, sports nutrition products, diet products, sleeping aids supplements, eyesight protection products, pregnancy and maternity products and blood sugar support supplements.
- *Other products.* In addition to the above, we also provide other products, such as reproductive health products and beauty products.

During the Track Record Period, we maintained a stable number of SKUs for our drug offerings. As of December 31, 2023, we had offered over 212,000 drug SKUs, of which approximately 61.6% were prescription drugs and approximately 38.4% were OTC drugs. For the year ended December 31, 2023, we offered a monthly average of more than 16,000 SKUs of prescription and OTC drugs with active sales on our online retail pharmacy service platform. Given the spectrum of products offered on our platform, the average unit price of products offered typically ranges from less than RMB100 to approximately RMB5,000. We do not rely on a single or a few products to generate revenue, and no single SKU accounted for more than 5% of the total GMV during the Track Record Period.

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The table below sets forth the breakdown of revenue by product type for the years indicated. The service package, which is offered together with the different product types, includes online consultation and e-prescription services provided through our H2H service platform and our online retail pharmacy service platform.

	For the year ended December 31,					
	2021		2022		2023	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Prescription drugs and service package	1,560,799	90.2	1,878,425	87.6	1,969,563	83.9
OTC drugs and service package	106,262	6.1	160,383	7.5	242,934	10.3
Other healthcare products and service package	64,059	3.7	105,241	4.9	134,765	5.7
<b>Total</b>	<b><u>1,731,120</u></b>	<b><u>100.0</u></b>	<b><u>2,144,049</u></b>	<b><u>100.0</u></b>	<b><u>2,347,262</u></b>	<b><u>100.0</u></b>

The table below sets forth the breakdown of gross profit and gross profit margin by product type for the years indicated. The service package, which is offered together with the different product types, includes online consultation and e-prescription services provided through our H2H service platform and our online retail pharmacy service platform.

	For the year ended December 31,					
	2021		2022		2023	
	<b>Gross Profit</b>	<b>Gross Profit Margin</b>	<b>Gross Profit</b>	<b>Gross Profit Margin</b>	<b>Gross Profit</b>	<b>Gross Profit Margin</b>
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Prescription drugs and service package	169,915	10.9	272,030	14.5	300,794	15.3
OTC drugs and service package <sup>(1)</sup>	4,445	4.2	10,609	6.6	52,475	21.6
Other healthcare products and service package	21,183	33.1	46,462	44.1	61,861	45.9
<b>Total</b>	<b><u>195,543</u></b>	<b><u>11.3</u></b>	<b><u>329,101</u></b>	<b><u>15.3</u></b>	<b><u>415,130</u></b>	<b><u>17.7</u></b>

Note:

- (1) Gross profit margins of our OTC drugs and service package were lower than those for our prescription drugs and service package in 2021 and 2022, primarily due to our relatively smaller scale in sourcing of OTC drugs. The increase in the gross profit margin of our OTC drugs and service package in 2022 and 2023 primarily reflected a shift in product mix, as we increased the proportion of certain higher margin OTC drugs within our portfolio.

### *Our Responsibilities*

Our responsibilities under the online retail pharmacy services are summarized below:

- *Drug procurement.* We procure drugs and pharmaceutical products from pharmaceutical companies and display the drugs or pharmaceutical products on our Jianke Platform.
- *Consultations and customer services.* We respond to users' inquiries on our online retail pharmacy service platforms and verify the prescription uploaded by patients.
- *Sales and delivery.* We sell drugs and pharmaceutical products on our Jianke Platform. We collaborate with third-party couriers to deliver the products to customers in the PRC. The cost of delivery is charged separately from the product price, and is based on the delivery method, destination and product weight, among other things.
- *Product return and exchange.* We handle return and exchange of products with quality defects within seven days from the date on which the customer receives the products. For details, see “—Sales and Marketing—Customer Service.”
- *User's account administration and protection.* We administer user's accounts on our platforms. We are committed to protecting information and privacy of our users, patients and physicians. We have implemented data security policy and developed procedures such as regular system checks, user authorization review and data back-up to safeguard the information stored on our platforms.
- *System maintenance and upgrades.* We maintain and upgrade our Jianke Platform from time to time to improve user experience.

### *Offline Pharmacies*

We operated three, four and two offline pharmacies as of December 31, 2021, 2022 and 2023, respectively. As of December 31, 2023, the two offline pharmacies we operated were located in Guangzhou and Beijing respectively, and had an aggregate of eight full-time employees, including four pharmacists. These offline pharmacies generate revenue primarily from sales of pharmaceutical products, medical devices and other healthcare products. Revenue generated from our offline pharmacies accounted for less than 1.0% of our total revenue for each year during the Track Record Period, which was immaterial to our overall business. Given that we intend to focus on our online businesses going forward, we expect the revenue generated from our offline pharmacies to continue to be minimal in the future.

### **Customized Content and Marketing Solutions**

Due to China’s evolving healthcare regulatory landscape, it has become increasingly challenging for pharmaceutical companies to reach doctors through sales representatives and other traditional channels. Meanwhile, China’s large scale Internet traffic platforms are reaching maturity, making it increasingly difficult and expensive to target niche audiences. Our ecosystem for chronic disease management, including our comprehensive medical services and online retail pharmacy services, allows us to provide pharmaceutical companies with customized content and marketing solutions that reach a large, highly engaged audience of physicians and chronic disease patients.

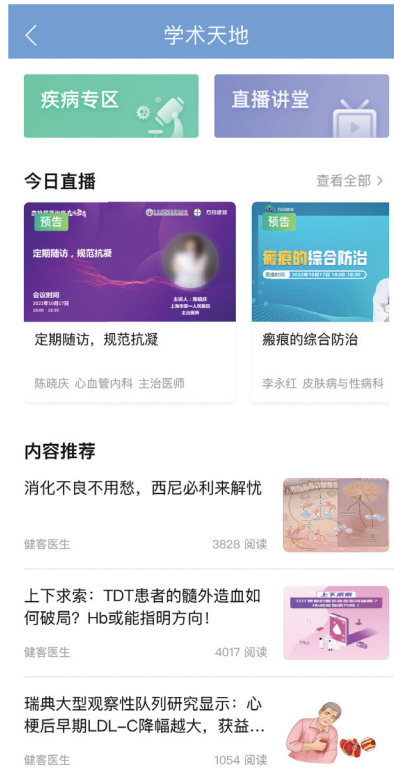
Our customized content and marketing solutions help pharmaceutical companies to expand their digital marketing efforts. Our services include (i) patient education services, which help pharmaceutical companies formulate patient education initiatives to improve medication adherence, (ii) creation of targeted medical content for patients, and (iii) digital detailing services, which include facilitation of online academic exchange between physicians. These services may encompass search engine optimization, search engine marketing, dissemination of articles and short videos on popular science and medical content, production of live stream segments featuring science and medical content, online conferences, and other multimedia presentations. In addition to publishing content on our Jianke Platform, these services may also involve leveraging third-party platforms such as Douyin (抖音), Kuai Shou (快手), Weibo (微博), Xiaohongshu (小紅書) and Zhihu (知乎). We generate revenue from pharmaceutical companies by charging them service fees on a project basis.

For customized content and marketing services, we have established a content governance framework to strictly review the content posted on our Jianke Platform and strengthen the management of information posted by users. Medical news, articles and short videos on our Jianke Platform, as well as chat content during live streaming, are subject to content review before being posted. Pursuant to the PRC Cybersecurity Law, if we identify any information that is prohibited by laws and administrative regulations from release or transmission, we will refuse the publication of such information or immediately stop transmission and take measures such as deletion to prevent dissemination of such information, and keep relevant records.

### ***Academic Community Services***

Through our academic community services, we provide physician education content, disseminating knowledge about chronic disease conditions and potential treatment options. This includes publication of medical news articles and short videos on our Jianke Platform, hosting of online medical conferences, and live stream video sessions with specialist physicians.

In particular, within the Jianke Hospital App, we launched our “Academic World (學術天地)” module which enables physicians to follow topics and content related to their specialty areas, including recorded and live stream lectures by leading physicians. The following screenshot illustrates the interface of the “Academic World” function.



Our academic community services are provided in collaboration with pharmaceutical companies, which, pursuant to the relevant agreements, either provide us with educational content or commission us to create content in the form of articles, short videos or live stream lectures. The content primarily includes various medical-related topics, including introductions to pharmaceutical products, along with instructions and risk indications. Our users have complimentary access to the content published on our platforms, and we charge service fees to pharmaceutical companies on a case-by-case basis.

### ***Patient Community Services***

Our patient community services (醫聊) can be accessed through the Jianke Doctor App, allowing patients to follow content from a specific physician or disease area. The educational content complements our service offerings and helps us build our brand image and improve user retention. Our patient community services are also provided in collaboration with pharmaceutical companies, which either provide us with educational content or commission us to create content in the form of articles, short videos or live stream lectures.

We launched the “Lectures from Renowned Physicians (名醫小課堂)” module in May 2021. We collaborate with renowned physicians registered on our platform to produce short video clips of lectures in selected disease areas, such as liver health, cardiovascular health, men’s health, and psychiatry, which are of relevance and interest to patients on our platform. We also launched a live stream function, “Advice from Renowned Physicians (健客名醫說)”,

through which we collaborate with physicians to provide live stream lectures to our patients. The following screenshots illustrate the interface of the “Lectures from Renowned Physicians” and “Advice from Renowned Physicians” modules.



“Lectures from Renowned Physicians”



“Advice from Renowned Physicians”

Our academic community services and patient community services both utilize our live streaming platform. Our live streaming sessions are usually provided in the form of a lecture followed by a Q&A session. Each live session typically lasts 30 to 60 minutes. During the Track Record Period, we provided more than 15,000 live streaming sessions through our academic community and patient community services.

**Other Customized Content and Marketing Solutions**

Our additional customized content and marketing solutions include search engine optimization, provision of medical surveys, and distributor data integration services. We enter into agreements with pharmaceutical companies and charge them a service fee on a case-by-case basis.

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For search engine optimization services, we provide pharmaceutical companies with a number of solutions to improve their presentation in search results on third-party search engine platforms. We also help pharmaceutical companies conduct surveys among patients to gather market feedback on their pharmaceutical products and share anonymized and aggregated data so that they can better understand patients' needs. In addition, we provide distributor data integration (DDI) services to pharmaceutical companies. Our DDI system captures data related to sales and inventory of their products which can be automatically shared and transmitted from our system to the pharmaceutical companies, allowing them to track and monitor the sales performance of their products in real time.

### *Monetization of Customized Content and Marketing Solutions*

We generate revenue from pharmaceutical companies who are looking for a cost-effective way to reach patients and physicians. We do not charge patient users for patient community services or academic community services provided under customized content and marketing solutions. The services we provide for a specific project or engagement with a pharmaceutical company is tailored to the client's needs. A contract will typically include a package of services, which may include production and distribution of customized short videos, online lectures and courses and live-streaming lectures, as well as other customized content and marketing solutions.

We typically charge a lump sum fee for our services, which is calculated based on the estimated costs for providing such services, the quantity and complexity of the services, and an estimate of the time and staffing needed to complete such services. As such, the lump sum fee charged would depend on the nature and scope of services provided, and typically ranges from RMB50,000 to RMB3.0 million.

The following flowchart illustrates the services and fund flows between the key stakeholders involved in our provision of customized content and marketing solutions services.



*Note:*

- (1) Contents typically include patient feedback and market insights, physician and patient community services and education materials.



***Others***

Since 2022, we have engaged in the wholesale of pharmaceutical products to third-party distributors for the purpose of inventory management. Such sales enable the mitigation of inventory risk for certain items where actual sales may have deviated from original projections. Revenue generated from these transactions is immaterial. Our future participation in such transactions would depend on our future considerations and needs in inventory management. As such, revenue generated from such sales is classified as “Others” in our consolidated statements of profit or loss and other comprehensive income.

Our wholesale of pharmaceutical products are primarily made to distributors with whom we already have prior business relationships, including distributors that supply products to us, so as to mitigate counter-party risks. Products sold to, and products purchased from, such distributors are not the same. Such sales to distributors and purchases from the same distributors are not inter-related nor inter-contingent transactions, and the terms of each transaction are negotiated on an arm’s length basis.

**OUR CHRONIC DISEASE MANAGEMENT (CDM) SERVICE CENTER****Overview**

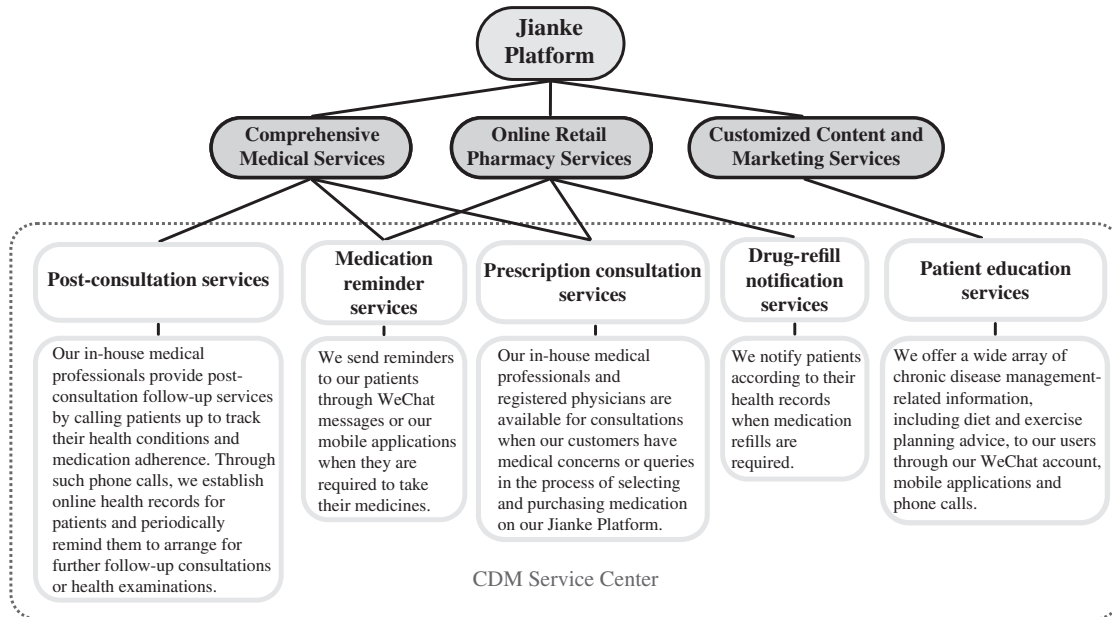
To support our comprehensive medical services and online retail pharmacy services, we established our chronic disease management (“CDM”) service center. Our CDM service center aims to improve patient experience on our Jianke Platform by providing professional medical advice and services to customers. Our CDM service center does not provide offline services.

Our CDM service center had a team of 169 staff members led by our in-house medical professionals as of December 31, 2023, out of which 33 of them were our in-house medical professionals. The medical expertise of these medical professionals enables us to offer more professional solutions to patients, including prescription consultation, patient education, medication reminder and drug refill notifications. The remaining staff members comprised of mainly sales and marketing personnel and general and administrative personnel. Our CDM service center provides patients with easy access to illustrations and reminders on proper use of medicines and potential side effects in association with such medicines, which alleviates physicians’ workload to respond to patients’ routine inquiries.

We believe that pharmaceutical companies seek to collaborate with us to provide chronic disease management services because our CDM service center enables them to develop a long-term and stable patient user base by ensuring patient compliance with the treatment regimen, raising patient awareness and to further improve their products and customer service.

### **Our Responsibilities**

Our CDM service center is designed to support and complement our H2H and online retail pharmacy services by providing ancillary services that are tailored to the needs of patients with chronic conditions. It aims to facilitate patient adherence to medication and treatment plans, thereby improving the overall effectiveness of chronic disease management. The following diagram illustrates the key services provided through our CDM service center.



### **Collaboration with Pharmaceutical Companies**

We collaborate with pharmaceutical companies on CDM services, such as providing medication guidance or gathering patient feedback by phone, WeChat or text messages through our platform, or other means. We also inform patients about potential medication side effects, and help answer questions they may have regarding their medication.

### **MEDICAL PROFESSIONAL NETWORK**

We have established a medical professional network consisting of our in-house medical professionals, as well as physicians registered on our platforms.

### **Our In-House Medical Professionals**

As of December 31, 2023, we had 55 in-house medical professionals, 33 of whom were part of team of staff members that was operating our CDM service center. Our in-house medical professionals comprise the following three categories:

- *Medical assistants.* Our medical assistants are the first points of contact for our patients. They have relevant medical background or experiences and typically handle routine communications with patients on general medical issues and provide guidance and responses to basic medical inquiries, which are aimed at improving the adherence of patients.
- *Professional medical and pharmacy personnel.* Our professional medical and pharmacy personnel are physicians and pharmacists with practice qualifications. They provide systematic treatment advice and medication guidance to our patients based on guidelines issued by WHO for the care and treatment of persons diagnosed with various chronic diseases.
- *Special medical expert consultants.* Our special medical expert consultants are chief doctors or higher level physicians with more than 15 years of medical practice experiences. They are typically leading experts in their practice medical area and provide consultations and guidance in complex medical cases. They also provide training lectures to our in-house medical professionals.

We have adopted stringent hiring procedures for our in-house medical professionals, which involve multiple rounds of interviews and probation evaluations. Our in-house medical professionals are recruited through recruiting websites, recruiters and referrals. We generally select candidates with a strong medical background and adequate relevant experiences. We require our senior level in-house medical professionals to maintain a relevant professional certification. While our in-house medical professionals are mainly engaged in providing general medical guidance and e-prescription services, nine of them had also provided online consultation services on our H2H service platform as of December 31, 2023.

### **Registered Physicians**

We provide most of our comprehensive medical services through physicians registered on the Jianke Hospital App. As of December 31, 2023, our H2H service platform had more than 212,000 registered physicians from over 15,600 medical institutions, and approximately 58.8% of our registered physicians were working for Class III hospitals. For details on our physician qualifications, see “—Our Quality Control System—Physician Qualification.”

To register on the Jianke Hospital App, a physician is required to submit his or her personal identity information for our review. We typically require the physician to provide his or her (i) national identity card; (ii) valid practicing licenses; and (iii) staff ID, if applicable, from the hospitals where they have been working at. We register the physicians who (i) have

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over three years of independent clinical experience as a practicing physician; and (ii) satisfy the requirements to provide online medical services under the Measures for the Administration of Internet Hospitals (Trial) (《互聯網醫院管理辦法(試行)》) and the Measures for the Administration of Internet Diagnosis and Treatment (Trial) (《互聯網診療管理辦法(試行)》).

In particular, the Measures for the Administration of Internet Diagnosis and Treatment (Trial) require physicians to obtain the consent of the medical institution where they are registered to practice to carry out Internet diagnosis and treatment activities. For details, see “Regulatory Overview—Regulations on Healthcare Services—Internet Hospitals.” If any of our registered physicians fail to obtain the requisite consent, their employed medical institution may not allow them to provide services through our platform. As advised by our PRC Legal Advisor, as of the Latest Practicable Date, there were no laws and regulations that require Internet hospitals to obtain such consent from the registered place of practice of physicians, and there are also no regulations which expressly stipulate that Internet hospitals will be found liable or penalized for any failure in obtaining the consent from the registered place of practice of physicians; therefore, the likelihood that we will be exposed to liability or claims from medical institutions seeking compensation for a registered physician’s failure to obtain the requisite consent is remote. As of the Latest Practicable Date, all of the registered physicians on our Jianke Platform have obtained the aforesaid consent required.

Since the launch of our H2H service platform, we have made extensive efforts to increase the physician base on our platform. We attract physicians primarily through the following approaches:

- *Business development efforts.* Our employees visit hospitals to introduce our platforms to practicing physicians and invite them to join us. In order to source more qualified physicians, we will broaden the types of hospitals we approach, from major public hospitals to smaller, private or speciality hospitals. We will also expand the geographic coverage of our business development efforts, to deepen our penetration of lower-tier cities. As our platform develops, we will broaden our service coverage for additional disease specialties and indications with substantial patient needs, which will enable us to attract physicians with different specialization and professional experience.
- *Incentivization.* We established compensation policies to encourage registered physicians to be active and participate on our platforms. This compensation is based on various criteria, such as the amount of active time spent on our platforms, the number of patients served in a given period, and their contribution to our live streaming and academic community and patient community services, among other performance indicators.

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- *Collaboration with pharmaceutical companies.* We maintain ongoing collaboration with both multinational and domestic pharmaceutical companies. This allows us to offer a wide range of pharmaceutical products compared to the limited drug offerings by hospitals, which allow doctors to better address the medical needs of patients for various chronic disease drugs.
- *Continuous development of our platforms.* We have been continuously improving our product and service offerings. Our comprehensive product offering enables physicians to prescribe drugs to satisfy patients' full range of needs. Our academic community services provide physicians a platform to share their expertise and experiences, improving their reputation. We believe the quality services we provide will continuously attract physicians to our platforms.
- *Word-of-mouth effect among physicians.* Since we launched our H2H services, an increasing number of physicians have registered on our H2H service platform and provided medical services to a wider patient base. We believe our platform enables physicians to improve time efficiency and provide ongoing monitor and treatment for more patients. We have also provided physicians with a comprehensive portfolio of pharmaceutical products which enable them to prescribe drugs to satisfy chronic disease patients' full range needs. We will continue to encourage the physicians who benefited from our platform to make word-of-mouth referrals to their fellow physicians, thereby attracting natural traffic to our platform.

As a result of our ongoing business development efforts and the continuous development of our platform, we had over 212,000 physicians registered on our H2H service platform as of December 31, 2023. In the PRC, licensed physicians are subject to periodic assessment of their professional skills, achievements and ethics by institutions or organizations authorized by the public health department and are assigned professional qualification ranks. As of December 31, 2023, 38.4% of our registered physicians had obtained a title of associate chief doctor or above.

We do not rely on particular star or key physicians on our platform because (i) our H2H business model is primarily anchored upon existing physician-patient relationships. As such, instead of employing strategies to promote particular physicians as key or star physicians, we are focused on attracting and retaining physicians who utilize the Jianke Platform to effectively manage their chronic disease patients; and (ii) given the wide range of medical specialties covered and the large number of registered physicians on our platform, the revenue contribution and service hours of registered physicians are scattered without any significantly large proportion of revenue or service hours being contributed by any particular physician. Accordingly, there is no key-man or concentration risk in terms of the service hours or revenue contribution by any particular physician on our Jianke Platform.

In order to retain our registered physicians, we continuously add new features and functionality to our platform to improve the user experience and allow doctors to manage their patients more efficiently. As a result of such initiatives, our average physician retention rate increased from 85.1% in 2021 to 91.9% in 2022 and further increased to 93.2% in 2023. The

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significant increase in average physician retention rate for 2022 was primarily due to a number of new features, including: (i) a list of recommended drugs based on conversations between the physician and the patient, allowing physicians to conveniently suggest appropriate medications to patients; (ii) an anonymized telephone consultation function and an improved frame rate for video consultations to meet specific needs of certain medical specialties; (iii) an outpatient appointment function to enable convenient scheduling of offline follow-up appointments; and (iv) a dashboard to provide physicians with comprehensive data and analytics.

Going forward, we will continue to implement our current physician recruitment and retention strategies. We expect to continue providing compensation to incentivize to our registered physicians, and do not expect such compensation to have a significant negative impact on our profitability, especially as we continue to increase in scale. In addition, we will also review the effectiveness of our strategies from time to time, make necessary adjustments and introduce new AI-assisted features to continuously improve the user experience of our registered physicians.

We generally enter into standardized framework service and privacy agreements with physicians registered on our Jianke Platform. The key terms of these agreements include the following:

- *Online medical practitioner certification.* Physicians seeking to register and provide medical services on our Jianke Platform must present us with satisfactory online medical practitioner certifications, failing which we are entitled to request for rectification or deny their registration. We do not charge them any fees for successful registration.
- *Provision of services.* The registered physicians provide online consultation and e-prescription services to the patient users of our Jianke Platform.
- *Payment and settlement terms.* We pay our registered physicians on a monthly basis based on our compensation policies which consider various criteria, such as the amount of active time spent on our platforms, the number of patients served in a given period, and their contribution to our live streaming and academic community and patient community services, among other performance indicators. The compensation received by a registered physician includes service fees payable based on our compensation policies and consultation fees charged by the relevant registered physician during the relevant period.
- *Term and termination.* The service agreements can be terminated upon mutual consent.

During the Track Record Period, the annual compensation received by each registered physician, which primarily consisted of service fees paid based on our compensation policies and, to a lesser extent, consultation fees charged by the relevant registered physician, typically ranged from RMB100 to RMB10,000. In 2021, 2022 and 2023, the average annual

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compensation of registered physicians who received compensation from us was RMB3,568, RMB3,311 and RMB3,111, respectively. These decreases were primarily the result of the ongoing optimization of our physician compensation structure. By continuously enhancing our ability to interpret physician's online behavior, we are able to better evaluate their effective activities, and optimize their compensation levels accordingly.

### **COLLABORATION WITH PHARMACEUTICAL COMPANIES**

We believe that our relationship with pharmaceutical companies is crucial to our business. Pharmaceutical companies are the source of pharmaceutical products we sell through our platforms. At the same time, we also provide valuable market insights, feedback and value-added services to pharmaceutical companies. Through our mutually beneficial business model with pharmaceutical companies, we have been able to incentivize their collaboration with us and develop long-standing and strong relationships with them. As of December 31, 2023, we had collaborated with over 760 pharmaceutical companies, including large multinational and domestic pharmaceutical companies, such as Pfizer Inc., Gilead Sciences, Inc., Novartis AG, and Baiyunshan Pharmaceutical among many others.

Historically, hospital pharmacies were the primary distribution outlet for prescription drugs in China. However, in recent years, the PRC government has issued a series of policies seeking to gradually reduce hospitals' reliance on revenue from drug sales, and to limit the potential for over-prescription of expensive and/or unnecessary drugs. As a result, the selection of prescription drugs available at hospital pharmacies has become increasingly scarce. However, according to CIC, as China's per capita income and per capita healthcare expenditures grow, patients' demand for various generic drugs and innovative drugs is expected to increase, in spite of potentially higher prices and out-of-pocket costs for these drugs.

Our platform provides pharmaceutical companies with an alternative distribution channel other than hospital pharmacies. Leveraging our broad user base of patients and physicians, we have become the partner-of-choice of leading multinational companies and domestic pharmaceutical companies. Meanwhile, our collaborations enable us to maintain stable supply channels and attractive procurement prices for a variety of high demand and often difficult-to-source drugs, while helping us provide educational content targeted towards patients and physicians on our platform.

We have had success in working with pharmaceutical companies that focus on branded generic drugs and new-to-market drugs approved by NMPA. In the case of branded generic drugs, their availability at hospital pharmacies has decreased in recent years due to regulatory reforms and cost controls. Our platform allows physician and patients to continue to have access to these drugs even when they may no longer be available from the hospital pharmacies.

For newly approved specialty drugs, pharmaceutical companies also face a number of distribution challenges, including a lack of social insurance coverage, and a lack of access to hospital pharmacies. It can take years for a drug to become widely available at hospital pharmacies after NMPA approval, resulting in a significant opportunity cost for both

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pharmaceutical companies and patients who may benefit from the transformational and lifesaving nature of these drugs. We view our ability to enable faster access to newly approved drugs as hugely beneficial for all stakeholders.

### **OUR SUPPLY CHAIN**

As of December 31, 2023, we had procured products from over 1,400 suppliers and had offered over 212,000 drug SKUs, of which approximately 61.6% were prescription drugs and approximately 38.4% were OTC drugs. In 2021, 2022 and 2023, our prescription drug GMV represented approximately 88.9%, 84.2% and 81.1% of our total GMV, respectively, which was the highest in the industry for the same years, according to CIC. We endeavor to negotiate favorable terms with suppliers to manage our cost of sales and improve our operating efficiency.

#### **Supplier Selection and Management**

As of December 31, 2023, we had procured products from over 1,400 suppliers. We have established a qualified supplier system to manage suppliers.

We perform background checks on our supplier candidates, including examining their business licenses, published annual reports and relevant licenses and certificates for their products, and conducting on-site visits before we include them into our qualified supplier system.

When selecting suppliers within our qualified supplier system, we evaluate our procurement needs based on our calculations of optimal inventory level and utilize our smart supply chain management system to identify a suitable supplier. We typically select suppliers with pharmaceutical trade licenses which offer competitive prices for products that satisfy our volume requirement with strong fulfillment capability and favorable credit terms.

We have put in place stringent rules governing the operations of suppliers on our platform to ensure that the pharmaceutical products provided on our platform comply with applicable PRC laws and regulations. We have established a quality control team dedicated to the management of our suppliers with respect to their qualifications, product quality and maintenance of pharmaceutical trade licenses.

#### **Inventory Management**

For pharmaceutical products, we maintain and actively manage inventories to ensure cost-efficiency, quality control and timely delivery, and continually seek to improve our inventory control. We maintain such inventory in a leased warehouse located in Guangzhou. We implement a “just-in-time” inventory management strategy, with the goal of maintaining low inventory levels and achieving rapid inventory turnover in order to reduce working capital requirements and improve operating efficiency. Our smart supply chain management system



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utilizes data analytics to optimize inventory levels based on predicted levels of demand, automatically replenish inventory as necessary to optimize our order fulfillment rates, and bring greater efficiency to our warehouse operations.

We monitor our inventory level and evaluate our needs for procurement on a daily basis, taking into account the sales forecast, sales volume fluctuation, delivery time after procurement, and necessary processing time for our quality control inspections, which are generated by our inventory system algorithm.

We manage our inventory carefully in order to minimize our exposure to near-expiry drugs, which our internal policy categorizes as pharmaceutical products expiring in less than six months. Given that the majority of our inventory comprises pharmaceutical products for chronic diseases, which are by nature subject to fewer fluctuations in demand, we plan our inventory procurement based on sales forecasts and manage our inventory on a “first-in-first-out” basis to minimize inventory risk. We also have internal policies that impose cut-off production dates or minimum remaining shelf-life when procuring inventory. As such, we have not faced material issues with near-expiry drugs during the Track Record Period. In the event that we have an increased level of near-expiry drugs in the future, we may sell them at a discount, return them to upstream suppliers in accordance with the relevant supply agreements, or dispose of them for inventory obsolescence. In addition, our internal policy prohibits the sale of products within one month of their expiry date. During the Track Record Period, we were in material compliance with such policy and did not actively engage in the purchasing or selling of drugs within one month of their expiry date. See also “Risk Factors—Risks Relating to our Business and Industry—Failure to manage our inventory effectively could have a material and adverse effect on our business, financial condition and results of operations.”

### OUR QUALITY CONTROL SYSTEM

We are exposed to risks inherent in providing online healthcare services and selling pharmaceutical and healthcare products in China. Claims, user complaints or administrative penalties may arise if any of our products are deemed or proven to be unsafe, ineffective or defective, or they are found to contain illicit substances or infringe on any third party’s intellectual property rights. According to the Drug Administration Law (《藥品管理法》), if compensation claims related to product quality are received by a drug trading enterprise, it shall pay the compensation first, and then have the right to recover such payment from the drug manufacturer or holder of drug marketing authorization. We may also be subject to allegations of having engaged in practices such as improperly issuing prescriptions, sale of counterfeit and substandard medicines or other healthcare products or providing inadequate warnings or insufficient or misleading disclosures of side effects. We also face risks of medical liability claims arising from medical services provided through our Jianke Platform. Such claims may be made against us, our registered physicians (in relation to their provision of online consultation and e-prescription services) and our in-house medical professionals (in relation to their provision of e-prescription services). In particular, the physicians and pharmaceutical companies that we partner with, may provide sub-standard services, mishandle sensitive

information, engage in other misconduct or commit medical malpractice, which could subject us to medical liability claims. According to the Regulation on Handling Medical Accidents (《醫療事故處理條例》), medical institutions and patients can resolve civil liability disputes, including compensation for medical accidents, through negotiation. According to the Civil Code of the PRC (《中華人民共和國民法典》), if a patient sustains any harm in the course of medical treatment due to the failure of the medical institution or its medical staff, the medical institution shall be liable for compensation. For details, see “Risk Factors—Risks Relating to Our Business and Industry—We may be subject to product liability or medical liability claims, or claims or administrative penalties for counterfeit, substandard or unauthorized products on our platform, which could cause us to incur significant expenses and be liable for significant damage.” During the Track Record Period and up to the Latest Practicable Date, we were not involved in any material claims for medical or product liabilities against us, our registered physicians or in-house medical professionals.

We recognize these key risks in our business and have designed our quality control system to monitor those risk points, such as practice license check and background check, physician behavior on our platforms, prescription verification, and authenticity of products on our online retail pharmacy service platform. We have established comprehensive quality control procedures to ensure the quality of our services and products.

### **Physician Qualification**

The skills, competence and attitude of our in-house medical professionals and registered physicians are essential for the quality of comprehensive medical service that our users receive.

We have adopted stringent procedures and standards to recruit in-house medical professionals and physicians registered on our platforms. To ensure the authenticity of the identification of physicians registered on our H2H service platform, we have adopted standardized internal guidelines specifying comprehensive verification procedures, which require our staff to review and verify the national identity cards, practicing physician qualification certificates (醫師資格證書), practicing physician’s licenses (醫師執業證書) and physician’s title certificates (醫師職稱證書) of the medical professional before granting permission to their registration on our platform. We use online facial recognition and ID scanning technology to verify identity based on these certificates or licenses, work permits or photos on the official websites of the hospital where the medical professional practices.

In addition, to ensure that the registered physicians and in-house medical professionals hold valid practicing certificates which is required for completing multi-site registrations with the relevant authorities, we cross-check the medical professional’s basic information and practicing status on the official websites of the NHC or the medical professional’s practicing hospital, and the National Government Service Platform (國家政務服務平台). Medical professionals offering online consultations on our platform are required to be practicing physicians with at least three years of independent clinical experience.

We also provide comprehensive training for our medical professionals, comprising orientation training on fundamental medical knowledge and on-the-job professional training of certain medical subjects. Our training includes lectures provided by our experienced in-house medical professionals, and onsite medical practice training activities conducted at our offline hospital.

### **Consultation Review**

To maintain medical consultation quality and efficiency, we require our in-house medical professionals and registered physicians to ask about the patient's complete medication and treatment history before giving prudent medical advice during the consultation session. Physicians are required to promptly respond to patients' inquiries. Our system calculates the response rate of each registered physician, and a physician whose response rate is less than 70% per month will be reminded by the relevant physician management personnel. If there is no improvement, the physician will be suspended from providing consultation services on our platform for a certain period.

### **Prescription Management and Sale of Prescription Drugs**

We accept prescription refills from licensed healthcare providers and also offer online prescription services. Our in-house medical professionals and registered physicians can renew existing prescriptions and issue new prescriptions only after fully completing our registration process. We have a stringent, AI-assisted prescription verification system to manage the risks associated with the sales of prescription drugs, which is implemented and closely monitored by our in-house medical professionals and registered physicians. Our system enforces the review procedure by pharmacists to make sure that all prescriptions are properly and legitimately issued and comply with relevant laws and regulations, with the assistance of AI to identify any potential medical risks. For example, when a patient places an order on our platforms to purchase prescription drugs, our in-house medical professionals or physicians registered on our platform usually call the patient to confirm the suitability of the prescribed drugs and to inform the patient the potential side effects of the prescription drugs. Our in-house medical professionals or registered physicians also follow up with patients after a period of time subsequent to the drug purchase to collect information on the effect, side effects, allergic reactions and other conditions experienced by the patient.

We also implement strict procedures to manage our sale of prescription drugs in order to ensure compliance with applicable rules and regulations, including the Measures for Supervision and Administration of Online Pharmaceutical Sales which came into effect on December 1, 2022. For instance, we screen products sold on our Jianke Platform to ensure that none of them are prohibited from online sales. We have also taken measures to ensure that the product information displayed on our platform clearly distinguishes prescription drugs from OTC drugs, and specifically indicates whether a product is a prescription drug. Where a purchase is made based on an existing prescription, the prescription will be reviewed by the pharmacists on our platform. The implementation of our internal control measures in relation to our sale of prescription drugs will be reviewed on a regular basis.

### **Product Quality Control**

We have established a series of internal policies to control the quality of our products we offer on our platforms.

### ***Selection and Management of Suppliers***

We have established a supplier system consisting of qualified suppliers. We have put in place stringent rules governing the operations of suppliers to ensure that the pharmaceutical products provided on our platform comply with applicable PRC laws and regulations. For details, see “—Our Supply Chain—Supplier Selection and Management.”

### ***Inspection and Acceptance of Pharmaceutical Products***

We have an internal policy for the acceptance and inspection of pharmaceutical products, and guiding and supervising the quality management of drug purchase, storage, maintenance and transportation. Our quality management team is required to sample, inspect, and record the quality of pharmaceutical products we procure. We typically require the employees who check and inspect our pharmaceutical products to have an academic background in medication, pharmacy, biology, chemistry or other relevant qualifications.

We require our employees to store the products we procure in a quarantine area. We typically ask our employees to keep such designated area clean and in compliance with the storage requirements of relevant pharmaceutical products. The quarantine area shall be segregated from other areas and shall be clearly identified to ensure that the pharmaceutical products are free from contamination or pollution.

Our employees are required to take samples of the pharmaceutical products and check and verify the pharmaceutical product sample in terms of its packaging and exterior appearance, label, user’s instruction, and qualifications.

- *Packaging and exterior appearance.* Our employees should check whether the packages have clearly indicated the generic name, specification, marketing approvals, manufacturer, production number, production date, expiry date, approval number, as well as other specifications. Our employees should also check whether there are any damages to the packages.
- *Label.* Our employees should check whether the label correctly states product name, specification, usage and dosage, approval number, production number and manufacturer.
- *User’s instruction.* Our employees should check the product name, composition, traits, indications, specifications, usage and dosage, adverse events and side effects precautions, drug interactions and overdose, clinical trials, pharmacology and

toxicology as well as other details in the user's instruction. We maintain a different set of standards for the inspection of user's instruction for traditional Chinese medicines and other specialty drugs.

- *Qualifications.* The procured package shall contain product qualifications. For imported drugs, we typically require our employees to check the sealed supporting documents for quality management, such as Drug Registration Certificate (藥品註冊證書) or Imported Drug Customs Clearance Form (進口藥品通關單).

### ***Warehouse Management***

We are committed to performing stringent quality control throughout every stage of our business operations, including procurement, product inspection, warehousing, sales and delivery. We are actively involved in setting quality policies and standards, and improving quality control management through different means in our business operation. We have established a series of internal quality management protocols that provide guidance on and regulations of various aspects of our operations, including, among others, the product quality, product shelf life management, product return, product recall and warehousing. Before warehousing, we inspect the appearance, packaging, labels and specifications of the products and examine the products according to the delivery orders and the inspection reports issued by the supplier. For products stored in our warehouses, we conduct regular quality maintenance, inspection and management, and monitor the storage conditions to ensure compliance with the quality standards. Our warehouses are equipped with temperature and humidity control systems as well as ventilation facilities to ensure that the pharmaceutical products are stored according to their labelling. The temperature and humidity in our warehouses are monitored and any system failure will be reported on a timely basis for repair.

We store our pharmaceutical products in accordance with their relevant categories. We require our employees to properly handle pharmaceutical products to prevent any contamination, mix-ups and cross-contaminations.

During the Track Record Period and up to the Latest Practicable Date, there had not been any material product recall and return, customer complaints and disputes or product quality and safety issues related to our business.

### ***Content Screening on Our Platform***

Under the relevant PRC laws, we are required to closely monitor the content published on our platform. We may be subject to potential liabilities for any unlawful actions of users of our websites or mobile applications. With respect to our customized content and marketing solutions, we and the relevant pharmaceutical companies may also be subject to liability for content distributed through our Jianke Platform by us, or by the relevant pharmaceutical companies, that are deemed unlawful by relevant authorities. For details, see "Risk Factors—Risks Relating to Our Business and Industry—We may be subject to liability for content available on our platform that is alleged to be factually incorrect, socially destabilizing,

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obscene, defamatory, libelous or otherwise unlawful.” During the Track Record Period and up to the Latest Practicable Date, we were not involved in any material claims for liability against us for the content distributed through Jianke Platform.

We have implemented internal control measures to screen the information and content published on our platform to ensure their accuracy, reliability and compliance with relevant laws and regulations.

- Educational content created or produced by our staff or medical professionals to increase awareness of general medical knowledge, typically including texts, graphics and pictures, videos and live streaming sessions, is reviewed and vetted by our medical editorial manager to verify its quality and accuracy. If such content involves potential legal or compliance risks or other sensitive issues, our legal department staff and the designated content production personnel will conduct additional reviews to assess its reliability and carefully manage our risk exposure.
- Promotional content published in collaboration with pharmaceutical companies, typically including articles, videos and live streaming sessions, is reviewed and vetted by our medical editorial manager to verify its quality and accuracy before being uploaded and displayed on our platform.

## TECHNOLOGY AND RESEARCH AND DEVELOPMENT

Technology is fundamental to our business and one of our key strengths. We intend to continue improving and upgrading our technology to enhance the efficiency of our operations, optimize our data models to support our decision making, and continuously improve our services to satisfy the needs of our users.

### Our Research and Development System

We have established an agile business-centered delivery system for research and development (R&D) projects that covers four areas: delivery tools, software architecture, development process, and R&D organization.

With respect to delivery tools, we have deployed an automated delivery pipeline based on a DevOps model to perform continuous integration and delivery of R&D projects. We are able to rapidly build, test, and deploy high quality applications, and application deployment times can be vastly reduced.

In terms of software architecture, we build applications based on microservices and cloud native technologies, enabling rapid application development, debugging, and delivery.

Our development process is based on an agile development framework. We have established an R&D management process covering the entire software development lifecycle, including project initiation, requirement gathering, planning and design, plan iteration, weekly

development cycles, testing and deployment, system maintenance and operation, development review and feedback. This approach has enabled us to achieve effective control of key project dependencies and ensure quality output.

We had a total of 114 employees on our R&D team as of December 31, 2023. Our product management team ensures that our development process and project execution are aligned with the needs and objectives of our lines of business and wider organization. The AI and big data R&D teams guide our overall R&D efforts to leverage cutting-edge technology and innovation across our development efforts. Our quality assurance, maintenance and operations, and project management teams focus on mitigating the various elements of project risk in order to ensure quality delivery. Most of our research and development personnel are based in Guangzhou and Beijing.

### **Our Research and Development Initiatives**

During the Track Record Period, our research and development initiatives included the following:

- We have made significant enhancements to our H2H service platform, including the implementation of an intelligent pre-consultation system which is powered by our AI medical assistant. Our upgraded online consultation system now employs real-time streaming and other cutting-edge technologies, enabling patients and physicians to communicate more effectively through various media formats, including graphics, audio and video. Furthermore, we have integrated knowledge graphing technology into our platform to develop a prescription verification system that checks the suitability of physicians' prescriptions. Using the deep learning technology, we also introduced an intelligent prescription image system that significantly improves the efficiency of e-prescription review and verification.
- Our online retail pharmacy platform has undergone significant technology upgrades. We rebuilt our transaction and fulfillment systems, incorporating a micro-service architecture, event-driven workflow and cloud-native technologies, to enable support for processing millions of daily orders. We also implemented deep learning technology to enhance our product recommendation engine. Furthermore, through the use of advanced technologies such as computer vision, natural language processing and real-time data analysis, we have developed a comprehensive risk warning system that helps with detecting price display errors on our platform and mislabeled prices in the orders.
- We have enhanced our supply chain management, through the implementation of data mining and machine learning algorithms. We developed intelligent packaging optimization algorithms and built a mechanized assembly line to automate merchandise packing, labeling and parcel sealing, drastically improving the

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efficiency of our warehouse operations. In addition, we have introduced a drug authenticity traceability system to trace the sources and destination of drugs throughout the whole process of drug production, distribution and use.

### Our Research and Development Investment

We invest substantial resources in research and development. We incurred RMB46.0 million, RMB61.8 million and RMB41.5 million of research and development costs in 2021, 2022 and 2023, respectively, accounting for 2.6%, 2.8% and 1.7% of our total revenue for the same years, respectively.

The table below sets forth a breakdown of our research and development costs both in absolute amount and as a percentage of our total research and development costs for the years indicated:

	For the year ended December 31,					
	2021		2022		2023	
	RMB'000	%	RMB'000	%	RMB'000	%
Staff costs	40,549	88.2	55,019	89.1	38,238	92.1
Share-based compensation	1,660	3.6	4,149	6.7	1,608	3.9
Depreciation of right-of-use assets	1,648	3.6	1,177	1.9	1,333	3.2
Outsourcing expenses	947	2.1	361	0.6	136	0.3
Others	1,146	2.5	1,077	1.7	217	0.5
<b>Total</b>	<b><u>45,950</u></b>	<b><u>100.0</u></b>	<b><u>61,783</u></b>	<b><u>100.0</u></b>	<b><u>41,532</u></b>	<b><u>100.0</u></b>

Our research and development costs increased from 2021 to 2022, primarily due to the increase in staff costs, which constituted the largest component of our research and development costs, as we grew our research and development team by recruiting members with strong background and expertise in software development, AI and big data, which were instrumental to strengthening our research and development capabilities and developing and enhancing our service offerings. Our research and development costs decreased in 2023, primarily because our robust in-house research and development capabilities allowed us to optimize our research staffing and operate with greater efficiency.



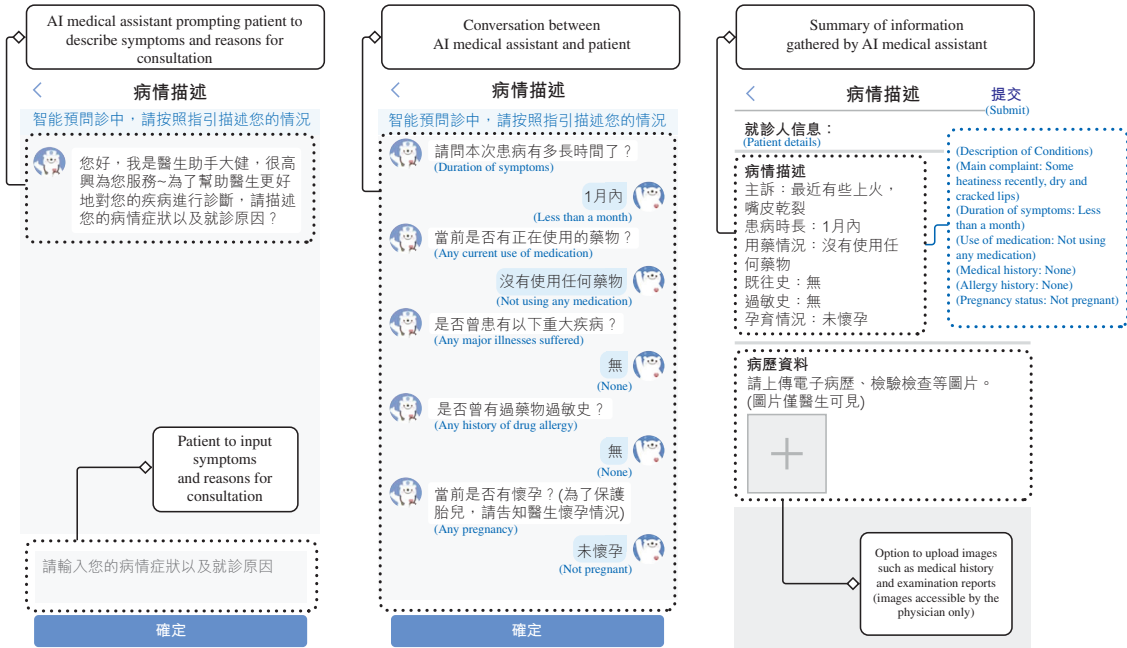
### Big Data Analysis

We use big data analytics to enhance customer experience and user retention and to improve our operation efficiency. The following summarizes the major aspects of our big data analysis.

- *User profiling.* Our Jianke Platform has enabled us to accumulate large data sets of user information, including users' browsing history, past consultations, prescriptions and refill frequency. To accurately profile our customers, we flag various user traits and generate user portraits. We analyze these user portraits with our data algorithms, and seek to understand our customers' needs, interests and preferences, make marketing decisions and continuously improve and tailor our services and products.
- *Supplier management.* Capitalizing on big data analytics, we are able to actively compare, analyze and manage suppliers. Our data analysis system adopts intelligent supplier comparison algorithm system to improve our supplier management process and reduce procurement costs. With access to real-time information, we are able to timely compare over 560 suppliers' bidding prices of over 34,000 products for over 122,000 times a day, which reduces labor costs and ensures favorable prices, contributing to our operation efficiency and profitability.
- *Pricing optimization.* We have accumulated massive historical data from our past transactions and have developed an operational pricing model based on various factors. The operational pricing model enables us to produce optimal pricing ranges for our products to optimize our profits.

### AI Technology

We have developed an AI medical assistant to streamline the consultation process on our H2H service platform. Before each consultation session, our AI medical assistant will ask the patient a few common questions, including the patient's symptoms, medication history and allergy history. Leveraging natural language processing (NLP) technology, a summary will be generated from the patient's responses and submitted to the physician. With such information, the physician can have a general understanding of the patient's conditions before the consultation session, which will enable the physician to provide medical advice to the patient more efficiently. By using our AI medical assistant prior to consultation sessions, we reduce the waiting time for patient and facilitate the consultation efficiency for both the patient and the physician. The following screenshots illustrate the communication between a patient and our AI medical assistant.



Our AI medical assistant can also automatically respond to non-medical customer service inquiries. Our AI medical assistant’s responses are supported by NLP technology and knowledge graph technology. NLP technology enables our AI medical assistant to understand natural languages input by customers. Knowledge graph technology enables our AI medical assistant to extract relevant information from pre-defined database and organize responses into natural language in order to generate automatic replies to communicate with patients in continuous dialogues. During the Track Record Period, our AI medical assistant responded and successfully resolved approximately 43.1% of all incoming customer inquiries without manual assistance from our staff, effectively reducing the workload of our customer service staff and improved service efficiency. With the help of our AI medical assistant, the average number of orders processed per person per day by our customer service personnel increased from 67.3 in 2019 when we first launched our AI medical assistant, to 366.2 in 2023, representing a CAGR of 52.7% from 2019 to 2023.

Going forward, we intend to continue to improve our technology and to provide accurate, efficient, valuable and reproducible solutions by collecting and analyzing medical data and optimizing our AI technologies. This includes additional functionality to streamline paper-based prescriptions and laboratory tests, and digitalize patient data, and additional support systems to assist physicians with diagnosis and clinical workflow. We also plan to develop our AI technology in computer vision, medical knowledge graph, natural language processing, recommendation algorithm, and image synthesis to enhance our services.

**Cold Chain Delivery**

We believe that the broader adoption of temperature-sensitive biopharmaceutical drugs in the treatment of chronic diseases provides us with additional opportunities to better serve our patients. Since May 2020, we have engaged third-party logistics companies to provide cold chain home delivery services for pharmaceutical products that require strict temperature control during the delivery process. In addition, we have invested in additional warehouse facilities and equipment to support the storage and distribution of cold-chain pharmaceutical products.

**INFORMATION SECURITY AND DATA PRIVACY PROTECTION****Security of Our Information Systems**

Our network configuration uses sophisticated security protocols for communications among within our network and for external communications. We utilize a system of firewalls, encryption and identity verification methods to prevent unauthorized access to our system.

To minimize the risk of data loss, we conduct regular data backup procedures and maintain a comprehensive data recovery mechanism. Our database can only be accessed by certain designated and authorized personnel after clearance approval and identity verification procedures, whose actions are recorded and monitored. We have data disaster recovery procedures in place. We conduct frequent reviews of our back-up systems to ensure that they are well-maintained and functional. We have also implemented procedures such as regular system checks, password policy, user authorization reviews and approval and data back-up, to safeguard our information assets and ensure the proper management of our operational data. We also have data recovery procedures in place in case of extreme information disasters.

We maintain a proper physical environment such as appropriate temperatures and humidity level for our servers to function. We promulgate server management policies to ensure the safety of our servers and that only authorized personnel can gain access to our server rooms, and such access is documented in daily logs for record-keeping. In particular, we have adopted a multi-level protection scheme for our information systems to support the operations of our business in accordance with the requirements of the PRC Cybersecurity Law. We have also established internal management policies, such as the Information System Operation Management Policies, the Network and Information Security Incident Response Plan and Asset Procurement Management Policies, which specified the requirements and guidelines for procuring network products to ensure our management of information systems.

During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any material fines or sanctions due to non-compliance with cybersecurity laws or regulations. In the opinion of our PRC Legal Advisor, we have complied in all material aspects with relevant cybersecurity laws and regulations, including those newly enacted, during the Track Record Period and up to the Latest Practicable Date.

**Data Security and Personal Information Protection**

We are committed to protecting information and privacy, especially individual-specific information, of our users and all participants on our platforms. We have adopted a series of internal policies on personal information protection and data security management to ensure our compliance with applicable data security and personal information protection laws and regulations. We also have a dedicated team led by our vice president that is responsible for cybersecurity and data security management. In order for our users to understand how their personal information is handled in accordance with the relevant laws and regulations, we have developed our own privacy policy, which is embedded in our mobile applications and website. We encrypt user data in network transmissions and in backend storage to ensure confidentiality, and remove identifying information of individual users for information used in our technology development. We only collect and process users' personal information that are legally required for our business operations and narrowly tailor their usage to the extent possible. For instance, when users register on our mobile applications and WeChat mini programs, they consent to and authorize the collection, processing and use of their personal information and the relevant data generated during the course of using our services. The personal information we collect and process for our comprehensive medical services and online retail pharmacy services mainly include (i) users' basic information, including the name, mobile phone number and address for product delivery; and (ii) users' personal health information, including their past prescriptions and diagnosis or treatment history. We collect, process and use such user data within the scope of authorization only for the purpose of providing services to them, such as payment processing and providing customer service.

We have adopted robust encryption algorithms for protected information and implemented stringent rules for data extraction and transmission to ensure the confidentiality of the users of our online consultation and prescription renewal service. We have implemented relevant internal policies, procedures and controls to ensure that user data are protected and that leakage and loss of such data is avoided. We have formulated policies for data administration setting out standardized procedures for the management of data and related security risks, which all of our staff are required to adhere to. We review such policies on a regular basis, and conduct regular trainings for our employees on data management and protection.

The degree of access to and control of data and protected information is determined by reference to the staff member's role and seniority and based on strict necessity. We have implemented duty segregation mechanisms among our data administration staff in daily operations. Teams with access to protected data in the course of their operations are subject to strict approval and operation procedures regarding data and processing. Our system keeps a daily log of authorization of data extraction and transmission activities, and access to and operation of data are logged and monitored and subject to review. In the event of an information security breach, we perform investigations and exercise damage control. Under our data protection mechanisms and procedures, any operation violating information security regulations will result in internal disciplinary action. We also have the right to dismiss any employee who misuse or otherwise disclose data collected through our Jianke Platform without appropriate authorization or in breach of any applicable regulations, and may pursue legal proceedings against them for any damage caused to us or our users by reason of such conduct.

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As and when required by relevant laws and regulations, we intend to consult external advisors in relation to the protection of user data. We have formulated procurement policies of network products and services to ensure the products and services we procure have obtained necessary certificates and sales license as required by the PRC Cybersecurity Law and other applicable laws and regulations. The network products and services that we purchase and use are general network products and services available in the marketplace without significant risks of supply chain disruption. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material information leakage or loss of user data.

On November 14, 2021, the CAC published a draft of the Administrative Regulations for Internet Data Security (《網絡數據安全管理條例(徵求意見稿)》), or the Draft Internet Data Security Regulations, for public comments. For details relating to the Draft Internet Data Security Regulations, please refer to “Regulatory Overview – Regulations on Personal Information or Data Protection”. The Draft Internet Data Security Regulations provide that data processors conducting the following activities must apply for cybersecurity review: (i) merger, reorganization, or division of Internet platform operators that have acquired a large number of data resources related to national security, economic development, or public interests, which affects or may affect national security; (ii) a listing in a foreign country by a data processor processing over one million users’ personal information; (iii) a listing in Hong Kong which affects or may affect national security; or (iv) other data processing activities that affect or may affect national security. There has been no further clarifications from PRC governmental authorities as of the Latest Practicable Date as to the standards for determining such activities that “affects or may affect national security”. Substantial uncertainties exist with respect to the enactment timetable, final content, interpretation, and implementation of the measures, including the standards for determining whether a listing in Hong Kong “affects or may affect national security”. On December 28, 2021, the CAC, jointly with the other 12 governmental authorities, promulgated the Cybersecurity Review Measures (《網絡安全審查辦法》), which took effect on February 15, 2022. For details relating to the Cybersecurity Review Measures, please refer to “Regulatory Overview – Regulations on Personal Information or Data Protection”. The Cybersecurity Review Measures and the Draft Internet Data Security Regulations (together, the “Cybersecurity Regulations”) have imposed a cybersecurity review obligation on certain data handlers. However, under applicable cybersecurity and data privacy laws and regulations in the PRC, it is not a mandatory requirement to confirm with or consult with the CAC in relation to whether we need to apply for a cybersecurity review for our proposed listing in Hong Kong. As of the Latest Practicable Date, we have not conducted any consultation or made an application to CAC for our proposed Listing in Hong Kong. However, our PRC Legal Advisor had a real-name consultation on September 30, 2022 with China Cybersecurity Review Technology and Certification Center (“CCRC”), which has been renamed as the China Cybersecurity Review, Certification and Market Regulation Big Data Center as of December 25, 2023, and is authorized by the CAC for receiving and accepting the submission of cybersecurity reviews and answering public inquiry relating to the cybersecurity review. The CCRC confirmed that as the proposed listing in Hong Kong is not a “foreign listing” as provided under Article 7 of the Measures for Cybersecurity Review 2022, we do not need to voluntarily apply for cybersecurity review for the proposed listing in Hong Kong unless explicitly notified by relevant regulators.

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Pursuant to the Cybersecurity Review Measures, the key factors that shall be taken into account for assessing national security risk mainly include whether there will be any illegal control or supply chain interruption of critical information infrastructure, any illegal data use or any illegal cross-border data transfer. We are not an operator of critical information infrastructure and the network products and services purchased and used by us are commonly seen in the market. There is also no obvious risk of supply chain interruption of critical information infrastructure. Meanwhile, we operate business within mainland China and all the data generated during the operation is stored within the PRC. In addition, as of the Latest Practicable Date, we have not been subject to any material fines or sanctions by any competent government authorities (including CAC) in relation to data and cybersecurity. Furthermore, we have implemented internal policies on personal information protection, data security management and cybersecurity management to ensure compliance with applicable laws and regulations.

As for the cybersecurity review for the data processing activities that “affect or may affect the national security” initiated by the Cybersecurity Review Office under the CAC stipulated in Article 16 of the Measures for Cybersecurity Review 2022, it is still uncertain about the meaning of “affect or may affect the national security”. To the best of our knowledge, we believe that the data we collect and store do not give rise to any state secrets concern in any material respect. Our PRC Legal Advisor is of the opinion that the relevant regulations and rules relating to state secrets are not applicable to our existing data.

As advised by our PRC Legal Advisor, our business operations and financial performance will not be materially and adversely affected by the Cybersecurity Regulations, and there are currently no substantive obstacles for us to fulfill the obligations that may be applicable to us in all material respects, on the basis that (1) as of the Latest Practicable Date, we have not been subject to any material fines or sanctions by any competent government authorities (including CAC) in relation to data and cybersecurity; (2) we have not been informed by any government authorities that we are deemed as an operator of critical information infrastructure, nor have we received any notice, enquiries or investigations from relevant government authorities indicating that we need to apply for cybersecurity review with respect to the Listing, and as advised by our PRC Legal Advisor, if any competent PRC governmental authorities deem it necessary to conduct a cybersecurity review of a company, it will proactively notify the company concerned; (3) we had established various internal cybersecurity and data protection policies, procedures, and measures, which are continuously optimized in their implementation, to ensure secured data processing activities and prevent unauthorized access or use of data; and (4) we continuously followed the legislative and regulatory development in cybersecurity and data protection, maintained ongoing communication with relevant government authorities and implemented all necessary measures in a timely manner to ensure continuous compliance with the relevant laws and regulations. Based on the aforesaid and the consultation with the CCRC, our Directors do not foresee any material legal impediment for us to undertake measures to comply with the Cybersecurity Regulations should they be adopted in the current form in all material respects. Based on their independent due diligence, the Joint Sponsors have no reason to believe that the foregoing views of the Directors and the Company’s PRC Legal Advisor are unreasonable.

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To ensure our Company's continuous regulatory compliance with the Cybersecurity Regulations, we have implemented internal policies on personal information protection, data security management and cybersecurity management to ensure compliance relevant laws and regulations. We also have a dedicated team responsible for cybersecurity and data security management by taking stringent technical measures to safeguard our technology infrastructure. In anticipation of the Draft Internet Data Security Regulations to become effective in the future, we have studied the specific requirements under the regulations and will proactively implement various measures to ensure timely compliance, including thoroughly reviewing our business practices and operational policies, improving our privacy policies and service agreements. We will closely monitor the legislative and regulatory development in connection with cybersecurity and data protection, including the Draft Internet Data Security Regulations and the interpretation or implementation rules of laws and regulations of cybersecurity and data protection, proactively maintain communications with relevant authorities, and adjust and enhance our data protection practices in a timely manner to ensure compliance once the regulations come into effect. If the Draft Internet Data Security Regulations become effective in their current form, we do not foresee any material legal impediment for us to comply with the regulations.

Our operations are subject to ongoing supervision by the MIIT and other relevant authorities, and we may receive rectification notices as part of the regular supervision process. On August 31, 2020, the MIIT issued a notice requiring 101 applications, including the Jianke Online Pharmacy App (健客網上藥店) (version 5.3.0), to rectify issues such as over-scope collection of personal information. Upon receipt of the notice, we actively took rectification measures, including adjusting the frequency of collection of International Mobile Equipment Identity (IMEI) information, optimizing the instructions and settings of personalized push services, and improving the compliance settings of the authorization interface for calling up device permissions. We completed the rectification within the prescribed time frame and was not penalized by the MIIT and other relevant authorities.

On January 9, 2023, we received a rectification notice from the Guangdong Communications Administration in respect of our Jianke Doctor App (健客醫生) (version 6.1.1) (the "GCA Notice"), informing of issues relating to (i) the App's collection of personal data before relevant consent was obtained; (ii) the App's collection of geographical location data in the background after the application was closed; and (iii) frequent automatic launch of the application. We had noticed issue (i) prior to receiving the GCA Notice, and had already rectified issue (i) in the upgraded App (version 6.1.5). We discovered that issues (ii) and (iii) were caused by third-party software development kits, and promptly disabled the relevant background location tracking function and network monitoring function which had caused automatic launch upon network change. We completed the rectification required by the GCA Notice and submitted an explanatory report to the Guangdong Communications Administration on January 10, 2023. As a result, the rectified App (version 6.1.7) was placed on the application market without any resultant administrative penalty.

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We will continuously conduct self-examination and rectification to ensure that our mobile applications are in compliance with the applicable regulatory requirements. In the opinion of our PRC Legal Advisor, our Group has complied in all material aspects with all applicable PRC laws and regulations relating to data privacy and protection during the Track Record Period and up to the Latest Practicable Date on the basis that: (i) our Directors confirmed that, save as disclosed above, our Group's mobile applications, websites and WeChat mini programs had not been criticized or investigated by the relevant governmental authorities for personal information collection; (ii) we had not been subject to any fines or other penalties due to non-compliance with data privacy and protection laws or regulations; and (iii) we are not, and have not been, subject to litigation or legal proceedings in respect of any alleged breach of applicable regulatory requirements relating to data privacy and protection.

### SALES AND MARKETING

#### Sales Model and Marketing Strategies

We have adopted a variety of strategies to market our services to target customers. With respect to our H2H services, substantially all of our patient users are invited to our platform by registered physicians during offline consultations and therefore, we regard our relationship with physicians as the key to expanding our patient user base. We have a physician operation team which is devoted to developing and maintaining relationships with physicians. Our business development personnel generally approach physicians directly to introduce our platform and encourage them to register on our platform and recommend our platform to their patients in offline consultations. In addition, we leverage the broad reach and influence of our pharmaceutical company partners to help bring physicians onto our platform. To develop partnerships with pharmaceutical companies, we primarily rely on our business development team which engages directly with pharmaceutical companies and their relevant business units to introduce our platform. For approaches that we have adopted to attract registered physicians and develop relationships with pharmaceutical companies, see “—Medical Professional Network—Registered Physicians” and “—Collaboration with Pharmaceutical Companies” in this section.

We adopt various methods to attract potential patient users and customers to our online retail pharmacy services. Generally, we conduct our sales and marketing through a combination of natural traffic, external marketing and promotional activities:

- We generate natural traffic through word-of-mouth referrals due to the variety of services and content offered on our platform, including online consultation services, and health and wellness content. We continuously seek to improve our services in order to build our brand recognition to attract more natural traffic.



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- External marketing is carried out through mobile application stores and online and offline marketing activities, including online advertisements on websites, mobile applications, and search engines. In addition, we have developed our social media presence by distributing content, such as video clips on short-video platforms, and live broadcast sessions to facilitate dissemination of professional content among physicians. In addition, we actively participate in industry events, trade shows and conferences.
- To develop a loyal user base, we implemented a membership system where users can earn “growth points” (成長值) based on their activity on our platform, such as their level of spending and frequency of product orders. We implement a five-tier membership structure, with Regular, Silver, Gold, Platinum and Diamond levels. The number of growth points accumulated will determine the user’s membership tier, which will in turn entitle them to various benefits, such as gift packs, promotional pricing, or discount codes and vouchers.
- To enhance user stickiness and incentivize repeat purchases, we offer our users a loyalty points program where they can earn and accumulate “health coins” (健康幣) through making purchases, checking-in daily on our platform, or participating in any lucky draws or giveaways that may be held on our platform. The number of health coins that a member can earn for a specific activity will depend on their membership tier, where members of higher tiers will be able to earn a greater number of health coins. These health coins are essentially loyalty points which the users can use to redeem discount vouchers or utilize directly towards the payment of their purchases. Health coins earned by each account during a year will expire at the end of the following year. We believe this program will facilitate the conversion of our active users to paying users and increase their repeat purchase rate.
- Throughout the year, we may launch various marketing and promotional activities to encourage customer retention or enhance customer conversion on our Jianke Platform. One of our primary promotional tools is to offer discount vouchers. These vouchers provide price discounts or free shipping for first-time purchases by new users, selected products, or on orders that exceed a certain size threshold. During the Track Record Period, customers who used these vouchers enjoyed savings in the range of 5% to 10% on their orders. In addition, we periodically run promotional campaigns that offer competitive prices on selected products to drive sales.

As of December 31, 2023, our sales and marketing team comprised 109 sales and marketing professionals. Going forward, we do not foresee making any substantial changes to the above user attraction and retention strategies. We believe these strategies, such as our membership system and loyalty points program, will continue to enable us to acquire and retain loyal customers so as to achieve stable revenue growth and increase profitability. We also expect to continue to offer discounts and promotions to users from time to time, and do not expect such initiatives to have significant negative impact on our gross margins, especially as we continue to increase in scale and achieve greater pricing flexibility.

### **Pricing**

The online consultation fees of our comprehensive medical services are set by physicians at their discretion through the Jianke Hospital App, which do not exceed a cap of RMB1,000 per consultation, and typically range from RMB10 to RMB50 per consultation. In determining the cap, we generally consider factors such as the common pricing levels of comparable Internet hospitals, expense levels on diseases covered on our Jianke Platform, and the compensation levels payable to our registered physicians. Physicians may determine their own consultation fees based on a variety of factors, including their level of expertise, experience and reputation. Some may also choose to offer their consultation services free of charge in order to attract more patients and build their reputation. Physicians are also able to set individualized consultation prices for patients seeking repeat consultations.

We determine the prices of our pharmaceutical and other healthcare products offered through our Jianke Platform by taking into account the purchase volume, purchase prices of the products, the NMPA guidance prices and our operational and logistical costs in trading of the products and providing the online retail pharmacy services to our customers. We offer competitive pricing to attract and retain users. Leveraging our cooperative relationship with pharmaceutical manufactures, we typically negotiate for prices that are comparable to or lower than those offered to retailers in other healthcare product sales channels. We also offer our customers coupons and discounts to encourage repeat purchases.

For our customized content and marketing solutions, we determine the prices of our service offerings on a case-by-case basis, primarily by taking into account our staff costs, expenses on technical support in providing the solutions and the period of time that we need in completing such solutions. Our price also varies based on the range of coverage on target audiences and the level of influence of the platform chosen for the marketing solutions.

Users can make payment online when placing orders on our Jianke Doctor App, Jianke Online Pharmacy App, WeChat mini program or Jianke.com, which can direct registered users to third-party payment platforms, including WeChat Pay and Alipay. A small minority of users who do not have access to online payment channels may choose payment upon delivery, typically in cash. In line with common industry practice, third-party logistics companies which we engage for delivery of our parcels are authorized to collect such offline payments on our behalf.

### **Customer Service**

Providing high-quality customer service is one of our top priorities. Customers can make queries and complaints regarding our products and services by making phone calls to, initiating instant messaging conversation with, or leaving messages for our customer service representatives.

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We generally allow users to modify or cancel an order through our online system or customer service center before the order is picked and packed for delivery. We generally allow customers to return or exchange products with quality defects within seven days from the date on which the customer receives the affected products. Users should submit an application for return or exchange of the products. If the application has been accepted, we will either return, exchange or repair the products as long as the application is in compliance with the Laws of the People's Republic of China on Protection of Consumer Rights and Interests and the manufacturers' authorized standard for product return or repair. If part of the products has gone missing, is broken or suffers performance failure or delay in delivery due to logistic reasons, we have implemented a policy of allowing return of products when the user has filed a request within seven days after the delivery of the products. Our products are typically delivered within three to ten days after users place an order, depending on the locations where the products are to be delivered. We did not encounter any material or any significant number of product returns during the Track Record Period. In 2021, 2022 and 2023, our product return rate, representing the percentage of products returned after delivery for both comprehensive medical services and online retail pharmacy services, was 0.2%, 0.3% and 0.3%, respectively.

In particular, we have adopted an internal drug quality management procedure to handle complaints or return requests from users. We categorize users' complaints into several categories, including (i) serious complaints—if the drugs have adverse effects endangering users' health and safety; (ii) important complaints—if the drugs have quality issues but are less likely to cause serious harm to users; and (iii) minor complaints—the drugs have met industry standards and without quality issues. Our quality control department and operation department are responsible for responding to relevant complaints. Both of these departments are required to keep records and handle the complaints within a specific timeline. For medical products with quality issues, we will report such incidents to the relevant suppliers or pharmaceutical companies.

During the Track Record Period and up to the Latest Practicable Date, (i) we were not subject to any material administrative or other penalties from the PRC government authorities in connection with product quality or drug safety, (ii) we did not experience any incidents related to material product liability exposure, and (iii) we did not receive any material complaints from consumers, or any material product returns, in connection with product quality.

### OUR CUSTOMERS

We have a broad base of customers. For our comprehensive medical services and online retail pharmacy services, our customers primarily consist of individual users, and we occasionally sell pharmaceutical products to offline pharmacies in small amount. For our customized content and marketing solutions, our customers are mainly pharmaceutical companies. We generally do not enter into long-term agreements with our customers.

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We generally enter into standardized framework service and privacy agreements with individual users of our comprehensive medical services. The key terms of these agreements include the following:

- *Scope of services.* We provide access to medical consultation and e-prescription services provided by registered physicians on our Jianke Platform. Medical consultations provided by registered physicians will be based on the patient's subjective description of his or her medical condition, and any advice given pursuant to such consultations remain the opinion of the relevant registered physicians. We do not guarantee any treatment outcome from the consultations provided by the registered physicians through our Jianke Platform.
- *Sales of products.* We sell products at prices published on our Jianke Platform and reserve the right to adjust prices without notice.
- *Representations about medical conditions and prescriptions used.* We typically require users to represent and warrant that their description of their medical condition to our registered physicians and medical professionals, and the prescriptions they use for the purchase of prescription medicines from our Jianke Platform are true and authentic.
- *Return or exchange policies.* Customers are generally allowed to return or exchange products under agreed circumstances, such as wrong delivery or the discovery of quality defects, within seven days from the date on which the customer receives the affected products.
- *Terms and termination.* Our standard agreements typically have indefinite terms and allow us to terminate under specified circumstances.
- *Standard terms and conditions.* Our standard terms and conditions form part of the agreement, in which issues of confidentiality and dispute resolution, among others, are covered.

We also enter into standardized framework service and privacy agreements with customers of our online retail pharmacy services. The key terms of these agreements include the following:

- *Sales of products.* We sell products at prices published on our Jianke Platform and reserve the right to adjust prices without notice.
- *Representations about medical conditions and prescriptions used.* We typically require users to represent and warrant that their description of their medical condition to our medical professionals, and the prescriptions they use for the purchase of prescription medicines from our Jianke Platform are true and authentic.

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- *Return or exchange policies.* Customers are generally allowed to return or exchange products under agreed circumstances, such as wrong delivery or the discovery of quality defects, within seven days from the date on which the customer receives the affected products.
- *Terms and termination.* Our standard agreements typically have indefinite terms and do not allow either party to terminate without cause.
- *Standard terms and conditions.* Our standard terms and conditions form part of the agreement, in which issues of confidentiality and dispute resolution, among others, are covered.

The key terms of our agreements with pharmaceutical companies for customized content and marketing solutions include the following:

- *Provision of services.* The scope of our services is customized on a case-by-case basis.
- *Payment and settlement term.* Service fees are decided based on the scope of services provided and the costs involved. We typically extend a credit term of up to 60 days from the invoice date.
- *Term and termination.* We generally do not enter into long-term agreements. The service agreements are usually project-based or for the provision of one-time services. Agreements typically can be terminated under agreed circumstances or upon mutual consent.

Revenue from our five largest customers combined in each year of the Track Record Period amounted to RMB13.7 million, RMB23.1 million and RMB53.3 million, accounting for 0.8%, 1.1% and 2.2% of our total revenue for the respective years. All of our five largest customers during the Track Record Period were Independent Third Parties.

### OUR SUPPLIERS

We mainly procure pharmaceutical products, including prescription drugs, OTC drugs, medical device and accessories, from authorized distributors of multinational and domestic pharmaceutical companies. The key terms of our purchase agreements with these pharmaceutical and other healthcare product suppliers include the following:

- *Product procurement.* Our suppliers provide us with products of agreed quality and standards. The prices of goods supplied are determined on an order-by-order basis, depending on the type and volume of products purchased. Our suppliers are typically responsible for delivering the goods to our designated warehouses.

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- *Payment and settlement.* Credit terms extended by suppliers typically range from 35 to 75 days from the invoice date.
- *Rebate policy.* We are eligible for rebates with certain suppliers, provided that we achieve certain purchasing volumes with such suppliers. The amount of rebates varies among different products and are usually given by way of a deduction against the invoice amount on a monthly, quarterly, bi-annual, or annual basis, as the case may be.
- *Return or exchange policies.* We are generally allowed to return or exchange products under agreed circumstances, such as delivery shortage or the discovery of quality defects, within eight days from the date on which we receive the affected products, provided that we inspect such products within 24 hours of receipt.
- *Terms and termination.* We generally enter into purchase agreements with a term of approximately one year, which can be terminated upon mutual agreement.

We engage third-party logistics and courier companies for the delivery of the orders of pharmaceutical and other products placed on our Jianke Platform. The key terms of the service agreements we enter into with these companies include the following:

- *Delivery services.* The third-party logistics and courier companies are responsible for collecting the packages prepared by us, delivering them to the designated place, and returning undeliverable packages to us.
- *Payment and settlement terms.* The settlement terms typically include a credit term of 30-90 days. We settle delivery service fees on a monthly basis.
- *Term and termination.* We generally enter into service agreements with a term of one year, which can be automatically renewed for an additional year or renewed upon mutual agreement. The agreements typically can be terminated upon mutual consent, or by the service provider under agreed circumstances including, among others, our prolonged non-payment without due cause.

Purchases from our five largest suppliers combined in each year of the Track Record Period amounted to RMB1,203.9 million, RMB1,309.2 million and RMB1,273.0 million, accounting for 60.9%, 57.2% and 51.5% of our total purchases for the respective years, and purchases from our largest supplier alone accounted for 20.5%, 14.8% and 15.7% of our total purchases for the respective years. See “Risk Factors—Risks Relating to Our Business and Industry—We source pharmaceutical products from suppliers, and our revenue and results of operations will be adversely affected if we fail to maintain and manage these relationships properly.”

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All of our five largest suppliers during the Track Record Period were Independent Third Parties, and none of our Directors, their associates or any shareholders which, to the knowledge of our Directors, owned more than 5% of the issued share capital of the Company as of the Latest Practicable Date, had any interest in any of our five largest suppliers during the Track Record Period.

We believe we have sufficient alternative suppliers for pharmaceutical and healthcare products that can provide us with substitutes of comparable quality and prices. During the Track Record Period, we did not experience any disruption to our business as a result of any significant shortage or delay in supply of the products we sourced from our suppliers. During the Track Record Period, we did not experience any material fluctuation in the price of pharmaceutical products that we purchased. We believe that if there is any material increase in our purchase costs of pharmaceutical products, we will be able to pass on such increase to our customers by increasing the selling prices.

The following table sets forth details of our five largest suppliers during the Track Record Period.

### For the Year Ended December 31, 2021

<u>Ranking</u>	<u>Supplier</u>	<u>Products/ Services Procured</u>	<u>Year in which Business Relationship Commenced</u>	<u>Typical Credit Term and Payment Method</u>	<u>Purchase Amount</u> <i>(RMB'000)</i>	<u>Percentage of Total Purchase</u> %
1	Company A <sup>(1)</sup>	Drugs	2017	60 days; wire transfer	405,603	20.5
2	Company B <sup>(2)</sup>	Drugs	2016	30 days; wire transfer	310,365	15.7
3	Company C <sup>(3)</sup>	Drugs	2020	60 days; wire transfer	229,880	11.6
4	Company D <sup>(4)</sup>	Drugs	2016	60 days; wire transfer	197,317	10.0
5	Company E <sup>(5)</sup>	Drugs	2016	60 days; wire transfer	60,701	3.1
<b>Total</b>					<b>1,203,866</b>	<b>60.9</b>

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### For the Year Ended December 31, 2022

Ranking	Supplier	Products/ Services Procured	Year in which Business Relationship Commenced	Typical Credit Term and Payment Method	Purchase Amount	Percentage of Total Purchase
					<i>(RMB'000)</i>	%
1	Company D <sup>(4)</sup>	Drugs	2016	60 days; wire transfer	338,988	14.8
2	Company B <sup>(2)</sup>	Drugs	2016	60 days; wire transfer	306,956	13.4
3	Company A <sup>(1)</sup>	Drugs	2017	45 days; wire transfer	300,878	13.2
4	Company C <sup>(3)</sup>	Drugs	2020	75 days; wire transfer	281,744	12.3
5	Company F <sup>(6)</sup>	Drugs	2020	45 days; wire transfer	80,644	3.5
<b>Total</b>					<b>1,309,210</b>	<b>57.2</b>

### For the Year Ended December 31, 2023

Ranking	Supplier	Products/ Services Procured	Year in which Business Relationship Commenced	Typical Credit Term and Payment Method	Purchase Amount	Percentage of Total Purchase
					<i>(RMB'000)</i>	%
1	Company D <sup>(4)</sup>	Drugs	2016	60 days; wire transfer, banker's drafts	389,114	15.7
2	Company B <sup>(2)</sup>	Drugs	2016	60 days; wire transfer, banker's drafts	281,555	11.4
3	Company C <sup>(3)</sup>	Drugs	2020	75 days; wire transfer	263,340	10.7
4	Company A <sup>(1)</sup>	Drugs	2017	60 days; wire transfer, banker's drafts	232,483	9.4
5	Company F <sup>(6)</sup>	Drugs	2020	45 days; wire transfer, banker's drafts	106,545	4.3
<b>Total</b>					<b>1,273,037</b>	<b>51.5</b>



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*Notes:*

- (1) Company A is a company established in the PRC with limited liability that is listed on the Hong Kong Stock Exchange. It is a PRC state-owned enterprise with a registered capital of RMB3,120.7 million, and is in the business of pharmaceutical distribution in China.
- (2) Company B is a company incorporated in Hong Kong with limited liability that is listed on the Hong Kong Stock Exchange. It is the controlling shareholder of a PRC state-owned enterprise with a registered capital of RMB18,507.0 million, and is in the business of pharmaceutical distribution in China.
- (3) Company C is a non-listed company established in the PRC with limited liability. It is a PRC state-owned enterprise with a registered capital of RMB61.0 million, and is in the business of pharmaceutical distribution in China.
- (4) Company D is a non-listed company established in the PRC with limited liability. It is a PRC state-owned enterprise with a registered capital of RMB2,449.3 million, and is in the business of pharmaceutical distribution in China.
- (5) Company E is a company established in the PRC with limited liability that is listed on the Shanghai Stock Exchange. It is a non-state-owned enterprise with a registered capital of RMB3,908.9 million, and is in the business of pharmaceutical distribution in China.
- (6) Company F is a non-listed company established in the PRC with limited liability. It is a non-state-owned enterprise with a registered capital of RMB10.3 million, and is in the business of pharmaceutical distribution in China.

### OVERLAPPING CUSTOMERS AND SUPPLIERS

During the Track Record Period, certain of our customers were also our suppliers. We had sold certain types of pharmaceutical products to these companies as part of our inventory management strategy, and procured certain other types of pharmaceutical products, medical devices, healthcare and nutritional supplements and other wellness products from them. The products sold to, and purchased from, these companies were different.

For the year ended December 31, 2023, to the best knowledge and belief of our Directors, two of our five largest customers were also our suppliers. Our aggregate sales to these two customers amounted to RMB30.6 million in 2023, accounting for less than 2.0% of our total revenue for the same year. Our purchases from these two companies amounted to RMB7.8 million in 2023, accounting for less than 1.0% of our total purchases for the same year.

For the year ended December 31, 2022, to the best knowledge and belief of our Directors, two of our five largest customers were also our suppliers. Our aggregate sales to these two customers amounted to RMB9.5 million in 2022, accounting for less than 0.5% of our total revenue for the same year. Our purchases from these two companies amounted to RMB15.9 million in 2022, accounting for less than 1.0% of our total purchases for the same year.

None of our five largest customers in 2021 were also our supplier during the same year.

Our Directors confirm that all of our sales to and purchases from these companies were conducted in the ordinary course of business under normal commercial terms, and none of our sales to and purchases from these overlapping entities were the same or back-to-back sales during the Track Record Period.

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Save as disclosed above, there were no major suppliers during the Track Record Period who were also our major customers during the corresponding period, or vice versa.

### COMPETITION

We believe we have achieved a strong competitive position in the online CDM platform healthcare market in China. We compete against other online pharmaceutical retail companies and other online healthcare service providers, especially other online chronic disease management platforms.

We believe the major competitive factors in our industry includes:

- Physician resources;
- Relationships with pharmaceutical companies;
- Technology capabilities;
- Accumulation of data and medical case information;
- Infrastructure to ensure data privacy;
- Reputation and customer retention; and
- Compliance with applicable laws and regulations.

We believe that we are well positioned to effectively compete on the basis of the foregoing factors. However, some of our current or future competitors may have greater brand recognition, better supplier relationships, larger customer bases or greater financial, technical or marketing resources than we do. See “Risk Factors—Risks Relating to Our Business and Industry—If we are unable to compete effectively, our business, results of operations and financial condition may be materially and adversely affected” and “Industry Overview—China’s Online Chronic Disease Management Market—Competitive Landscape of China’s Online Chronic Disease Management Market.”

### SEASONALITY

Our business and industry are subject to seasonality associated with spending activities and patterns related to the consumption of medical services and pharmaceutical products in China. For example, in the first quarter, which coincides with the Chinese New Year holiday, online and offline hospitals and pharmacies in China generally experience a lower volume of patient visits and other activities, and we typically expect a lower demand for our services and products during that period as a result. However, given our significant growth during the Track Record Period, the effect of seasonality on our operating results was not particularly apparent, and seasonal factors had minimal impact on our overall business and financial performance. See “Risk Factors—Risks Relating to Our Business and Industry—Our results of operations may be subject to seasonal fluctuations.”

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### AWARDS AND RECOGNITION

During the Track Record Period, we had received awards and recognitions for the quality of our services and products. Representative awards and recognitions are set forth below.

Year	Awards and recognitions	Issuing authority/forum
2023	2023 Guangdong Specialized and Innovative Small-Medium Enterprise (2023廣東省專精特新中小企業)	Department of Industry and Information Technology of Guangdong Province (廣東省工業和信息化廳)
2023	Guangzhou Outstanding Software Enterprise (廣州市優秀軟件企業)	Guangzhou Software Industry Association (廣州市軟件行業協會)
2023	Innovative Project for Online Public Interest (網絡公益創新項目)	Cyberspace Administration of Guangzhou (廣州市委網信辦)
2023	Influential Brand of Technological Innovation (科技創新影響力品牌)	Business School of Chinese Academy of Management Science (中國管理科學研究院商學院)/Discovery Magazine (發現雜誌社)/The 21st China Scientists Forum (第二十一屆中國科學家論壇)
2022	2022 Comprehensive Health Quality Manufacturing Leadership Award (2022大健康質造引領獎)	The 3rd International Quality Festival (第三屆國際品質節)/2022 Global Consumption Leadership Summit (2022全球消費領導力峰會)
2022	List of Health Consumer Service Providers—Impact Category (健康消費服務機構榜單—影響力類別)	China International Consumer Products Expo 2022—Global Healthcare Consumer Forum (2022年中國國際消費品博覽會—全球醫療消費論壇)
2022	2022 Digital Transformation Impetus Award (2022數字轉化型推動力獎)	The 11th China Finance Summit (第十一屆中國財經峰會)
2021	2021 Jinge Award—Internet Healthcare Innovative Award (金革獎—互聯網醫療創新獎)	Healthcare Industry Insurance Summit (健康醫療產業保險峰會)

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### INTELLECTUAL PROPERTY

We rely on a combination of patent, copyright, trademark and trade secret laws and restrictions on disclosure to protect our intellectual property rights. As of the Latest Practicable Date, we had registered in China a total of 236 trademarks, 24 patents, 56 software copyrights and 21 domain names. For details, see “Appendix IV—B. Further Information about our Business—2. Intellectual Property Rights” in this prospectus.

Intellectual property rights are important to the success of our business. We have comprehensive intellectual property protection policies and related internal control systems to ensure our ability to obtain and maintain patents and other intellectual property and proprietary protections for commercially important technologies, inventions and know-hows related to our business, defend and enforce our patents, preserve the confidentiality of our trade secrets, and operate without infringing, misappropriating or otherwise violating the valid, enforceable intellectual property rights of third parties.

We protect our intellectual property rights, including trademarks, patents, copyrights and domain names, strictly in accordance with the relevant laws and regulations. We regularly improve and update our intellectual property management system in line with the development of our business. We seek to maintain registration of intellectual property rights that are material to our business under appropriate categories and in appropriate jurisdictions. On the other hand, for proprietary know-hows that are not patentable and processes the patents for which are difficult to enforce, we expect to rely on business confidentiality agreements to safeguard our interests in this respect. We have entered into confidentiality agreements, or employment agreements with confidentiality terms, with our employees, requiring them to strictly comply with our confidentiality requirements.

Our Directors confirm that we were not involved in any material disputes or pending legal proceedings in respect of, and we had not received notice of any claims of infringement of, any intellectual property rights during the Track Record Period and up to the Latest Practicable Date.

### EMPLOYEES

The following table sets forth the number of full-time employees by function as of December 31, 2023.

	<b>Number of employees</b>	<b>% of total</b>
General and administrative personnel	125	24.3%
Research and development personnel	112	21.7%
Operational personnel	114	22.1%
Sales and marketing personnel	109	21.2%
In-house medical professionals	55	10.7%
Total	<b>515</b>	<b>100.0%</b>

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

During the Track Record Period, we did not pay social insurance and housing provident fund in full for certain employees based on their actual salary levels in accordance with applicable PRC laws and regulations. This occurred primarily due to inadvertent oversight of the relevant PRC laws and regulations, the implementation of which vary from city to city. As advised by our PRC Legal Advisor, if the PRC government is of the view that our contributions to employees' social insurance or housing provident fund do not comply with the requirements under the relevant PRC laws and regulations, we may be ordered to pay the underpaid amount and may be required to pay a late payment fee of up to 0.05% of our underpaid social insurance contribution for each day of delay, and may be imposed fines in an aggregate amount ranging from one to three times of the underpaid social insurance contribution. Our PRC Legal Advisor has also advised us that, in the event that we fail to pay the housing provident fund in full, the housing provident fund management center may order us to pay the amount within a prescribed time limit. If we fail to do so upon the expiration of the abovementioned time limit, further application will be made to the People's Court for compulsory enforcement. Notwithstanding the above-mentioned underpaid amount, the MOHRSS issued the Urgent Notice on Enforcing the Requirement of the General Meeting of the State Council and Stabilization the Levy of Social Insurance Payment (《關於貫徹落實國務院常務會議精神切實做好穩定社保費徵收工作的緊急通知》) on September 21, 2018, which promotes the reduction in the amount of social insurance contributions by companies to avoid overburdening enterprises, and prohibits local authorities from self-organizing collection and clearance of all past arrears of enterprises.

As of the Latest Practicable Date, we were neither aware of any employee complaints filed against us nor involved in any material labor disputes with our employees with respect to social insurance or housing provident fund contributions. As of the Latest Practicable Date, no administrative action, fine or penalty had been imposed against us by relevant authorities with respect to our under-contribution to employees' social insurance or housing provident fund, nor had we received any order to make up for the underpaid amount. If we were to receive notices from the relevant government authorities, we would pay any underpaid contribution and the related late payment fees within the prescribed period. Our PRC Legal Advisor is of the opinion that the risk of us being subject to fine is low, provided that we will make the payment within the prescribed period. As of December 31, 2021, 2022 and 2023, our accumulated provision for (or under-contribution to) social insurance and housing provident fund contributions amounted to RMB19.1 million, RMB37.4 million and RMB36.8 million, respectively. We had rectified our social insurance and housing provident fund contribution non-compliance by the end of June 2023. Since July 2023, we have been making all social insurance and housing provident fund contributions in accordance with applicable PRC laws and regulations.

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In light of the above, our Directors are of the view that the maximum amount of our potential liabilities under these underpaid social insurance and housing provident fund contributions has no material adverse impact on our business, financial condition and results of operations.

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

We typically enter into standard employment agreements and confidentiality agreements with our senior management and key personnel. These contracts include a standard non-compete covenant that prohibits the employee from competing with us, directly or indirectly, during his or her employment and for up to two years after termination of his or her employment. We maintain a good working relationship with our employees, and we have not experienced any material labor disputes.

During the Track Record Period, we also engaged outsourcing agencies to place certain supporting staff for our daily operations, such as warehouse management personnel and customer service personnel. We typically enter into labor outsourcing agreements with these agencies for a period of two years, which may be renewed upon mutual agreement. We require our outsourcing agencies to pay the social insurance and housing provident funds for the staff who have labor relations with them. Such a requirement is considered at our on initial stage of selecting suppliers. During the Track Record Period and up to the Latest Practicable Date, we did not discover any outsourcing agencies that did not fulfill their obligations or had made material underpayments; neither had there been any disqualification of, or termination of collaboration with, outsourcing agencies due to incidents of non-compliance with relevant laws and regulations or breaches of agreements by them.

### **ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG)**

We are committed to promoting corporate social responsibility and sustainable development and integrating it into all major aspects of our business operations. We consider corporate social responsibility as part of our core philosophy that is crucial to our ability to create sustainable value for our shareholders. Accordingly, our Board is in the process of adopting a comprehensive policy on environmental, social and corporate governance responsibilities (the “**ESG Policy**”) in accordance with the Listing Rules, which will set forth our corporate social responsibility objectives, including (i) the appropriate risk governance on ESG matters; (ii) identification of key stakeholders and the communication channels to engage with them; (iii) our ESG governance structure; (iv) our ESG strategy formation procedures; (v) our ESG risk management and monitoring; and (vi) the identification of key performance indicators and mitigating measures.

### **Governance on ESG Matters**

We actively identify and monitor the actual and potential impact of environmental and social risks on our business, strategies and financial performance over the short, medium and long term, and we seek to incorporate such issues into our business, strategies and financial planning. After the Listing, we will establish an ESG committee, which will be led and supervised by our management and be responsible for establishing, adopting and reviewing our ESG Policy. The key principal duties and responsibilities of our ESG committee include:

- keeping abreast of the latest ESG-related laws and regulations in different countries, including the applicable sections of the Listing Rules, keeping our management informed of any changes in such laws and regulations and updating our ESG Policy in accordance with the latest regulatory updates;
- identifying our key stakeholders based on our business operations and understanding such stakeholders' influences and dependence with respect to ESG matters;
- assessing ESG-related risks on a regular basis according to applicable laws, regulations and policies, especially risks in relation to climate change, to ensure we fulfill our responsibilities with respect to ESG matters;
- ensuring and continuously monitoring the implementation of our ESG Policy;
- periodically reviewing the effectiveness of our ESG Policy; and
- reporting to our management on an annual basis on the implementation of our ESG Policy and preparing the ESG report.

During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any material fines or other penalties due to non-compliance with health, safety or environmental regulations.

### **Assessment and Mitigation of ESG Risks**

We have identified the following ESG risks which we consider material and may have an impact on our business, strategies or financial performance.

- *Health, safety, and product quality risks.* In the course of providing comprehensive medical services and online retail pharmacy services, we are exposed to risks inherent in providing online healthcare services and selling pharmaceutical and healthcare products, where we may face allegations of selling unsafe, ineffective or defective products. We may also be subject to allegations of having engaged in practices such as improperly issuing prescriptions, sale of counterfeit and substandard medicines or other healthcare products or providing inadequate warnings or insufficient or misleading disclosures of side effects. For details, see “Risk Factors—We may be subject to product liability or

medical liability claims, or claims or administrative penalties for counterfeit, substandard or unauthorized products on our platform, which could cause us to incur significant expenses and be liable for significant damage.” To mitigate these risks, we have established a quality control team dedicated to monitoring these risk points, by taking stringent measures relating to practice license and background checks, monitoring physician behavior on our platforms, verification of prescriptions, and ensuring the authenticity of products on our online retail pharmacy service platform. For details, see “—Our Quality Control System.”

- *Prescription management and sales of prescription drugs.* We implement strict procedures to manage our e-prescription services and sales of prescription drugs, which are provided as part of our comprehensive medical services and online retail pharmacy services. For example, our registered physicians and in-house medical professionals are responsible for issuing new prescriptions or prescription refills. We also have an AI-assisted prescription verification system which helps our registered physicians and in-house medical professionals to identify potential prescription-related risks. When a patient places an order on our platforms to purchase prescription drugs, our in-house medical professionals or physicians registered on our platform usually call the patient to confirm the suitability of the prescribed drugs and to inform the patient the potential side effects of the prescription drugs. They may also follow up with patients after a period of time subsequent to the drug purchase to collect information on the effect, side effects, allergic reactions and other conditions experienced by the patient. For details, see “—Our Quality Control System—Prescription Management and Sale of Prescription Drugs.”
- *Energy conservation.* We recognize that the facilities and equipment in our operating premises consume substantial energy. We therefore actively explore strategies to reduce energy consumption. For instance, we actively promote energy conservation and consumption reduction in our daily operations. We encourage the purchase and use of energy-efficient electronic equipment in our office premises, including the choice lighting and other electrical appliances used. Our employees are required to ensure that the air conditioning and other power-consuming equipment at our office premises are switched off timely whenever they are not in use.
- *Product packaging.* As a significant portion of our sales orders is delivered by riders, it is important that our products sold are packaged appropriately to withstand the delivery process. We therefore consume substantial packaging materials, which may be bespoke, and which entails a certain degree of environmental and climate-related risks. To mitigate such risks, we primarily use paper packaging bags as packaging materials in an effort to reduce the consumption of packaging materials. In addition, we strongly encourage our employees to practice effective packaging, and to properly dispose recyclable materials, so as to prevent wastage of resources.
- *Content screening.* For our customized content and marketing services, we have established a content governance framework to strictly review the content posted on our platform. We implement internal control measures to screen the information and content



published on our platform to ensure their accuracy, reliability and compliance with relevant laws and regulations. Educational content created or produced by our staff or medical professionals to increase awareness of general medical knowledge, typically including texts, graphics and pictures, videos and live streaming sessions, is reviewed and vetted by our medical editorial manager to verify its quality and accuracy. If such content involves potential legal or compliance risks or other sensitive issues, our legal department staff and the designated content production personnel will conduct additional reviews to assess its reliability and carefully manage our risk exposure. Promotional content published in collaboration with pharmaceutical companies, typically including articles, videos and live streaming sessions, is reviewed and vetted by our medical editorial manager to verify its quality and accuracy before being uploaded and displayed on our platform. For details, see “—Our Quality Control System—Product Quality Control—Content Screening on Our Platform.”

- *Ethical marketing.* The interactions between us, our registered physicians and our customers are governed by laws and regulations, industry standards and our internal policies and procedures. We require registered physicians to observe professional standards in the course of providing services on our platform, which include recommending the most suitable treatments to patients, and we do not offer incentives to registered physicians for promoting particular brands of drugs to patients. In accordance with applicable laws and regulations, our policies require our employees to present and market the products and services offered on the Jianke Platform honestly and accurately, and such sales and marketing communications must be consistent with product labeling. Accordingly, product-related promotional or advertorial contents which violate applicable laws and regulations are strictly prohibited from publication on our platform. We believe the accurate and balanced presentation of information will contribute to patient education and knowledge dissemination, and enhance credibility and cultivate strong relationships with our customers based on trust.

We do not operate any production facilities. Therefore, we are not subject to significant health, safety or environmental risks. We do not expect to incur any material liabilities or expenditures in health, safety and environmental issues. It is also expected that potential physical risks such as disruptions arising from extreme weather conditions, and transition risks in relation to changes in climate-related regulations and policy would not have a material impact on our operation in the short, medium and long terms.

### **Metric and Targets for Evaluating and Managing the Risks**

In line with our vision for sustainable development, we have established a set of key performance indicators to evaluate and oversee our environmental protection performance. Our energy consumption is mainly derived from electricity consumption of our offices, offline pharmacies and hospital. Our electricity consumption is also the main source of our indirect greenhouse gases emissions. We also consume water and packaging materials during our daily operations. The table below sets forth a quantitative analysis of our environmental performance during the Track Record Period.

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	For the year ended December 31,		
	2021	2022	2023
Electricity consumption (kWh in thousands)	1,322	1,457	1,678
Water consumption (tons)	7,262	10,393	11,797
Packaging materials consumed (RMB'000)	6,830	8,382	8,443
Packaging materials consumed as a percentage of revenue (%)	0.4	0.4	0.3

Although we believe our business operations do not directly produce pollutants that directly affect environment, we have implemented internal policies to reduce our carbon footprint, such as reducing the energy consumption through: (i) installing energy efficient lighting and ensuring lights are switched off when out of use either manually or through automatic sensors; (ii) encouraging employees to go paperless where possible, and where printing is necessary, to conscientiously save paper by using double-sided printing, printing multiple pages in a single sheet, or reducing font-size and page count; (iii) switching off certain IT equipment or automatic power shutdown for certain systems and devices; and (iv) installing air conditioning controls, with measures including requirements on lowest temperature, regular maintenance of air cooling technologies and optimal timing controls. By 2028, we target to achieve a 20% reduction per unit revenue in electricity and water consumption and a 10% reduction per unit revenue in packaging materials consumed.

### Corporate Social Responsibility

We support and participate in socially responsible projects that align with our core values and mission and promote the development of the chronic disease management industry more generally. We provide physician and patient education, improve access to treatment, and facilitate effective management of chronic diseases. In our workplace, we adopt occupational health and safety policies and organize relevant training to ensure the health, safety and welfare of our employees. We also organize fellowship activities and distribute holiday benefits to our employees to foster team cohesion. We actively participate in charity work, including donations to community workers and schools based on their needs. During the COVID-19 pandemic, we donated protective facial masks to schools, hospitals and frontline health workers to support and alleviate the pandemic's impact on the community.

### PROPERTIES

Our corporate headquarters is located in Guangzhou, Guangdong Province. As of the Latest Practicable Date, we did not own any properties, and we leased 52 properties in the PRC. Our leased properties in the PRC are primarily used for office, business and warehouse purposes.

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As of the Latest Practicable Date, among our 52 leased properties, 10 properties had title defects that may adversely affect our ability to continue to lease them in the future. The title defects are mainly due to the failure of the lessors to provide property ownership certificates regarding their legal right to lease such properties, or the failure of the lessors to provide a certificate showing the owner of the properties' consent on renting the properties. Should disputes arise due to title encumbrances to such properties or government action, we may encounter difficulties in continuing to lease such properties and may be required to relocate. For risks relating to our leased properties, see “Risk Factors—Risks Relating to Regulations—Failure to comply with PRC property-related laws and regulations regarding certain of our leased properties may adversely affect our business, financial condition and results of operations.”

Our Directors believe that our use of these leased properties individually or collectively will not have a material adverse effect on our business, financial condition or results of operations. Even if we are required to vacate from the properties, we believe we will be able to readily find comparable properties to relocate and the costs and expenses we may incur for relocation will be immaterial. As of the Latest Practicable Date, we were not aware of any ownership controversy or dispute or third-party claims, nor had we been imposed any administrative penalties.

In addition, as of the Latest Practicable Date, we had not registered the lease agreements for 12 leased properties with the relevant PRC government authorities. Our PRC Legal Advisor has advised us that, according to the applicable PRC laws and regulations, we, as the lessee, may be required by the relevant PRC authorities to register the relevant lease agreements within a prescribed time limit. If we fail to do so, we may be subject to fines ranging from RMB1,000 to RMB10,000 for each non-registered lease agreement, and our maximum penalty for lease non-registration during the Track Record Period is RMB120,000. However, as of the Latest Practicable Date, we had not been fined by the relevant PRC authorities with respect to these non-registered lease agreements, and our PRC Legal Advisor has advised us that the non-registration of such lease agreements would not affect their validity. Given that the amount of potential penalties accounts for an insubstantial portion of our total revenue during the Track Record Period, we believe that the abovementioned defects of our leased properties will not have a material adverse effect on our business, financial condition and results of operations.

As of December 31, 2023, none of the properties leased by us had a carrying amount of 15% or more of our consolidated total assets. According to Chapter 5 of the Listing Rules and section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, this prospectus is exempt from the requirements of section 342(1)(b) of the Companies (Winding up and Miscellaneous Provisions) Ordinance to include all interests in land or buildings in a valuation report as described under paragraph 34(2) of the Third Schedule to the Companies (Winding up and Miscellaneous Provisions) Ordinance.

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### INSURANCE

We consider our insurance coverage to be adequate as we have in place all the mandatory insurance policies required by Chinese laws and regulations and in accordance with the commercial practices in the industries in which we operate.

We primarily maintain medical liability insurance, motor vehicle insurance, and property insurance with respect to our warehouse, including inventories and equipment. Such insurance covers the risk of property damage and damage due to natural disasters and certain accidents such as malicious damages, theft and explosion of water tanks and water pipes. We also provide social insurance, including pension insurance, unemployment insurance, work-related injury insurance, maternity insurance and medical insurance for our employees.

We do not maintain any business interruption insurance, product liability insurance, key-man life insurance or insurance policies for our network infrastructures, or information technology systems. We also do not maintain insurance policies against risks relating to the Contractual Arrangements. For risks related to our insurance coverage, see “Risk Factors—Risks Relating to Our Business and Industry—We have limited insurance coverage, which could expose us to significant costs and business disruption.”

### LEGAL PROCEEDINGS AND COMPLIANCE

#### Legal Proceedings

From time to time, we have been, and may in the future be, involved in various claims and lawsuits in the ordinary course of our business. For more details on potential risks arising from litigation and other legal proceedings, see “Risk Factors—Risks Relating to Our Business and Industry—We, our directors, management and employees may from time to time become party to litigation, regulatory investigations, other legal or administrative disputes and proceedings that may have an adverse impact to our reputation and business prospects.”

During the Track Record Period and up to the Latest Practicable Date, we were not aware of any material pending or threatened legal, arbitral or administrative proceedings against us or any of our Directors which, in the opinion of our Directors, could have had a material adverse effect on our business operations or financial condition as a whole.

#### Compliance

During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any review, inquiry, or investigation by any PRC regulatory authority in relation to our comprehensive medical services and online retail pharmacy services. As advised by our PRC Legal Advisor, according to Measures for the Administration of Internet Hospitals (Trial) (《互聯網醫院管理辦法(試行)》), the Measures for the Administration of Prescriptions (《處方管理辦法》) and other relevant PRC laws and regulations, (i) physicians of Internet hospitals can only provide patients with follow-up consultation services for common and chronic

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diseases; (ii) prescription services shall be provided by physicians who have obtained appropriate prescription authority in the registered place of practice, and prescriptions should be issued in accordance with the requirements of the code of practice and drug instructions; (iii) the dispensing and purchase of prescription drugs should be based on the prescriptions issued by licensed medical practitioner or licensed medical assistant practitioner. Given that (i) our online consultation services are targeted at common and chronic disease management; (ii) we verify the practicing physician qualification certificate (醫師資格證書), practicing physician's license (醫師執業證書) and physician's title certificate (醫師職稱證書) to check that our registered physicians are permitted to provide consultations and issue e-prescriptions through our Jianke Platform; (iii) we maintain records for each patient's medical consultation history and prescription history; (iv) we have implemented policies to ensure that our in-house medical professionals review the prescriptions and approve the sales of prescription drugs upon verification of the authenticity of the prescription; and (v) we recruited experienced and qualified legal officers and established a Legal Department that is responsible for keeping up-to-date on the changes in regulations and for organizing regular trainings to ensure our compliance with relevant laws and regulations, our PRC Legal Advisor is of the view that our comprehensive medical services and online retail pharmacy services have complied with the Measures for the Administration of Internet Hospitals (Trial) (《互聯網醫院管理辦法(試行)》), the Measures for the Administration of Prescriptions (《處方管理辦法》) and other relevant PRC laws and regulations in all material aspects during the Track Record Period and up to the Latest Practicable Date. Furthermore, to the best of our knowledge, none of our registered physicians and in-house medical professionals had been found to have had deficient registration or to have been practicing beyond the permitted scope during the Track Record Period. Based on the Joint Sponsors' discussions with the management, the Company's PRC Legal Advisor and the Joint Sponsors' PRC legal advisor, and the Joint Sponsors' review of the Company's internal control measures with the assistance of the Company's internal control consultant, nothing has come to the Joint Sponsors' attention that would lead them to disagree with the foregoing views of the Company and its PRC Legal Advisor.

We are engaged in audio-visual business related to popularization of medical knowledge in the form of video uploading or live streaming through Jianke Platform. According to the Administrative Provisions on Internet Audio-Video Program Services (《互聯網視聽節目服務管理規定》), the provider of audio-video program is required to obtain the License for Online Transmission of Audio-Visual Programs (信息網絡傳播視聽節目許可證) (the “**AVP License**”). As advised by our PRC Legal Advisor, the Cultural Market Comprehensive Enforcement Office of Guangzhou Municipal Culture, Radio, Television and Tourism Bureau (廣州市文化廣電旅遊局文化市場綜合執法隊) (the “**Enforcement Office**”) is the competent authority responsible for the law enforcement works of cultural market cases within its jurisdiction. Pursuant to consultations conducted with the Enforcement Office in June 2023, the Enforcement Office verbally confirmed that engaging in audio-visual business related to popularization of medical knowledge does not fall within the scope of obtaining an AVP License under relevant laws and regulations; therefore, the Group is not required to obtain an AVP License and would not be penalized for not obtaining an AVP License. As of the Latest Practicable Date, we had not been

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penalized for engaging in audio-visual business without holding an AVP License. Based on the foregoing, our PRC Legal Advisor is of the view that as of the Latest Practicable Date, we were not required to apply for the AVP License and would not be penalized for not obtaining an AVP License.

During the Track Record Period and up to the Latest Practicable Date, except as disclosed in “—Employees” and “—Properties,” we had complied with applicable PRC laws and regulations in all material respects and had not been and were not involved in any non-compliance incidents that led to fines, enforcement actions or other penalties that could, individually or in the aggregate, have a material adverse effect on our business, financial condition or results of operations.

### LICENSES, PERMITS AND APPROVALS

As advised by our PRC Legal Advisor, during the Track Record Period and as of the Latest Practicable Date, we had duly obtained and maintained all material licenses, permits and certificates from relevant authorities for our operations, and such licenses, permits and certificates have remained in full effect. Our PRC Legal Advisor has advised us that there is no material legal impediment to renewing our licenses, permits and certificates required for our operations, provided that we have complied with all applicable PRC laws and regulations during the Track Record Period. For details, see “Risk Factors—Risks Relating to Our Business and Industry—If we fail to obtain and maintain the requisite licenses, permits and approvals applicable to our business, or fail to obtain additional licenses that become necessary as a result of new enactment or promulgation of laws and regulations or the expansion of our business, our business and results of operations may be materially and adversely affected.”

The following table sets forth a list of material licenses, permits and approvals currently held by us.

No.	Entity	Name of the license, permit or approval	Grant date <sup>(1)</sup>	Expiration date
1.	Fangzhou Yunkang	Drug Trading License	August 26, 2020	August 25, 2025
2.	Fangzhou Yunkang	Value-added Telecommunication Business License	October 21, 2022	December 14, 2025
3.	Fangzhou Yunkang	Food Business License	September 21, 2020	September 20, 2025
4.	Fangzhou Yunkang	Internet Drug Information Service Qualification Certificate	July 1, 2020	June 30, 2025
5.	Fangzhou Yunkang	Class II Medical Device Business Registration	December 14, 2020	December 14, 2025

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No.	Entity	Name of the license, permit or approval	Grant date <sup>(1)</sup>	Expiration date
6.	Fangzhou Yunkang	Value-added Telecommunication Business License	November 14, 2023	November 14, 2028
7.	Fangzhou Medicine	Drug Trading License	January 19, 2020	January 18, 2025
8.	Fangzhou Medicine	Value-added Telecommunication Business License	April 23, 2024	March 10, 2025
9.	Fangzhou Medicine	Food Business License	January 7, 2020	January 6, 2025
10.	Fangzhou Medicine	Internet Drug Information Service Qualification Certificate	March 11, 2020	March 10, 2025
11.	Fangzhou Medicine	Medical Devices Business License	September 15, 2020	January 18, 2025
12.	Fangzhou Medicine	Class II Medical Device Business Registration	January 3, 2020	NA
13.	Fangzhou Pharmaceutical	Drug Trading License	December 20, 2019	December 19, 2024 <sup>(2)</sup>
14.	Fangzhou Pharmaceutical	Medical Devices Business License	January 5, 2021	January 4, 2026
15.	Fangzhou Pharmaceutical	Registration for Sales of Pre-packaged Food	August 12, 2022	NA
16.	Fangzhou Internet Hospital	Practice License of Medical Institution	November 2, 2020	November 1, 2025
17.	Fangzhou Internet Hospital	Internet Drug Information Qualification Certificate	April 26, 2021	April 25, 2026
18.	Xinjiang Internet Hospital	Practice License of Medical Institution	May 19, 2020	May 18, 2025
19.	Xinjiang Internet Hospital	Internet Drug Information Qualification Certificate	July 20, 2020	July 19, 2025
20.	Fangzhou Media	Internet Drug Information Qualification Certificate	May 19, 2021	May 18, 2026
21.	Fangzhou Information	Internet Drug Information Service Qualification	November 27, 2019	November 26, 2024 <sup>(2)</sup>
22.	Jingtai Hospital	Practice License of Medical Institution	September 13, 2023	September 13, 2028
23.	Jingtai Hospital	Internet Drug Information Service Qualification	April 19, 2021	April 18, 2026
24.	Qishi Hospital	Internet Drug Information Service Qualification	May 17, 2021	May 16, 2026
25.	Qishi Hospital	Practice License of Medical Institution	July 12, 2022	May 11, 2026

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<u>No.</u>	<u>Entity</u>	<u>Name of the license, permit or approval</u>	<u>Grant date<sup>(1)</sup></u>	<u>Expiration date</u>
26.	Fangzhou Beijing	Drug Trading License	January 10, 2022	January 9, 2027
27.	Fangzhou Beijing	Food Business License	January 27, 2022	January 26, 2027
28.	Yunyi Information	Value-added Telecommunication Business License	August 2, 2022	August 2, 2027
29.	Ruishi Hospital	Practice License of Medical Institution	January 26, 2024	January 25, 2029

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*Notes:*

- (1) Grant date refers to the latest date on which the relevant license was granted or renewed.
- (2) We plan to renew the license before expiration. We and our PRC Legal Advisor are not aware of any circumstances that are expected to cause any material impediment to obtaining such renewal.

### RISK MANAGEMENT AND INTERNAL CONTROL

We have adopted and implemented various policies and procedures to ensure rigorous risk management and internal control, and we are dedicated to continually improving these policies and procedures.

We have adopted and currently maintain risk management and internal control systems, which consist of policies and procedures that we consider appropriate for our business operations. We are devoted to continually improving these systems. Our risk management and internal control policies and procedures cover various aspects of our business operations, such as information technology, internal audit, human resources and regulatory risk management. Our Board of Directors is responsible for the establishment and update of our internal control systems, while our senior management monitors the daily implementation of the internal control procedures and measures with respect to each subsidiaries and functional departments.

#### Information Security Risk Management

We pay close attention to risk management relating to our information technology systems as storage and protection of user data and other related information is critical to us. We have adopted a set of security safeguard measures to protect the data we have accumulated and stored, including, but not limited to, encryption technology for data transmission and storage, conducting data classification management and applying strict user data access and usage management policies.

We have adopted a rigorous encrypted algorithm to store data and strictly execute a data accessing and transmitting policy to ensure the confidentiality of our electronic data. We have also developed strict internal control and data accessing mechanisms and detailed approval and operation procedures regarding data collection and processing. Under such mechanisms and procedures, any operation violating information security regulations will result in internal disciplinary action. Our staff are expected to undertake periodical training on data protection.



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We also have a comprehensive data backup system to encrypt and store data on servers in different locations in order to minimize the risk of data loss. Furthermore, we have designated personnel to be responsible for inspecting and reporting any suspicious data deriving and transmitting activities, as well as enhancing our data protection system pursuant to the changes of laws and regulations and technology development. Meanwhile, such personnel has been designated to take charge of reviewing, discussing and improving our technologies in managing information security and our internal control system to ensure adequate protection is given to our database.

### **Internal Audit Risk Management**

We have established an audit committee to monitor the implementation of our risk management policies across our Group on an ongoing basis to ensure that our internal control system is effective in identifying, managing and mitigating risks involved in our business operations. The audit committee consists of three members, Mr. Zhu Xiaolu, Dr. Wang Haizhong, Ms. Kang Wei, all of whom are independent non-executive Directors. See “Directors and Senior Management” in this prospectus for the professional qualifications and experiences of the members of our audit committee.

We also maintain an internal audit department which is responsible for reviewing the effectiveness of internal control and reporting to the audit committee and senior management on any issues identified. Our internal audit department members are required to report to management to discuss any internal control issues we face and the corresponding measures to implement toward resolving such issues. The internal audit department reports to the audit committee to ensure that any major issues identified are channeled to the committee on a timely basis. The audit committee then discusses the issues and reports to the board of directors, if necessary.

### **Human Resources Risk Management**

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

### **Regulatory Compliance and Legal Risk Management**

Compliance risk refers to the risk of being subject to legal and regulatory sanctions, and the risk of major financial and reputational losses as a result of our failure to comply with relevant laws, regulations, rules and guidelines. Meanwhile, legal risk refers to the risk of legal liability arising from violations of laws and regulations, breaches of contracts, infringements on the legal rights of others or otherwise in connection with any contract or business activity in which we are involved.

In order to manage our compliance and legal risk exposures effectively, we have designed and adopted strict internal procedures to ensure the compliance of our business operations with the relevant rules and regulations. For instance, our legal department reviews and manages our contracts for our business operations, and conducts the necessary due diligence before we enter into any contract or business arrangements. They also liaise with our business operations team to conduct periodic regulatory review, so as to ensure that all relevant governmental approval, licenses and permits necessary for our business activities and operations are duly and timely obtained, renewed and maintained.

### **Anti-corruption and Anti-bribery Risk Management**

We have implemented strict policies and guidelines relating to anti-corruption, anti-bribery and anti-deception, including policies that prohibit the acceptance of gifts, hospitality and other offers by interested third parties. These policies are expressly included in our employee handbook, which our employees are required to acknowledge and observe. In addition, as we and our employees deal with a variety of third parties in our operations, we have implemented internal procedures with respect to anti-bribery, anti-corruption and conflict of interest matters. First of all, we require each department to perform self-check on any violations in key processes and roles on a regular basis, and report to the internal audit department any violation or trace of possible risk events. Second, employees and parties outside our Group are encouraged to provide information regarding any potential violation via phone, email, letters and other means, and we would offer rewards in return for such information. Third, our internal audit department carefully evaluates risk events and conducts investigations when necessary. Lastly, our internal audit department conducts internal audits on a regular basis. We impose on directors, senior management and employees penalties, and require compensation for any losses incurred as a result of any activities concerning bribery and corruption. During the Track Record Period and up to the Latest Practicable Date, our Directors were not aware of any bribery, corruption or deception incidents, such as collusion between the platforms, pharmaceutical companies and physicians to encourage the prescription of certain medicines and mislead the patients. Going forward, we will continually review the implementation of our risk management policies and measures to ensure their effectiveness and sufficiency.

**Two-invoice System and National Centralized Procurement**

According to relevant rules promulgated by the PRC government authorities, the two-invoice system generally requires a drug manufacturer to issue only one invoice to its distributor, followed by the distributor issuing a second invoice directly to the end customer hospital. Only one distributor is permitted to distribute drug products between the manufacturer and the hospital. The system also encourages manufacturers to sell drug products directly to hospitals. Pharmaceutical manufacturers and distributors who fail to implement the two-invoice system may be disqualified from attending future bidding events or providing distribution for hospitals and blacklisted for drug procurement practices. Public medical institutions undertake the obligation to verify the consistency between invoices, goods and records before they store and use drugs. Our business mainly focuses on online to-consumer chronic disease management and the sales of pharmaceutical products to individuals, pharmacies and non-public medical institutions is not subject to the “two-invoice system”. During the Track Record Period and up to the Latest Practicable Date, we did not directly sell pharmaceutical products to public medical institutions. As such, the implementation of the “two-invoice system” does not have any material impact on our business and financial performance.

In addition, since 2019, the State Council and other relevant authorities issued a series of policies on bolstering reform of the medical and healthcare system, including certain centralized procurement policies. According to the Notice on Issuance of the Pilot Plan Regarding the Organization of Centralized Procurement and Use of Drugs (《國務院辦公廳關於印發國家組織藥品集中採購和使用試點方案的通知》) by the State and the Implementation Opinions on Region Expansion of the Organization of Centralized Procurement and Use of Drugs by the State (《關於國家組織藥品集中採購和使用試點擴大區域範圍的實施意見》), the State planned to organize centralized procurement and use of certain types of pilot drugs to lower drug prices, reduce patients’ drug cost burden, and lower the transaction costs of pharmaceutical enterprises. In 2021, the State Council published an updated policy Opinion on Promoting the Normalization and Institutionalization of Centralized Volume-Based Procurement of Drugs (《國務院辦公廳關於推動藥品集中帶量採購工作常態化制度化開展的意見》) to provide additional details and clarification on the centralized procurement scheme. The scheme included an initial procurement scope covering drugs listed in the Drug Catalog for Basic Medical Insurance, which exhibited widespread usage and high procurement prices, with the goal of gradually expanding to additional drugs which are deemed to be clinical necessities with widespread demand. In principle, all holders of registration certificates of drugs falling under the scope of the centralized volume-based procurement and meet the requirements for the centralized volume-based procurement in terms of quality standards, production capacity, and supply stability, may participate in such procurement. In addition, all public medical institutions are required to participate in the centralized volume-based drug procurement.

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We do not sell pharmaceutical products directly or indirectly to public medical institutions and are therefore not directly subject to the centralized procurement policies. However, such policies have indirectly impacted us by lowering the general market price of drugs subject to the centralized procurement scheme, which in turn has increased sales of these drugs. Although the prices of these drugs were lowered to different extents as an indirect result of such centralized procurement policies during the Track Record Period, we did not experience any significant decrease in our gross profit margin as a result of such price changes during the same period, primarily because (i) only a portion of the SKUs on our platform were affected by centralized procurement policies; and (ii) the impact of any price reductions resulting from the inclusion of these drugs in the centralized procurement scheme is generally offset by decreases in our procurement costs and changes in demand for these SKUs. We will utilize our strategy to further expand and diversify our SKUs to maintain and increase our revenue. In addition, we will continue to monitor the development of centralized procurement policies and negotiate with our suppliers for price adjustments compensation for relevant drugs where appropriate, so as to maximize our profitability.

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### BACKGROUND

We currently conduct our online consultation and e-prescription services, online retail pharmacy services and online academic community services (the “**Relevant Businesses**”) through our Consolidated Affiliated Entities, namely Fangzhou Yunkang together with its subsidiaries, which were all established under the PRC laws.

Since the Relevant Businesses are classified as foreign investment restricted or prohibited businesses under the applicable PRC laws, regulations or rules, in order to comply with the PRC laws and regulations and maintain effective control over the operation of the Relevant Businesses, Fangfeng Technology (the “**New WFOE**”) entered into a series of contractual arrangements with Fangzhou Yunkang and the Fangzhou Yunkang Registered Shareholders on June 19, 2020 (the “**Contractual Arrangements**”), under which the New WFOE is entitled to substantially all economic benefits arising from the business of the Consolidated Affiliated Entities to the extent permitted by the PRC laws and regulations. Under the Contractual Arrangements, we have acquired effective control over the financial and operational management and results of Fangzhou Yunkang and are entitled to substantially all the economic benefits derived from the operations of Fangzhou Yunkang. For the years ended December 31, 2021, 2022 and 2023, the Consolidated Affiliated Entities, namely Fangzhou Yunkang and its wholly controlled subsidiaries (i.e. Fangzhou Medicine, Fangzhou Internet Hospital, Qishi Hospital, Fangzhou Media and Ruishi Hospital), in aggregate contributed to 92.56%, 92.53% and 93.37% of the total revenue of the Group, respectively.

Our Directors believe that the Contractual Arrangements are fair and reasonable because: (i) the Contractual Arrangements were freely negotiated and entered into among the parties thereto; (ii) by entering into the Exclusive Service Agreement with the New WFOE, our Consolidated Affiliated Entities will enjoy better economic and technological support from us, as well as a better market reputation after the Listing, and (iii) a number of other companies use similar arrangements to accomplish the same purpose.

### OVERVIEW OF LAWS AND REGULATIONS OF THE PRC RELATING TO FOREIGN OWNERSHIP RESTRICTIONS AND THE APPLICATION THEREOF TO THE GROUP’S BUSINESSES

#### Overview

Investment activities in the PRC by foreign investors are principally governed by the Catalogue of Industries for Encouraging Foreign Investment (《鼓勵外商投資產業目錄(2022年版)》) (the “**Catalogue**”), and the Special Administrative Measures for Access of Foreign Investment (《外商投資准入特別管理措施(負面清單)》) (the “**Negative List**”), both of which were promulgated and are amended from time to time by the MOFCOM and the NDRC. The Catalogue and the Negative List lay out the basic framework for foreign investment in China, classifying businesses into three categories with regard to foreign investment: “encouraged”, “restricted” and “prohibited”. Industries not listed in the Catalogue and the Negative List are generally deemed as falling into a fourth category “permitted” unless specifically restricted by other PRC laws.

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### **Prohibited Business**

Set out below is a summary of our businesses that are subject to foreign investment prohibition:

#### ***Radio and Television Program Production and Operation Service***

Our Relevant Businesses involve providing online short videos, online lectures and courses, live-streaming and other online academic community service through mobile application. In order to provide such services, each of Fangzhou Medicine and Fangzhou Media, being wholly-owned subsidiaries of Fangzhou Yunkang, holds a license for production and operation of radio and television programs (《廣播電視節目製作經營許可證》) (“**R&T License**”) to provide filming and recording services of online short videos, online lectures and courses, which falls within the scope of the production and operation of radio and television programs, where foreign investment is prohibited according to the Negative List.

Our PRC Legal Advisor made a telephone consultation with the Radio and Television Administration of Guangdong Province (廣東省廣播電視局), and understands that an internet platform operator like Fangzhou Medicine which makes customized short videos, online lectures and courses and live-streaming lectures for a fee and providing such videos or live-streaming services to its users/customers by uploading them on its internet platform is required to obtain a R&T License. As advised by our PRC Legal Advisor, the Radio and Television Administration of Guangdong Province is the competent authority and the officer consulted is competent to give such confirmation.

#### ***Internet Audio-Visual Program Service***

Fangzhou Medicine also holds a license for operation of internet cultural business (《網絡文化經營許可證》) to provide pre-recorded courses and live-streaming courses to users through its mobile applications, which falls within the scope of internet audio-visual program services, where foreign investment is prohibited according to the Negative List.

### **Restricted Business**

Set out below is a summary of our businesses that are subject to foreign investment restriction:

#### ***Online hospital services and relevant online retail pharmacy services***

According to the Negative List, a medical institution falls within the “restricted” category under the Negative List and foreign investors are only allowed to invest in medical institutions in the form of joint ventures. According to the Provisional Measures for the Administration of Medical Institutions in the Form of Sino-foreign Equity or Contractual Joint Venture (《中外合資合作醫療機構管理暫行辦法》) (the “**Medical Institutions Administration Measures**”), operation of “medical institutions” falls within the “restricted category” and foreign investors

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are not allowed to hold more than 70% equity interests in a “medical institution”. However, as the PRC internet healthcare industry is relatively new and evolving, neither the Negative List nor the Medical Institutions Administration Measures provides clear guidance on the categorization of operation of “online hospital services” in terms of foreign investment restrictions. Our PRC Legal Advisor is of the view that, in practice, foreign investment restrictions on “online hospital services” are subject to the supervision and administration of the local competent authority responsible for supervision and administration of foreign investment and local health administrative departments, and there might be difference in the policy, guidance and interpretation adopted by the authorities in different provinces.

In Guangdong province, Fangzhou Yunkang and its subsidiaries, namely Fangzhou Medicine, Fangzhou Internet Hospital and Qishi Hospital, are engaged in online internet hospital services such as online consultation and e-prescription services. Ruishi Hospital, a wholly-owned subsidiary of Fangzhou Yunkang, holds a medical institution practice license (《醫療機構執業許可證》) and intends to conduct online hospital services. Our PRC Legal Advisor, the PRC legal advisor of the Joint Sponsors and the Company conducted consultation with the competent government authority responsible for supervision and administration of foreign investment in Guangdong province, namely Department of Commerce of Guangdong Province (廣東省商務廳). The Department of Commerce of Guangdong Province verbally confirmed that, (i) no applicable PRC laws, regulations or rules have provided clear guidance on application or approval for foreign invested enterprise’s operation of “online hospital services and relevant online retail pharmacy services”, (ii) the application by foreign invested enterprise is subject to the authorities’ review on a case-by-case basis, (iii) there exists enormous difficulty and significant uncertainty on whether an application from a foreign invested enterprise for operating “online hospital services and relevant online retail pharmacy services” within its respective jurisdictions would be approved, and currently no such approval has ever been issued in Guangdong province; and (iv) prior to obtaining approval for operating “online hospital services and relevant online retail pharmacy services”, foreign invested enterprise cannot engage in such business and such business shall only be conducted by a domestic enterprise whose shareholders are purely domestic investors rather than foreign investors. As advised by our PRC Legal Advisor, the Department of Commerce of Guangdong Province is the competent authority and the officers interviewed are competent to give such confirmation in respect of foreign investments. Our PRC Legal Advisor is also of the view that, notwithstanding the abovementioned 70% limit on foreign investment, based on the above confirmation, within the Guangdong province, in practice, the likelihood of obtaining approval by a foreign invested enterprise for the operation of online hospital services and relevant online retail pharmacy services is remote and without such approval, a foreign invested enterprise is prohibited from holding any equity interest in such Relevant Businesses operated by Fangzhou Yunkang, Fangzhou Medicine, Fangzhou Internet Hospital and Qishi Hospital.

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In Xinjiang province, Xinjiang Internet Hospital holds a medical institution practice license (《醫療機構執業許可證》) and the medical institution type of Xinjiang Internet Hospital is internet hospital. With respect to the local foreign restriction in internet hospital, our PRC Legal Advisor, the PRC legal advisor of the Joint Sponsors and the Company conducted consultation with the competent government authority, namely the Health Commission of Xinjiang Production and Construction Corps (新疆生產建設兵團衛生健康委員會). The Health Commission of Xinjiang Production and Construction Corps verbally confirmed that in Xinjiang, internet hospitals are regulated as offline hospitals and foreign investors are not allowed to hold, either directly or indirectly, more than 70% equity interest in a medical institution. As advised by our PRC Legal Advisor, the Health Commission of Xinjiang Production and Construction Corps is the competent authority and the officers interviewed are competent to give such confirmation in respect of foreign investments. Upon completion of the restructuring in contemplation of the Global Offering, Xinjiang Internet Hospital was held as to 70% and 30% by Fangzhou Information (a wholly-owned subsidiary of the New WFOE) and Fangzhou Yunkang, respectively.

### *Offline medical institution business*

Jingtai Hospital, a subsidiary of the Company, holds a medical institution practice license and only provides offline hospital services in Guangzhou as a complement to the online healthcare services of the Company. According to the Medical Institutions Administration Measures, operation of “medical institutions” falls within the “restricted category” and foreign investors are not allowed to hold more than 70% equity interests in a “medical institution”. Liu Xiukui is the registered promoter of Jingtai Hospital and a nominee of the New WFOE and Fangzhou Yunkang. Since Jingtai Hospital does not provide online hospital services, the New WFOE as a foreign investor is allowed to hold 70% equity interests in Jingtai Hospital. Therefore, the New WFOE and Fangzhou Yunkang hold 70% and 30% of the registered capital and promoter’s interest in Jingtai Hospital, respectively.

### *Value-added telecommunication service*

Each of Fangzhou Yunkang, Fangzhou Medicine, Yunyi Information and Fangzhou Media holds an ICP License in the Group to operate value-added telecommunication services through our platform. Fangzhou Medicine mainly provides the value-added telecommunication services in relation to the operation of Jianke Platform, online internet hospital services and online sales of pharmaceutical products. Each of Fangzhou Medicine and Fangzhou Media is wholly owned by Fangzhou Yunkang. Yunyi Information is held by the New WFOE and Fangzhou Yunkang as to 50% and 50%, respectively. Yunyi Information is expected to conduct online hospital services and relevant online retail pharmacy services once approval from competent authority has been obtained.



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According to the revised “Regulation for the Administration of Foreign-Invested Telecommunications Enterprises” (《外商投資電信企業管理規定》) (the “**Regulation**”) that came into effect on May 1, 2022, the qualification requirement on the primary foreign investor in a foreign invested value-added telecommunications enterprise for having a good track record and operational experience in the value-added telecommunications industry (the “**Qualification Requirement**”) was removed.

On May 24, 2022, our PRC Legal Advisor conducted a phone inquiry with the MIIT through service hotline and the relevant MIIT officer confirmed that, (i) the Qualification Requirement has been removed, and (ii) whether a foreign investment enterprise can obtain an ICP License is subject to the examination by MIIT. As advised by our PRC Legal Advisor, the MIIT is the competent authority and the officer consulted was competent to give such confirmation. Accordingly, Yunyi Information submitted an application to the MIIT and obtained an ICP License issued by MIIT dated August 2, 2022. Information on Yunyi Information’s ICP License has been posted on the official website of MIIT and could be searched on the telecommunication services business market integrated management information system of MIIT government service platform (工業和信息化部政務服務平台電信業務市場綜合管理信息系統). Foreign investors may hold an aggregate of no more than 50% of the total equity in any value-added telecommunications business in the PRC. According to the Negative List and the Telecommunications Regulations of the PRC (《中華人民共和國電信條例》), additional value added telecommunication service business is considered “restricted”, which is subject to restrictions on percentage of foreign ownership (not holding more than 50%, except for e-commerce, domestic multi-party communications, storage-forwarding and call centers). However, according to the abovementioned confirmation of the Department of Commerce of Guangdong Province (廣東省商務廳), merely holding the ICP License without any approval for operating “online hospital services and relevant online retail pharmacy services” does not enable Yunyi Information to operate any of the Relevant Businesses.

Our PRC Legal Advisor is of the view that, notwithstanding the abovementioned ICP License and 50% limit on foreign ownership, based on the above confirmation, within Guangdong province, in practice, the likelihood of obtaining approval for a foreign invested enterprise to operate online hospital services and relevant online retail pharmacy services is remote and without such approval, Yunyi Information as a foreign invested enterprise is prohibited from holding any equity interest in such business. Meanwhile, foreign investors or foreign invested enterprise could not hold any equity in Fangzhou Medicine. For more details, see “—Online hospital services and relevant online retail pharmacy services”. The purpose of establishing Yunyi Information and obtaining the ICP License pursuant to relevant PRC law is to eventually transfer the online hospital services and relevant online retail pharmacy services to Yunyi Information once restrictions of providing such services by foreign invested companies are lifted. The Company expects that, under the current shareholding structure of the Group, Fangzhou Media and Yunyi Information will not engage in the non-restricted business that can be operated separately from the foreign investment restricted or prohibited businesses in the foreseeable future.

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## CONTRACTUAL ARRANGEMENTS

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### Permitted Business

Set out below is a summary of our businesses that are not subject to foreign investment prohibition or restriction:

#### *Online sales of pharmaceutical products on third party platforms, offline pharmacy chain operation and drug warehousing*

Fangzhou Yunkang and Fangzhou Medicine are also engaged in online sales of pharmaceutical products on third party platforms, offline pharmacy chain operation and drug warehousing. According to the Negative List, foreign investors are permitted to invest in online sales of pharmaceutical products on third-party platforms, offline pharmacy chain operation and drug warehousing (the “**Permitted Business**”). However, it would be impracticable and disruptive for Fangzhou Yunkang and Fangzhou Medicine to separate such applicable Permitted Business from Fangzhou Yunkang and Fangzhou Medicine, and/or transfer it to the New WFOE, for the following reasons:

- (a) The Drug Trading License is a prerequisite for providing online retail pharmacy services, and the transfer of offline pharmacy chain operation and drug warehousing business would render the Drug Trading License invalid.

According to the Drug Administration Law of the PRC last revised and effective from December 1, 2019 (《中華人民共和國藥品管理法》) (“**Drug Administration Law**”), a drug trading license (“**Drug Trading License**”) is a prerequisite for providing retail pharmacy services, and any entity conducting pharmacy operation and holding the corresponding Drug Trading License shall, among other things, (i) possess business premises, equipment, warehousing facilities and a hygienic environment commensurate with the drugs to be distributed by it, (ii) employ pharmacists or other pharmacy technicians with corresponding qualifications, and (iii) have established management or staff corresponding to the drug trading business (collectively, “**Pre-requisite Requirements**”). Within the Group, only Fangzhou Yunkang and Fangzhou Medicine are eligible for the application and holding of the Drug Trading License applicable to retail pharmacy service and pharmacy chain operation, as they could satisfy the Pre-requisite Requirements, while other subsidiaries of the Group do not possess certain offline pharmacy and warehousing facilities to apply for or hold the Drug Trading License applicable to retail pharmacy service and pharmacy chain operation in accordance with the relevant PRC laws. To apply for or maintain the validity of a Drug Trading License, the operator shall possess certain offline pharmacy and warehousing facilities in accordance with Drug Administration Law and other relevant drug retail regulations. Therefore, a transfer of Fangzhou Yunkang or Fangzhou Medicine’s offline pharmacy chain operation and drug warehousing business to the New WFOE would render them unable to provide any online retail pharmacy services.

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- (b) Transfer of drug trading business on third-party platforms to the New WFOE would have a material adverse impact and interruption on the operation of the Group as a whole.

The Pre-requisite Requirements must be satisfied for operators engaged in drug trading business with a Drug Trading License. Within the Group, only Fangzhou Yunkang and Fangzhou Medicine are eligible for the application and/or holding of the Drug Trading License applicable to retail pharmacy service and pharmacy chain operation, which is a prerequisite for conducting online drug trading business on third-party platforms. Accordingly, transferring such drug trading business operating on third-party platforms to the New WFOE would result in violation of relevant laws and regulations due to the lack of Drug Trading License. In addition, with respect to the online stores operated by Fangzhou Medicine on third party platforms, pursuant to the published policy of, or discussion of the Company with, such platforms, the Company understands that such platforms prohibit any change in the operating entity of the online stores, using the New WFOE to launch new online stores would result in a loss of customers and have a material adverse impact on the operation of the Group, jeopardizing our sales and brand reputation.

Based on the above, it would be impracticable and disruptive for the New WFOE to directly or indirectly hold equity interests in Fangzhou Medicine and Fangzhou Yunkang and then apply for the Drug Trading Licenses and engage in online sales of pharmaceutical products on third party platforms, offline pharmacy chain operation and drug warehousing.

### **NARROWLY TAILORED CONTRACTUAL ARRANGEMENTS**

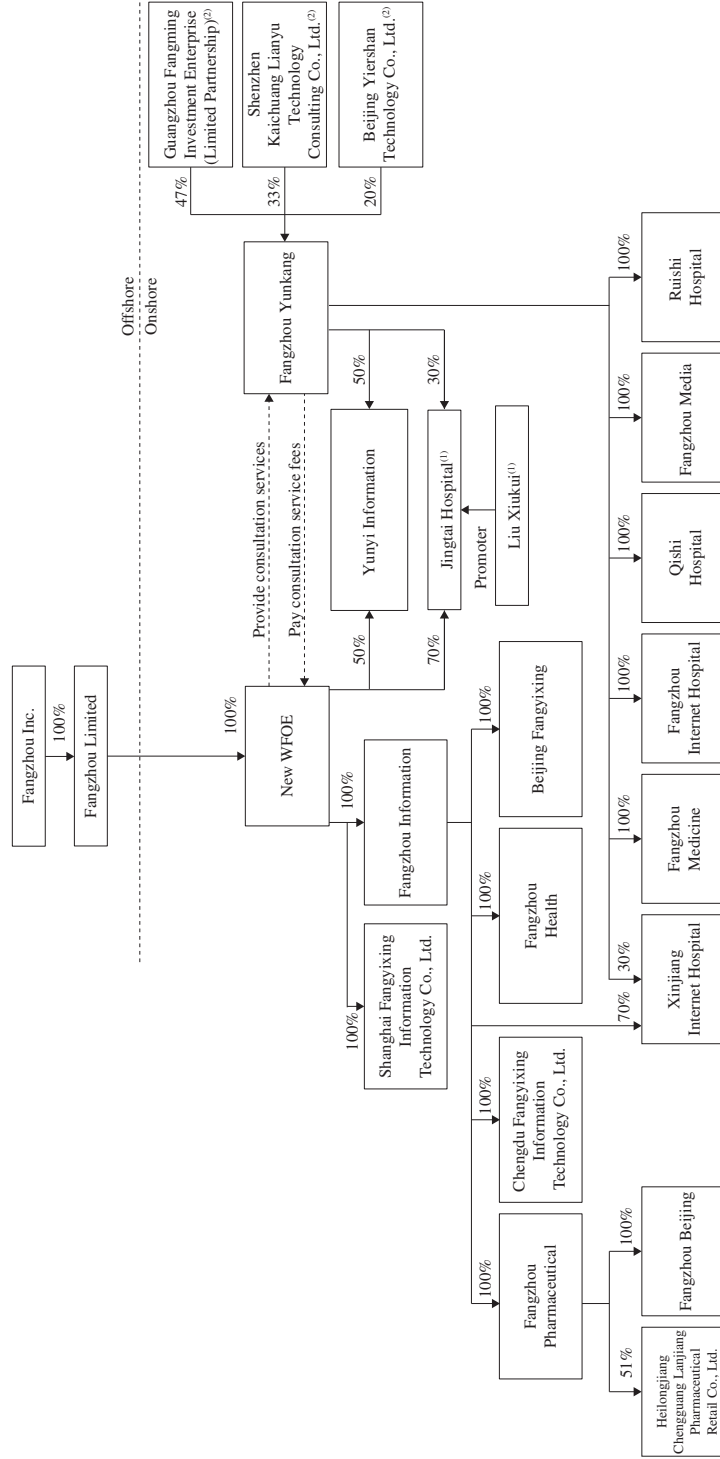
In light of the above, we believe that the Contractual Arrangements are narrowly tailored to achieve our business purposes and minimize the potential conflict with relevant PRC laws and regulations and to enable the Group to consolidate the financial results of our Consolidated Affiliated Entities which are engaged in the operation of the Relevant Businesses.

We will make periodic inquiries with relevant PRC authorities to understand any new regulatory development and will unwind and terminate the Contractual Arrangements as soon as practicable to the extent permissible and we will directly hold the maximum percentage of ownership interests permissible under the applicable PRC laws and regulations if the applicable PRC laws and regulations allow foreign ownership.

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The following simplified diagram illustrates the flow of economic benefits from our Consolidated Affiliated Entities to our Group stipulated under the Contractual Arrangements.



Notes:

- (1) Liu Xiukui is the registered promoter of Jingtai Hospital and a nominee of the New WFOE and Fangzhou Yunkang. The New WFOE and Fangzhou Yunkang each holds 70% and 30% of the registered capital and promoter's interest in Jingtai Hospital.
- (2) Guangzhou Fangming Investment Enterprise (Limited Partnership) is a limited partnership wholly-owned by Mr. Xie. Shenzhen Kaichuang Lianyu Technology Consultancy Co., Ltd. is a limited liability company owned as to 55% and 45%, respectively, by Zhang Xinwei (張新偉) and Wang Wenchao (汪聞超), each of whom holds equity interest in Shenzhen Kaichuang Lianyu Technology Consultancy Co., Ltd. as a nominee appointed by Crescent Point. Beijing Yiershan Technology Co., Ltd. is a limited liability company wholly owned by Yang Jinghua (楊敬華), the mother of Mr. Zhou, who holds equity interest in Beijing Yiershan Technology Co., Ltd. as the nominee on behalf of Mr. Zhou.

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## CONTRACTUAL ARRANGEMENTS

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### SUMMARY OF THE MATERIAL TERMS OF THE CONTRACTUAL ARRANGEMENTS

#### Exclusive Service Agreement

As part of the Contractual Arrangements, New WFOE and Fangzhou Yunkang entered into the exclusive consultancy and service agreement on June 19, 2020 (the “**Exclusive Service Agreement**”). Pursuant to the Exclusive Service Agreement, the New WFOE agreed to be engaged as the exclusive provider to Fangzhou Yunkang of technical support, consultation and other services for a monthly service fee, including the following services:

- (i) provision of the following technology development, transfer and consultancy services:
  - a. development of technology in respect of new business;
  - b. supporting and maintenance of technology in respect of current business;
  - c. regular updating of all business contents; and
  - d. provision and maintenance of all hardware and network necessarily requested for operation of business;
- (ii) staff training and on-board training services;
- (iii) public relations services;
- (iv) market survey, research and consultancy services;
- (v) short-term and mid-term market development and market planning services;
- (vi) human resources management and internal information management;
- (vii) development, updating and daily maintenance of network;
- (viii) the use of any relevant software and trademarks legally owned by the New WFOE;  
and
- (ix) other services provided by the New WFOE from time to time based on the business requirements and the services capacity of the New WFOE.

Pursuant to the Exclusive Service Agreement, the New WFOE has the exclusive and complete proprietary rights to all intellectual properties developed in the performance of obligations under the Exclusive Service Agreement, whether developed by Fangzhou Yunkang, the New WFOE, or jointly.

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## CONTRACTUAL ARRANGEMENTS

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The effective period of the Exclusive Service Agreement shall be ten years, and the Exclusive Service Agreement shall be automatically renewed for a term of ten years upon expiration of the effective period. Notwithstanding the above arrangement, the New WFOE shall be entitled to exercise its unilateral right to terminate by prior written notice to Fangzhou Yunkang based on its own judgment. Subject to applicable laws and unless stated otherwise in the Exclusive Service Agreement, Fangzhou Yunkang does not have the right to unilaterally terminate the agreement.

### **Exclusive Option Agreement**

As part of the Contractual Arrangements, New WFOE, Fangzhou Yunkang and the Fangzhou Yunkang Registered Shareholders entered into the exclusive option agreement on June 19, 2020 (the “**Exclusive Option Agreement**”). Pursuant to the Exclusive Option Agreement, the New WFOE (or any designee) was granted an irrevocable, unconditional and exclusive right to purchase all or any of the equity interest in and/or assets of Fangzhou Yunkang held at present or in the future for a consideration equivalent to the lowest price permitted under the PRC laws at the time of purchasing. Subject to the relevant PRC laws and regulations, the Fangzhou Yunkang Registered Shareholders shall compensate the New WFOE with an amount equivalent to any purchase price, or profits, distributions, dividends or bonus received from the New WFOE.

Fangzhou Yunkang and the Fangzhou Yunkang Registered Shareholders, among other things, have covenanted that:

- (i) without the prior written consent of the New WFOE, they shall not in any manner supplement, change or amend the constitutional documents of Fangzhou Yunkang, increase or decrease their registered capital, or change the structure of their registered capital in other manner;
- (ii) they shall maintain Fangzhou Yunkang’s corporate existence in accordance with good financial and business standards and practices, obtain and maintain all necessary government licenses and permits by prudently and effectively operating their business and handling their affairs;
- (iii) without the prior written consent of the New WFOE, they shall not at any time following the signing of the Exclusive Option Agreement sell, transfer, pledge or dispose of in any manner any assets of Fangzhou Yunkang (except for disposal of assets generated from ordinary course of business) or legal or beneficial interest in the business or revenues of Fangzhou Yunkang, or allow the encumbrance thereon of any security interest;
- (iv) without the prior written consent of the New WFOE, Fangzhou Yunkang shall not incur, inherit, guarantee or assume any debt, except for debts incurred in the ordinary course of business;

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## CONTRACTUAL ARRANGEMENTS

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- (v) Fangzhou Yunkang shall always operate all of its business during the ordinary course of business to maintain their asset value and refrain from any action/omission that may adversely affect the Fangzhou Yunkang's operating status and asset value;
- (vi) without the prior written consent of the New WFOE, they shall not cause Fangzhou Yunkang to execute any material contract with a value above RMB100,000, except the contracts executed in the ordinary course of business;
- (vii) without the prior written consent of the New WFOE, they shall not cause Fangzhou Yunkang to provide any person with any loan or credit except those provided in the ordinary course of business;
- (viii) they shall provide the New WFOE with information on Fangzhou Yunkang's business operations and financial condition at the request of the New WFOE;
- (ix) if requested by the New WFOE, they shall procure and maintain insurance in respect of Fangzhou Yunkang's assets and business from an insurance carrier acceptable to the New WFOE, at an amount and type of coverage typical for companies that operate similar businesses;
- (x) without the prior written consent of the New WFOE, they shall not cause or permit Fangzhou Yunkang to merge, consolidate with, acquire or invest in any person;
- (xi) they shall immediately notify the New WFOE of the occurrence or possible occurrence of any litigation, arbitration or administrative proceedings relating to Fangzhou Yunkang's assets, business or revenue;
- (xii) to maintain the ownership by Fangzhou Yunkang of all of its assets, they shall execute all necessary or appropriate documents, take all necessary or appropriate actions and file all necessary or appropriate complaints or raise necessary and appropriate defenses against all claims;
- (xiii) without the prior written consent of the New WFOE, Fangzhou Yunkang shall not in any manner distribute dividends to its shareholders, provided that upon the written request of the New WFOE, Fangzhou Yunkang shall immediately distribute all distributable profits to its shareholders;
- (xiv) at the request of the New WFOE, they shall appoint any persons designated by the New WFOE as the directors, executive directors or shareholders representative supervisors of Fangzhou Yunkang; and
- (xv) unless otherwise mandatorily required by the PRC laws, Fangzhou Yunkang shall not be dissolved or liquidated without prior written consent by the New WFOE.

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## CONTRACTUAL ARRANGEMENTS

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

- (i) without the written consent of the New WFOE, they shall not sell, transfer, pledge or dispose of in any other manner the legal or beneficial interest in Fangzhou Yunkang, or allow the encumbrance thereon of any security interest, except for pledge created in accordance with the Equity Pledge Agreement;
- (ii) without the written consent of the New WFOE, they shall procure the shareholders' meeting and/or board meeting of Fangzhou Yunkang not to approve sell, transfer, pledge or dispose of in any other manner the legal or beneficial interest in Fangzhou Yunkang, or allow the encumbrance thereon of any security interest, except for pledge created in accordance with the Equity Pledge Agreement; and
- (iii) each of the Fangzhou Yunkang Registered Shareholders will transfer to the New WFOE or its appointee(s) by way of gift any profit or dividend in accordance with the PRC law.

The Exclusive Option Agreement shall remain effective until the New WFOE exercises its unilateral right to terminate by prior written notice to Fangzhou Yunkang and the Fangzhou Yunkang Registered Shareholders. Subject to applicable laws and unless stated otherwise in the Exclusive Option Agreement, Fangzhou Yunkang and the Fangzhou Yunkang Registered Shareholders do not have the right to unilaterally terminate the agreement.

### **Equity Pledge Agreement**

As part of the Contractual Arrangements, New WFOE, Fangzhou Yunkang and the Fangzhou Yunkang Registered Shareholders entered into the equity pledge agreement on June 19, 2020 (the “**Equity Pledge Agreement**”). Pursuant to the Equity Pledge Agreement, the Fangzhou Yunkang Registered Shareholders agreed to pledge all their respective equity interests in Fangzhou Yunkang that they own, including any interest or dividend paid for the shares, to the New WFOE, as a security interest to guarantee the performance of contractual obligations by Fangzhou Yunkang and the Fangzhou Yunkang Registered Shareholders under these agreements, the Exclusive Option Agreement, the Exclusive Service Agreement and the Powers of Attorney.

Should an event of default (as provided in the Equity Pledge Agreement) occur, unless it is rectified or waived, the New WFOE shall have the right to exercise all such rights as a secured party under any applicable PRC laws and the Equity Pledge Agreement.

The pledges under the Equity Pledge Agreement have been duly registered with the relevant PRC legal authority pursuant to the PRC laws and regulations.



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## CONTRACTUAL ARRANGEMENTS

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The Equity Pledge Agreement will remain effective until all obligations under the Exclusive Option Agreement, the Exclusive Service Agreement and the Powers of Attorney have been fully performed.

### **Powers of Attorney**

As part of the Contractual Arrangements, each of the Fangzhou Yunkang Registered Shareholders has executed a power of attorney on June 19, 2020 (collectively, the “**Powers of Attorney**”). Pursuant to the Powers of Attorney, each of the Fangzhou Yunkang Registered Shareholders irrevocably appointed the New WFOE and their designated persons as their attorneys-in-fact to exercise on its behalf, and agreed and undertook not to exercise, any and all right that it has in respect of its equity interests in Fangzhou Yunkang, including without limitation:

- (i) to convene and attend shareholders’ meetings of Fangzhou Yunkang;
- (ii) to file documents with the relevant companies registry;
- (iii) to exercise all shareholder’s rights and shareholder’s voting rights in accordance with law and the constitutional documents of Fangzhou Yunkang, including but not limited to the sale, transfer, pledge or disposal of any or all of the equity interests in Fangzhou Yunkang;
- (iv) to execute any and all written resolutions and meeting minutes on behalf of such shareholder; and
- (v) to nominate or appoint the legal representatives, directors, supervisors, chief executive officer and other senior management of Fangzhou Yunkang.

As a result of the Powers of Attorney, we, through the New WFOE, are able to exercise management control over the activities that most significantly impact the economic performance of Fangzhou Yunkang.

The Powers of Attorney also provided that, in order to avoid potential conflicts of interest, where the Fangzhou Yunkang Registered Shareholders are officers or directors of our Group, the Powers of Attorney are granted in favour of other unrelated officers or Directors of our Group.

Further, the Powers of Attorney shall remain effective for so long as each shareholder holds equity interest in Fangzhou Yunkang.

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## CONTRACTUAL ARRANGEMENTS

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### Spouse Undertakings

The spouse of each of Mr. Xie, Mr. Wang Wenchao (汪聞超) and Ms. Yang Jinghua (楊敬華), being the shareholders of the Fangzhou Yunkang Registered Shareholders (collectively, the “**Ultimate Beneficial Shareholders**”), has signed an undertaking on June 19, 2020 (collectively, the “**Spouse Undertakings**”) to the effect, among other things, that:

- (i) he/she will not make any claim against any equity interests held by his/her spouse as a registered shareholder in Fangzhou Yunkang;
- (ii) should he/she by any reason hold any equity interest in Fangzhou Yunkang, he/she will be bound by, as amended from time to time, the Exclusive Option Agreement, the Equity Pledge Agreement and the Powers of Attorney. He/she undertook to comply with the obligations of Fangzhou Yunkang’s shareholders as set out in the aforementioned agreements, and for this purpose, to execute agreements on substantially similar terms as the aforementioned agreements upon New WFOE’s request; and
- (iii) each spouse will enter into all necessary documents and take all necessary actions to ensure the due performance of the Contractual Arrangements as amended from time to time.

### Commitment Letters

Each of the Ultimate Beneficial Shareholders has issued a commitment letter (collectively, the “**Commitment Letters**”) dated April 6, 2023 to Fangzhou Yunkang and the New WFOE, respectively. According to the Commitment Letters, each of the Ultimate Beneficial Shareholders (i) acknowledges the establishment of the Exclusive Service Agreement, Exclusive Option Agreement, Equity Pledge Agreement, Powers of Attorney (collectively, the “**VIE Agreements**”) and recognizes the content and arrangements under the VIE Agreements; (ii) undertakes not to do anything that violates the VIE Agreements; (iii) undertakes not to enjoy any actual beneficial interest in Fangzhou Yunkang by virtue of indirectly holding equity interest in Fangzhou Yunkang; (iv) would make every effort to assist in and to ensure the Fangzhou Yunkang Registered Shareholders’ performance of obligations or liabilities under the VIE Agreements, including but not limited to the adoption of internal resolutions, the assistance in business registration, etc.; (v) undertakes that, except with written consent or instruction from the New WFOE or its parent company, the Ultimate Beneficial Shareholders would not do anything that may change, affect or alter the terms or arrangements of the VIE Agreements, or refuse to perform any obligations or liabilities under the VIE agreements, or terminate the VIE Agreements, or make any claims against or decide to dispose of any shares, assets, business in Fangzhou Yunkang Registered Shareholders, Fangzhou Yunkang or Fangzhou Yunkang’s subsidiaries or participating companies; and (vi) undertakes to use all efforts to procure Fangzhou Yunkang Registered Shareholders’ compliance with any subsequent modification, supplement, termination or other arrangement in connection with the VIE Agreements.

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## CONTRACTUAL ARRANGEMENTS

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### **Dispute Resolution**

Each of the agreements under the Contractual Arrangements contains a dispute resolution provision. Pursuant to such provision, in the event of any dispute arising from the performance of or relating to the Contractual Arrangements, any party has the right to submit the relevant dispute to the Shenzhen Court of International Arbitration for arbitration, in accordance with the then effective arbitration rules. The arbitration shall be conducted in Shenzhen and the language used during the arbitration shall be Chinese. The arbitration award shall be final and binding on all parties. The dispute resolution provisions in the agreements under the Contractual Arrangements also provide that the arbitral tribunal may award remedies over the shares or assets of Fangzhou Yunkang or injunctive relief (e.g. limiting the conduct of business, limiting or restricting transfer or sale of shares or assets) or order the winding up of Fangzhou Yunkang; any party may apply to the courts of Hong Kong, the Cayman Islands (being the place of incorporation of our Company), the PRC and the places where the principal assets of Fangzhou Yunkang are located for interim remedies or injunctive relief.

However, our PRC Legal Advisor has advised that the above provisions may not be enforceable under the PRC laws. For instance, the arbitral tribunal has no power to grant such injunctive relief, nor will it be able to order the winding up of Fangzhou Yunkang pursuant to the current PRC laws. In addition, interim remedies or enforcement order granted by overseas courts such as Hong Kong and the Cayman Islands may not be recognizable or enforceable in the PRC. Even if the abovementioned provisions may not be enforceable under the PRC laws, the remaining provisions of the dispute resolution clauses are legal, valid and binding on the parties to the agreement under the Contractual Arrangements.

As a result of the above, in the event that Fangzhou Yunkang or the Fangzhou Yunkang Registered Shareholders breach any of the Contractual Arrangements, we may not be able to obtain sufficient remedies in a timely manner, and our ability to exert effective control over our Consolidated Affiliated Entities and conduct our business could be materially and adversely affected. See “Risk Factors—Risks Relating to our Contractual Arrangements” in this prospectus for further details.

### **Succession**

According to the terms of the Exclusive Option Agreement and the Equity Pledge Agreement, the Fangzhou Yunkang Registered Shareholders have undertaken that the provisions set out in the Exclusive Option Agreement and the Equity Pledge Agreement are also binding on the successors of the Fangzhou Yunkang Registered Shareholders.

According to the terms of the Powers of Attorney and as confirmed by our PRC Legal Advisor, the Fangzhou Yunkang Registered Shareholders have undertaken that they have carried out all appropriate measures and executed all necessary documents, such that in the event of their loss of capacity, bankruptcy or under other circumstance which would affect their exercise of equity interest in Fangzhou Yunkang, their successor who, as a result, obtains shareholding or relevant rights in Fangzhou Yunkang would not be able to affect or impede the performance of obligations under the relevant agreements.

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## CONTRACTUAL ARRANGEMENTS

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In addition, each of the spouses of the ultimate beneficial owner of the Fangzhou Yunkang Registered Shareholders have executed an irrevocable undertaking dated June 19, 2020, respectively. See “—Spouse Undertakings” for details.

### **Conflict of Interest**

Each of the Fangzhou Yunkang Registered Shareholders has given their irrevocable undertakings in the Powers of Attorney under the Contractual Arrangements which address potential conflicts of interests that may arise in relation to the Contractual Arrangements. See “—Powers of Attorney” for details.

### **Loss Sharing**

None of the agreements constituting the Contractual Arrangements provides that the Company, the New WFOE or other PRC subsidiaries of ours, are obligated to share the losses of Fangzhou Yunkang, but if Fangzhou Yunkang suffers any losses or material difficulties of business, the New WFOE may provide financial support as permitted under the PRC laws at its discretion to Fangzhou Yunkang under the terms of the Exclusive Business Cooperation Agreement. Further, Fangzhou Yunkang is a limited liability company and shall be solely liable for its own debts and losses with assets and properties owned by it.

Under the PRC laws and regulations, the Company or the New WFOE are not expressly required to share the losses of Fangzhou Yunkang or provide financial support to Fangzhou Yunkang. Despite the foregoing, given that the Group conducts the Relevant Businesses in the PRC through Fangzhou Yunkang which holds the requisite PRC licenses and approvals, and that Fangzhou Yunkang’s results of operations and assets and liabilities are consolidated into the Group’s results of operations and assets and liabilities under the applicable accounting principles, the Company’s business, financial condition and results of operations would be adversely affected if Fangzhou Yunkang suffered losses.

### **Liquidation**

Pursuant to the Exclusive Option Agreement and the Powers of Attorney, in the event of a mandatory liquidation required by the PRC laws, the Fangzhou Yunkang Registered Shareholders shall give the proceeds they received from liquidation as a gift to the New WFOE (or its designee(s) in the case of the Contractual Arrangements) to the extent permitted by the PRC laws.

### **Insurance**

Our Company does not maintain an insurance policy to cover the risks relating to the Contractual Arrangements.

### **Confirmation on Interference and Encumbrance**

As of the Latest Practicable Date, we had not encountered any interference or encumbrance from any PRC governing bodies in operating its businesses through our Consolidated Affiliated Entities under the Contractual Arrangements.

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## CONTRACTUAL ARRANGEMENTS

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### **Safeguards for the Interest of Our Shareholders**

The Company is of the view that Fangzhou Yunkang Registered Shareholders would not compromise the level of protection afforded to our Shareholders in the control of Fangzhou Yunkang and/or enforcement of the Contractual Arrangements based on the following reasons:

Each of the Fangzhou Yunkang Registered Shareholders has been duly incorporated and is validly existing under the PRC laws. As advised by our PRC Legal Advisor, each of Fangzhou Yunkang Registered Shareholders enjoys civil rights and assumes civil obligations independently as a legal entity in accordance with the PRC laws. Besides, the Company's PRC Legal Advisor is of the opinion that each of the VIE Agreements is binding on the parties thereto and none of them would fall within the circumstances which would render a contract void as stipulated in the PRC Civil Code. See “—Legality of the Contractual Arrangements” for details. Therefore, each of Fangzhou Yunkang Registered Shareholders shall be bound by the VIE Agreements and undertake obligations accordingly.

To further ensure that the Ultimate Beneficial Shareholders would not compromise the level of protection afforded to our Shareholders in the control of Fangzhou Yunkang and the enforcement of the Contractual Arrangements, each of the Ultimate Beneficial Shareholders has issued a commitment letter dated April 6, 2023 to Fangzhou Yunkang and the New WFOE, respectively. See “—Commitment Letters” for details.

In addition, the spouse of each of the Ultimate Beneficial Shareholders has signed an undertaking to ensure they would not affect the Contractual Arrangements and will take all necessary actions to ensure the due performance of the Contractual Arrangements. See “—Spouse Undertakings” for details.

Therefore, the Company is of the view that, Fangzhou Yunkang Registered Shareholders would not compromise the level of protection afforded to our Shareholders in the control of Fangzhou Yunkang and/or enforcement of the Contractual arrangements.

### **Safeguards for the Interest of the Company**

Our PRC Legal Advisor is of the view that, the Group's current Contractual Arrangements provide sufficient safeguards for the interest of the Company and its subsidiaries and it is not necessary to have the subsidiaries of Fangzhou Yunkang be included as parties to the VIE Agreements, based on the following reasons:

Fangzhou Yunkang, as the direct controlling shareholders, has direct equity control over its subsidiaries, and could make decisions and achieve effective control over the business, operations, assets and other equities or interests of its subsidiaries through its rights as a shareholder, such as the right to its subsidiaries' distributions of dividends directly as the direct shareholder under PRC laws and the subsidiaries' articles of associations.

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## CONTRACTUAL ARRANGEMENTS

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Pursuant to the Exclusive Service Agreement, services provided by the New WFOE to Fangzhou Yunkang shall also apply to the subsidiaries controlled by Fangzhou Yunkang, Fangzhou Yunkang shall procure its subsidiaries to perform their obligations under the Exclusive Service Agreement. Pursuant to the Equity Pledge Agreement, relevant persons shall not sell, transfer, pledge or dispose of any assets, or business (other than in the ordinary course of business operations), or any legal or beneficial interest in the income, or permit the creation of any security interest therein of Fangzhou Yunkang or any of its subsidiaries at any time after the execution of the agreement by any means without the prior written consent of the New WFOE. Therefore, the subsidiaries of Fangzhou Yunkang would be bound by the VIE Agreements to exercise their rights and perform their obligations thereunder.

The Company is of the view that it is not necessary to have the subsidiaries of Fangzhou Yunkang be included as parties to the VIE Agreements, otherwise, (i) any future amendment, supplement, disposition or other arrangement to the VIE Agreements or the Contractual Arrangements shall be approved and signed by all the subsidiaries, which is time consuming and repetitive, and such amendment, supplement, disposition or arrangement shall still require approval from Fangzhou Yunkang, as the direct controlling shareholders to the subsidiaries, that makes no difference comparing with subsidiaries' not being parties to the VIE Agreements; (ii) where the equity of the subsidiaries is pledged or the shareholders' rights are entrusted, the Company's customers or partners may doubt the stability of such subsidiaries' shareholding structure and worry about relevant business risk, which may have adverse impact to the operation of the Group; and (iii) any inclusion of new subsidiaries under Fangzhou Yunkang would require the VIE Agreements to be re-executed among all relevant parties concerned, which would be extremely cumbersome as the Group's operating scale and organizational structure grow over time.

To further providing safeguards for the interest of the Company or its subsidiaries, each of the Ultimate Beneficial Shareholders has issued a commitment letter dated April 6, 2023 to Fangzhou Yunkang and the New WFOE, respectively. See “—Commitment Letters” for details.

Therefore, our PRC Legal Advisor is of the view that the Group's current Contractual Arrangements provide sufficient safeguards for the interest of the Company or its subsidiaries, and it is not necessary to have the subsidiaries of Fangzhou Yunkang be included as parties to the VIE Agreements.

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## CONTRACTUAL ARRANGEMENTS

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### LEGALITY OF THE CONTRACTUAL ARRANGEMENTS

Based on the above, our PRC Legal Advisor is of the opinion that the Contractual Arrangements are narrowly tailored to minimize the potential conflict with the relevant PRC laws and regulations and that:

- (i) parties to the Contractual Arrangements have obtained all necessary approvals and authorizations to execute and perform the Contractual Arrangements;
- (ii) parties to each of the agreements are entitled to execute the agreements and perform their respective obligations thereunder. Each of the agreements is binding on the parties thereto and none of them would fall within the contract void circumstances as stipulated in the Civil Code of People's Republic of China (《中華人民共和國民法典》) (“**Civil Code**”). Pursuant to Articles 144, 146, 153 and 154 of the Civil Code, a contract is void if the civil juristic act: (i) is performed by a person who has no capacity for performing civil juristic acts; (ii) is performed by a person and another person based on a false expression of intent; (iii) is in violation of the mandatory provisions of laws or administrative regulations, unless such mandatory provisions do not lead to invalidity of such a civil juristic act; (iv) offends the public order or good morals; or (v) is conducted through malicious collusion between a person who performs the act and a counterparty thereof and thus harms the lawful rights and interests of another person;
- (iii) none of the Contractual Arrangements violates any provisions of the articles of association of Fangzhou Yunkang or the New WFOE;
- (iv) the parties to the Contractual Arrangements are not required to obtain any approvals or authorizations from the PRC governmental authorities, except that:
  - (a) the exercise of the option by the New WFOE of its right under the Exclusive Option Agreement to acquire all or part of the equity interests in Fangzhou Yunkang is subject to the approvals of, consent of, filing with and/or registrations with the PRC governmental authorities;
  - (b) any share pledge contemplated under the Equity Pledge Agreement is subject to the registration with the competent administration for market regulation; and
  - (c) the arbitration awards/interim remedies provided under the dispute resolution provision of the Contractual Arrangements shall be recognized by PRC courts before compulsory enforcement;
- (v) the Contractual Arrangements is valid, legal and binding under the PRC laws and regulations, and the adoption of the Contractual Arrangements does not constitute a breach of the relevant PRC laws and regulations, except for the following provisions regarding dispute resolution and the liquidating committee. See “—Dispute Resolution” for details.

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## CONTRACTUAL ARRANGEMENTS

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However, we have been advised by our PRC Legal Advisor that there are uncertainties regarding the interpretation and application of the current and future PRC laws and regulations over the validity of the Contractual Arrangements, as well as whether we or our Consolidated Affiliated Entities can obtain any of the approvals that may be required by PRC regulatory authorities from time to time. Accordingly, there can be no assurance that the PRC regulatory authorities will not take a view that is contrary to or otherwise different from the above opinions of our PRC Legal Advisor in the future. See “Risk Factors—Risks Relating to our Contractual Arrangements—If the PRC government finds that the contractual agreements that establish the structure for operating certain of our business in China do not comply with applicable PRC regulations, or if these regulations or the interpretation of existing regulations change in the future, we could be subject to severe consequences, including the nullification of the contractual arrangements and being forced to relinquish our interests in those operations.”

Given that the Contractual Arrangements will constitute non-exempt continuing connected transactions of our Company, a waiver has been sought from and has been granted by the Stock Exchange, details of which are disclosed in the section headed “Connected Transactions” in this Prospectus.

### **DEVELOPMENT IN THE PRC LEGISLATION ON FOREIGN INVESTMENT IN THE PRC**

#### **The Foreign Investment Law**

On January 1, 2020, the Foreign Investment Law which was adopted at the second session of the thirteenth National People’s Congress came into force. The Foreign Investment Law replaced the former foreign investment legal foundation in the PRC consisting of three laws: the Sino-Foreign Equity Joint Venture Enterprise Law, the Sino-Foreign Cooperative Joint Venture Enterprise Law and the Wholly Foreign-Invested Enterprise Law. On December 26, 2019, the State Council released the Implementation Rules to the Foreign Investment Law of the PRC (《中華人民共和國外商投資法實施條例》) (the “**Foreign Investment Law Implementing Regulations**”), which took effect on January 1, 2020. For details of the Foreign Investment Law and the Foreign Investment Law Implementing Regulations, see “Regulatory Overview—Regulations on Foreign Investment and Overseas Investment.”

#### **Impact and Potential Consequences of the Foreign Investment Law on our Contractual Arrangements**

Conducting operations through contractual arrangements has been adopted by many PRC-based companies, including us, to obtain and maintain necessary licenses and permits in the industries that are currently subject to foreign investment restrictions or prohibitions in the PRC. The Foreign Investment Law does not explicitly prohibit or restrict a foreign investor to rely on contractual arrangements to control the majority of its business that is subject to foreign investment restrictions or prohibitions in the PRC. As advised by our PRC Legal Advisor, contractual arrangements are not specified as a form of foreign investment under the Foreign



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## **CONTRACTUAL ARRANGEMENTS**

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Investment Law or the Foreign Investment Law Implementation Regulations, and if future laws, regulations and provisions do not prescribe contractual arrangements as a form of foreign investment and relevant laws and regulations in respect of foreign investment remain unchanged, our Contractual Arrangements as a whole and each of the agreements comprising the Contractual Arrangements will not be affected, with an exception, for which, see “Risk Factors—Risks Relating to our Contractual Arrangements—If the PRC government finds that the contractual agreements that establish the structure for operating certain of our business in China do not comply with applicable PRC regulations, or if these regulations or the interpretation of existing regulations change in the future, we could be subject to severe consequences, including the nullification of the contractual arrangements and being forced to relinquish our interests in those operations.” In any event, we will take reasonable steps in good faith to seek compliance with the Foreign Investment Law.

However, there are possibilities that future laws, administrative regulations and provisions prescribed by the State Council may regard the Contractual Arrangements as a form of foreign investment, at which time it will be uncertain whether the Contractual Arrangements will be deemed to be in violation of the then effective foreign investment access requirements and how the above-mentioned Contractual Arrangements will be handled. In addition, the specific review standards by the relevant authorities determining the Contractual Arrangements as a form of the foreign investment is unpredictable, and the interpretation or implementation ultimately adopted by the relevant authorities of the Foreign Investment Law or the Foreign Investment Law Implementation Regulations may be inconsistent with our PRC Legal Advisors’ understanding.

### **ACCOUNTING ASPECTS OF THE CONTRACTUAL ARRANGEMENTS AND CONSOLIDATION OF FINANCIAL RESULTS OF OUR CONSOLIDATED AFFILIATED ENTITIES**

According to HKFRS 10-Consolidated Financial Statements, a subsidiary is an entity that is controlled by another entity (known as the parent). An investor controls an investee when it is exposed, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Although our Company does not directly or indirectly own the Consolidated Affiliated Entities, the Contractual Arrangements as mentioned above enable our Company to exercise control over the Consolidated Affiliated Entities.

As a result of the Contractual Arrangements, our Company has obtained control of our Consolidated Affiliated Entities through the New WFOE and, at our Company’s sole discretion, can receive substantially all of the economic interest returns generated by our Consolidated Affiliated Entities. Accordingly, our Consolidated Affiliated Entities’ results of operations, assets and liabilities, and cash flows are consolidated into our Company’s financial statements.

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## CONTRACTUAL ARRANGEMENTS

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### COMPLIANCE WITH THE CONTRACTUAL ARRANGEMENTS

Our Group has adopted the following measures to ensure the effective operation of our Group with the implementation of the Contractual Arrangements and our compliance with the Contractual Arrangements:

- (i) major issues arising from the implementation and compliance with the Contractual Arrangements or any regulatory enquiries from government authorities will be submitted to our Board, if necessary, for review and discussion on an occurrence basis;
- (ii) our Board will review the overall performance of and compliance with the Contractual Arrangements at least once a year;
- (iii) our Company will disclose the overall performance and compliance with the Contractual Arrangements in our annual reports; and
- (iv) our Company will engage external legal advisors or other professional advisors, if necessary, to assist the Board to review the implementation of the Contractual Arrangements, review the legal compliance of the New WFOE and our Consolidated Affiliated Entities to deal with specific issues or matters arising from the Contractual Arrangements.

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## RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

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### CONTROLLING SHAREHOLDERS

Mr. Xie and Mr. Zhou (pursuant to the Concert Deed), together with Fangrong Management Limited, Fangzhan Holdings L.P., Xingyu Holdings L.P., Celaeno Group Limited, Silica Brothers Corp. and Asia Tech Investments Ltd., are acting together as a group of Controlling Shareholders. Immediately following completion of the Global Offering (assuming the weighted voting rights structure is cancelled and without taking into account the Shares which may be allotted and issued upon the exercise of the Over-allotment Option), our ultimate Controlling Shareholders, Mr. Xie (through Fangrong Management Limited, a limited liability company wholly-owned by Mr. Xie, Fangzhan Holdings L.P. and Xingyu Holdings L.P., each a limited partnership whose general partner is Xingyu Inc., a company wholly owned by Mr. Xie) and Mr. Zhou (through his wholly-owned companies, i.e. Celaeno Group Limited and Silica Brothers Corp.) will indirectly hold 276,605,527 Shares and 236,624,057 Shares in our Company, representing approximately 20.64% and 17.65% of shareholding interest in the Company, respectively.

Asia Tech Investments Ltd. is a platform holding the underlying incentive shares granted to our Directors and senior management in the total amount of 116,875,898 Class A Ordinary Shares under the RSU Scheme. As approximately 51.34% and 48.41% of interest in Asia Tech Investments Ltd. were held by Mr. Xie and Mr. Zhou, respectively, each of Mr. Xie and Mr. Zhou is deemed to be interested in the Shares of the Company held by Asia Tech Investments Ltd. in accordance with SFO, representing approximately 8.72% of shareholding interest in the Company immediately following the completion of the Global Offering (assuming that the Over-allotment Option is not exercised).

On June 12, 2024, Mr. Xie and Mr. Zhou were conferred by Tech-Med Investments (S) Pte. Ltd. to exercise the voting rights attached to 138,430,610 Shares held by Tech-Med Investments (S) Pte. Ltd. through a deed of voting proxy, representing approximately 10.33% of shareholding interest in the Company immediately following the completion of the Global Offering. The voting proxy arrangement will take effect immediately before the Listing. For details, see “History, Reorganization and Corporate Structure—Deed of Voting Proxy.”

Therefore, immediately following completion of the Global Offering (assuming the weighted voting rights structure is cancelled and without taking into account the Shares which may be allotted and issued upon the exercise of the Over-allotment Option), Mr. Xie and Mr. Zhou (together with Fangrong Management Limited, Fangzhan Holdings L.P., Xingyu Holdings L.P., Celaeno Group Limited, Silica Brothers Corp. and Asia Tech Investments Ltd.) as a group of Controlling Shareholders, by virtue of their shareholding together with the voting proxy conferred upon them as mentioned above, will control an aggregate of 768,536,092 Shares, representing approximately 57.34% of shareholding interest in our Company.

Please see the section headed “Substantial Shareholders” for details of the shareholding interest of our Controlling Shareholders.

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## RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

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### COMPETITION

As of the Latest Practicable Date, none of the Controlling Shareholders and their respective close associates had any interest in any business that competes or is likely to compete, either directly or indirectly with our Group's business, which would require disclosure under Rule 8.10 of the Listing Rules.

### INDEPENDENCE FROM CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors are satisfied that we are capable of carrying on our business independently from our Controlling Shareholders and their close associates after the Listing.

#### Management Independence

Our business is managed and conducted by our Board and senior management. Upon Listing, our Board will consist of seven Directors comprising three executive Directors, one non-executive Director and three independent non-executive Directors. For more information, please see the section headed "Directors and Senior Management."

Immediately following completion of the Global Offering, Mr. Xie and Mr. Zhou will hold directorships in our Controlling Shareholders and their respective close associates as set out below:

Name	Our Company		Our Controlling Shareholders	
	Positions	Responsibilities	Positions	Responsibilities
Mr. Xie	Executive Director	Overall business management of the Group	Sole director of Fangrong Management Limited	As confirmed by Mr. Xie, the company is special purpose vehicle for investment holding purpose.
Mr. Zhou	Executive Director	Strategic planning, operation and investment and financing of the Group	Sole director of each Celaeno Group Limited and Silica Brothers Corp.	As confirmed by Mr. Zhou, these companies are special purpose vehicles for investment holding purpose.

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## RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

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Our Directors consider that our Board as a whole and members of the senior management are able to perform their roles in our Group independently and that our Group is capable of managing our business independently from the Controlling Shareholders and their close associates. We consider that the roles of Mr. Xie and Mr. Zhou as the Controlling Shareholders will not materially impact their abilities to discharge their duties of skill, care and diligence to our Group for the following reasons:

- (a) each Director is aware of his/her fiduciary duties as a director which require, among other things, that he/she acts for the benefit and in the interest of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interests;
- (b) our daily management and operations are carried out by a senior management team, all of whom have substantial experience in the industry in which our Company is engaged, and will therefore be able to make business decisions that are in the best interests of our Group;
- (c) we have three independent non-executive Directors and certain matters of our Company must always be referred to the independent non-executive Directors for review;
- (d) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective associates, the interested Director(s) is required to declare the nature of such interest before voting at the relevant Board meetings of our Company in respect of such transactions; and
- (e) we have adopted a series of corporate governance measures to manage conflicts of interest, if any, between our Group and our Controlling Shareholders which would support our independent management. Please see “—Corporate Governance Measures” in this section for further information.

Based on the above, our Directors believe that our Board as a whole and together with our senior management team are able to perform the managerial role independently from our Controlling Shareholders.

### **Operational Independence**

Our Group is not operationally dependent on the Controlling Shareholders. Our Group (through our subsidiaries and Consolidated Affiliated Entities) holds all material licenses and owns all relevant intellectual properties necessary to carry on our business. We have sufficient capital, facilities, equipment and employees to operate our business independently from our Controlling Shareholders. We also have independent access to our customers and an independent management team to operate our business.

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## RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

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Based on the above, our Directors believe that we are able to operate independently of our Controlling Shareholders.

### **Financial Independence**

We have independent internal control and accounting systems. We also have an independent finance department responsible for discharging the treasury function. We are capable of obtaining financing from third parties, if necessary, without reliance on our Controlling Shareholders. As of the Latest Practicable Date, there were no outstanding loans or guarantees provided by, or granted to, our Controlling Shareholders or their respective close associates.

Based on the above, our Directors are of the view that they and our senior management are capable of carrying on our business independently of, and do not place undue reliance on, our Controlling Shareholders and their respective close associates.

### **CORPORATE GOVERNANCE MEASURES**

The Company and the Directors are committed to upholding and implementing the highest standards of corporate governance and recognize the importance of protecting the rights and interests of all Shareholders, including the rights and interests of our minority Shareholders.

We have adopted the following measures to ensure good corporate governance standards and to avoid potential conflicts of interest between our Group and our Controlling Shareholders:

- (a) under the Articles, where the Company has knowledge that any Shareholder is, under the Listing Rules, required to abstain from voting on any particular resolution of the Company or restricted to vote only for or only against any particular resolution of the Company, any votes cast by or on behalf of such Shareholder in contravention of such requirement or restriction shall not be counted;
- (b) our Company has established internal control mechanisms to identify connected transactions. Upon the Listing, if our Company enters into connected transactions with our Controlling Shareholders or any of their associates, our Company will comply with the applicable Listing Rules;
- (c) the independent non-executive Directors will review, on an annual basis, whether there are any conflicts of interests between the Group and our Controlling Shareholders and provide impartial and professional advice to protect the interests of our minority Shareholders;

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## RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

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- (d) our Controlling Shareholders will undertake to provide all information necessary, including all relevant financial, operational and market information and any other necessary information as required by the independent non-executive Directors for the purpose of their annual review;
- (e) our Company will disclose decisions on matters reviewed by the independent non-executive Directors either in its annual reports or by way of announcements as required by the Listing Rules;
- (f) where our Directors reasonably request the advice of independent professionals, such as financial advisors, the appointment of such independent professionals will be made at our Company's expense;
- (g) we have appointed Somerley Capital Limited as our compliance advisor to provide advice and guidance to us in respect of compliance with the applicable laws and regulations, as well as the Listing Rules, including various requirements relating to corporate governance; and
- (h) we have established our audit committee, remuneration committee and nomination committee with written terms of reference in compliance with the Listing Rules and the Code on Corporate Governance and Corporate Governance Report in Appendix C1 to the Listing Rules. All of the members of our audit committee, including the chairman, are independent non-executive Directors.

Based on the above, our Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest that may arise between our Group and our Controlling Shareholders, and to protect our minority Shareholders' interests after the Listing.

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## CONNECTED TRANSACTIONS

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### OVERVIEW

We have entered into certain agreements and arrangements with certain individual and entities that will, upon the Listing, become our connected persons (as defined under Chapter 14A of the Listing Rules). Following the Listing, the transactions contemplated under such agreements will constitute our continuing connected transactions under Chapter 14A of the Listing Rules.

### OUR CONNECTED PERSONS

The table below sets forth the party who will become our connected person upon Listing and the nature of its relationship with our Group:

<u>Name of our connected person</u>	<u>Connected Relationship</u>
Guangzhou Fangming Investment Enterprise (Limited Partnership) (“ <b>Guangzhou Fangming</b> ”)	Guangzhou Fangming is indirectly controlled by Mr. Xie, an executive Director of the Company, and is therefore a connected person of our Company under Rule 14A.07 of the Listing Rules.

### CONTINUING CONNECTED TRANSACTIONS

<u>Transaction</u>	<u>Applicable Listing Rules</u>	<u>Waiver sought</u>	<u>Proposed annual caps for the year ending December 31,</u>		
			<u>2024</u>	<u>2025</u>	<u>2026</u>
			<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
<b>Non-exempt continuing connected transactions</b>					
Contractual Arrangements	14A.34 to 14A.36, 14A.49, 14A.51 to 14A.59 and 14A.71	Waiver from (i) announcement requirement and independent shareholders' approval requirements; (ii) setting annual cap; and (iii) limiting the period of agreement to a fixed term	N/A	N/A	N/A



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## CONNECTED TRANSACTIONS

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### Non-exempt Continuing Connected Transactions

#### *Contractual Arrangements*

##### *Background*

As disclosed in the section headed “Contractual Arrangements”, the business operations of the Consolidated Affiliated Entities constitute a business restricted to foreign investment in the PRC. Therefore, we cannot directly acquire the entire equity interest in the Consolidated Affiliated Entities. In light of such restriction and in order to exercise effective control over our Consolidated Affiliated Entities, we have entered into the Contractual Arrangements with Fangzhou Yunkang and the Fangzhou Yunkang Registered Shareholders (namely, Guangzhou Fangming, Shenzhen Kaichuang Lianyu Technology Consultancy Co., Ltd. and Beijing Yiershan Technology Co., Ltd.) on June 19, 2020, pursuant to which our Group (i) receives substantially all of the economic benefits from our Consolidated Affiliated Entities in consideration for the services provided by Fangfeng Technology to the Consolidated Affiliated Entities; (ii) exercise effective control over our Consolidated Affiliated Entities through Fangfeng Technology; and (iii) hold an exclusive option to purchase all or part of the equity interests in Fangzhou Yunkang when and to the extent permitted by the PRC laws.

See the section headed “Contractual Arrangements” in this prospectus for details of the key terms of the Contractual Arrangements.

##### *Listing Rules Implications*

The transactions contemplated under the Contractual Arrangements are continuing connected transactions of our Group and are subject to reporting, announcement and independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

Our Directors, including our independent non-executive Directors, are of the view that (i) the Contractual Arrangements are fundamental to our Group’s legal structure and business operations; and (ii) the Contractual Arrangements are on normal commercial terms or on terms more favorable to our Group in the ordinary and usual course of our Group’s business and are fair and reasonable or to the advantage of our Group and are in the interests of our Shareholders as a whole. Accordingly, notwithstanding that the transactions contemplated under the Contractual Arrangements technically constitute continuing connected transactions under Chapter 14A of the Listing Rules, our Directors consider that, given that our Group is placed in a special situation in relation to the connected transactions rules under the Contractual Arrangements, it would be unduly burdensome and impracticable, and would add unnecessary administrative costs to our Company, for all the transactions contemplated under the Contractual Arrangements to be subject to strict compliance with the requirements set out under Chapter 14A of the Listing Rules, including, among other things, the announcement and approval of independent Shareholders.

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## CONNECTED TRANSACTIONS

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### WAIVER APPLICATIONS

#### The Contractual Arrangements

In relation to the Contractual Arrangements, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with (i) the announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the transactions contemplated under the Contractual Arrangements pursuant to Rule 14A.105 of the Listing Rules, (ii) the requirement of setting an annual cap for the transactions under the Contractual Arrangements under Rule 14A.53 of the Listing Rules, and (iii) the requirement of limiting the term of the Contractual Arrangements to three years or less under Rule 14A.52 of the Listing Rules, for so long as the Shares are listed on the Stock Exchange subject however to the following conditions:

***(a) No change without independent non-executive Directors' approval***

No changes to the terms of any of the agreements constituting the Contractual Arrangements will be made without the approval of the independent non-executive Directors.

***(b) No Change without Independent Shareholders' Approval***

Save as described in paragraph (d) below, no changes to the terms of any of the agreements constituting the Contractual Arrangements will be made without the approval of the independent Shareholders. Once independent Shareholders' approval of any change has been obtained, no further announcement or approval of the independent Shareholders, will be required under Chapter 14A of the Listing Rules unless and until further changes are proposed.

The periodic reporting requirement regarding the Contractual Arrangements in the annual reports of our Company (as set out in paragraph (c) below) will however continue to be applicable.

***(c) Economic Benefits Flexibility***

The Contractual Arrangements shall continue to enable our Group to receive the economic benefits derived by the Consolidated Affiliated Entities through: (i) our Group's potential right (if and when so allowed under the applicable PRC laws) to acquire the equity interests in and/or assets of the Consolidated Affiliated Entities; (ii) the business structure under which the net profits generated by the Consolidated Affiliated Entities (after deducting the necessary costs, expenses, taxes and other statutory contribution in relation to the respective fiscal year) is substantially retained by us (such that no annual caps shall be set on the amount of services fees payable to the New WFOE under the Exclusive Service Agreement); and (iii) our right to control the management and operation of, as well as, in substance, all of the voting rights of the Consolidated Affiliated Entities.

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## CONNECTED TRANSACTIONS

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***(d) Renewal and reproduction***

On the basis that the Contractual Arrangements provide an acceptable framework for the relationship between our Company and our subsidiaries in which our Company has direct shareholding, on one hand, and the Consolidated Affiliated Entities, on the other hand, that framework may be renewed and/or reproduced upon the expiry of the existing arrangements or in relation to any existing or new wholly foreign-owned enterprise or operating company (including branch company) engaging in the same business as that of our Group which our Group might wish to establish when justified by business expediency, without obtaining the approval of the Shareholders, on substantially the same terms and conditions as described under the section headed “Contractual Arrangements” in this prospectus. The directors, chief executive or substantial shareholders of any existing or new wholly foreign-owned enterprise or operating company (including branch company) engaging in the same business as that of our Group which our Group may establish when justified by business expediency will, upon renewal and/or cloning of the Contractual Arrangements, however be treated as our Group’s connected persons and transactions between these connected persons and our Group other than those under similar contractual arrangements shall comply with Chapter 14A of the Listing Rules. This condition is subject to the relevant PRC laws, regulations and approvals.

***(e) Ongoing Reporting and Approvals***

We will disclose details relating to the Contractual Arrangements on an ongoing basis as follows:

- (i) The Contractual Arrangements in place during each financial period will be disclosed in our annual report and accounts in accordance with the relevant provisions of the Listing Rules.
- (ii) Our independent non-executive Directors will review the Contractual Arrangements annually and confirm in our annual report and accounts for the relevant year that:
  - (i) the transactions carried out during such year have been entered into in accordance with the relevant provisions of the Contractual Arrangements;
  - (ii) no dividends or other distributions have been made by the Consolidated Affiliated Entities to the holders of its equity interests which are not otherwise subsequently assigned or transferred to our Group; and
  - (iii) any new contracts entered into, renewed or reproduced between our Group and the Consolidated Affiliated Entities during the relevant financial period under paragraph (d) above are fair and reasonable, or advantageous, so far as our Group is concerned and in the interests of the Company and the Shareholders as a whole.
- (iii) Our auditors will carry out review procedures annually on the transactions carried out pursuant to the Contractual Arrangements and will provide a letter to our Directors with a copy to the Stock Exchange confirming that the transactions carried out pursuant to the Contractual Arrangements have received the approval of our

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## **CONNECTED TRANSACTIONS**

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Directors and that no dividends or other distributions have been made by the Consolidated Affiliated Entities to the holders of its equity interests which are not otherwise subsequently assigned/transferred to our Group.

- (iv) For the purposes of Chapter 14A of the Listing Rules, and in particular the definition of “connected person”, the Consolidated Affiliated Entities will be treated as the Company’s wholly-owned subsidiaries, and the directors, chief executives or substantial shareholders (as defined in the Listing Rules) of the Consolidated Affiliated Entities and its associates will be treated as the Company’s “connected persons.” As such, transactions between these connected persons and our Group (including, for this purpose, the Consolidated Affiliated Entities) other than those under the Contractual Arrangements shall comply with Chapter 14A of the Listing Rules.

The Consolidated Affiliated Entities further undertake that, for so long as the Shares are listed on the Stock Exchange, the Consolidated Affiliated Entities will provide our Group’s management and our auditors with full access to its relevant records for the purpose of procedures to be carried out by our auditors’ on the connected transactions.

### **CONFIRMATION FROM THE DIRECTORS**

Our Directors, including the independent non-executive Directors, are of the view that the continuing connected transactions as set out above have been entered into in our ordinary and usual course of business and on normal commercial terms, and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### **CONFIRMATION FROM THE JOINT SPONSORS**

Based on the representations, confirmations, documentation and data provided by the Company and participation in the due diligence and discussion with the Company and the PRC Legal Advisor, the Joint Sponsors are of the view that the continuing connected transactions as set out above have been entered into in the ordinary and usual course of business of the Company on normal commercial terms which are fair and reasonable, and in the interests of the Shareholders as a whole.

The Joint Sponsors are of the view that with respect to the term of the relevant agreements underlying the Contractual Arrangements which is of an indefinite duration, it is a justifiable and normal business practice to ensure that (i) the financial and operational policies of Fangzhou Yunkang can be effectively controlled by the Group, (ii) the Group can obtain substantially all of the economic benefits derived from Fangzhou Yunkang, and (iii) any possible leakages of assets and values of Fangzhou Yunkang can be prevented, on an uninterrupted basis.

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## DIRECTORS AND SENIOR MANAGEMENT

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### DIRECTORS AND SENIOR MANAGEMENT

The Board consists of seven Directors, comprising three executive Directors, one non-executive Director and three independent non-executive Directors. The following table provides certain information about the Directors:

Name	Age	Position(s)	Date of joining the Group (including the Pre-reorganization Group)	Date of appointment as a Director	Roles and responsibilities
XIE Fangmin (謝方敏)	45	Chairman of the Board, executive Director and chief executive officer	August 10, 2015	September 26, 2019	Overall business management of the Group
ZHOU Feng	55	Executive Director and chief strategy officer	November 20, 2015	September 26, 2019	Strategic planning, operation and investment and financing of the Group
ZOU Yuming (鄒宇鳴)	43	Executive Director and chief financial officer	August 1, 2018	August 9, 2021	Corporate finance and financial management of the Group, investor relations, and secretarial affairs of the Board
David McKee HAND	50	Non-executive Director	September 4, 2018	December 14, 2020	Providing strategic advice on the business development, operations and management of our Group

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## DIRECTORS AND SENIOR MANAGEMENT

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Name	Age	Position(s)	Date of joining the Group (including the Pre- reorganization Group)	Date of appointment as a Director	Roles and responsibilities
WANG Haizhong (王海忠)	57	Independent non-executive Director	June 27, 2024	June 27, 2024	Providing independent opinion and judgment to the Board
KANG Wei (康韋)	56	Independent non-executive Director	June 27, 2024	June 27, 2024	Providing independent opinion and judgment to the Board
ZHU Xiaolu (朱小路)	40	Independent non-executive Director	June 27, 2024	June 27, 2024	Providing independent opinion and judgment to the Board

### DIRECTORS

#### Executive Directors

**Mr. XIE Fangmin (謝方敏)**, aged 45, is our founder, chairman of the Board, executive Director and chief executive officer. He has been our Director since September 26, 2019 and was re-designated as an executive Director in September 2021. He is responsible for overall business management of the Group. Mr. Xie joined Guangdong Jianke and became one of its shareholders in 2011, and founded Yunyi Inc., the ultimate parent company of the Pre-reorganization Group, in August 2015. Prior to that, Mr. Xie served in Baidu (China) Co., Ltd. Guangzhou Branch (百度(中國)有限公司廣州分公司) from August 2005 to March 2009 and his last position was director of value-added services of the operation department. In the early 2000s, Mr. Xie worked at eLong.com (藝龍網), an online travel services provider in the PRC.

Mr. Xie received a master's degree in business administration from the Sun Yat-Sen University (中山大學), in Guangzhou, the PRC in June 2010. He also received an executive master's degree in business administration from The Hong Kong University of Science and Technology (香港科技大學) in Hong Kong, the PRC and Tsinghua University (清華大學) in Beijing, the PRC in June 2017 and June 2022 respectively.

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## DIRECTORS AND SENIOR MANAGEMENT

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**Mr. ZHOU Feng**, aged 55, is our executive Director and chief strategy officer. He has been our Director since September 26, 2019 and was re-designated as an executive Director in September 2021. He is responsible for strategic planning, operation and investment and financing of the Group. Mr. Zhou joined the Pre-reorganization Group in November 2015 focusing on management and operations and later became a shareholder, working jointly with Mr. Xie to lead the management and operations of the Group.

Mr. Zhou served as the chief executive officer in Lashou Group Inc., a company principally engaged in e-commerce services, from December 2012 to October 2014. He served as a vice president in Fortune Software (Beijing) Co. Ltd. (財富軟件(北京)有限公司), a company principally engaged in finance technology services, from May 2011 to April 2012, and was primarily responsible for operation and management of the personal business of the company. From November 2007 to November 2009, Mr. Zhou served as an executive vice president in Beijing Kaituo Tianji Information Technology Co., Ltd. (北京開拓天際信息技術有限公司), a company principally engaged in operation of communication platform, and was mainly responsible for sales operation of the company. He worked at sales and operations department in Baidu Online Network Technology (Beijing) Co. Ltd. (百度在線網絡技術(北京)有限公司) from April 2005 to September 2007. Mr. Zhou served at Dell (China) Co., Ltd. (戴爾(中國)有限公司) from November 2003 to April 2005 with his last position as marketing director of the software & peripherals centre of competence. In the 1990s, Mr. Zhou worked at a number of companies in electronics industry in Singapore including Duet-ESM Electronics (S) Pte Ltd and Sony Marketing International (Singapore) Pte Ltd.

Mr. Zhou has been deeply involved in managing and supervising the Company's business operations. He spent a significant amount of his time traveling to the Company's offices in the PRC, and has also made extensive use of teleconference and online collaboration tools to efficiently manage and supervise the Company's business operation in the PRC.

Mr. Zhou received a bachelor's degree in electronic engineering from Tsinghua University (清華大學) in Beijing, the PRC in July 1993 and a master's degree in business administration from Yale University in New Haven Connecticut, the US in May 2003.

**Mr. ZOU Yuming (鄒宇鳴)**, aged 43, is our executive Director and chief financial officer. He has been our Director since August 9, 2021 and was re-designated as an executive Director in September 2021. He is responsible for corporate finance and financial management of the Group, investor relations, and secretarial affairs of the Board. Mr. Zou joined our Group as vice president of strategic development in August 2018 and was appointed as our chief financial officer in April 2021.

Prior to joining our Group, Mr. Zou served as a trader and an executive director in JP Morgan Chase & Co. from July 2003 to July 2018. Since January 2020, he has served as an independent non-executive director of eCargo Holdings Limited, a company listed on the Australian Securities Exchange (ASX: ECG).

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## DIRECTORS AND SENIOR MANAGEMENT

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Mr. Zou has been deeply involved in managing and supervising the Company's business operations. He efficiently manages and supervises the Company's business operation in the PRC by making extensive use of teleconference and online collaboration tools, as well as traveling frequently to the Company's offices in the PRC.

Mr. Zou received both a bachelor's degree in economics and a master's degree in statistics from Harvard University in Cambridge, Massachusetts, the US in June 2003. Mr Zou is a Chartered Financial Analyst (CFA) and obtained the qualification from the Chartered Financial Analyst Institute in 2009.

### Non-executive Director

**Mr. David McKee HAND**, aged 50, is our non-executive Director. He has been our Director since December 14, 2020 and was re-designated as a non-executive Director in September 2021. Mr. Hand is mainly responsible for providing strategic advice on the business development, operations and management of our Group. He is a Partner and the Head of Ares Asia Private Equity since October 2023 and oversees all of Ares Asia's private equity investment in the Asia-Pacific region. Prior to Ares Asia, he was a co-founder, managing director and managing partner of Crescent Point since January 2003 and was mainly responsible for overseeing all of Crescent Point's activities and investments.

He served as an analyst in the investment banking division of Morgan Stanley & Co. LLC from July 1996 to July 1999. Mr. Hand was a director of Baozun Inc., a company listed on the NASDAQ and the Hong Kong Stock Exchange (NASDAQ: BZUN, HKEX: 9991), from 2011 to April 2018, and was mainly responsible for providing general corporate oversight to the company as a director.

Mr. Hand received a bachelor's degree in economics from Yale University in New Haven, Connecticut, the US in May 1996 and a master's degree in business administration from Harvard University in Cambridge, Massachusetts, the US in June 2004.

### Independent Non-executive Directors

**Dr. WANG Haizhong (王海忠)**, aged 57, was appointed as our independent non-executive Director on June 27, 2024. He is responsible for providing independent opinion and judgment to the Board.

Dr. Wang is currently a professor and doctoral supervisor of the School of Business of Sun Yat-Sen University (中山大學), having been working at Sun Yat-Sen University since August 2005. Dr. Wang was a professor of the School of Business Administration of Guangdong University of Finance and Economics (廣東財經大學) from May 1996 to December 2003. He served as an assistant research fellow and lecturer in South Asia Research Center of Sichuan University (四川大學) from July 1992 to April 1996. He has been a member of the Industrial Corporate Brand Development Expert Committee of the Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部) since June 2012.



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## DIRECTORS AND SENIOR MANAGEMENT

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Dr. Wang received a bachelor degree in agricultural economics from Southwestern University of Finance and Economics (西南財經大學) in Sichuan Province, the PRC in July 1989, and a master degree in law from Sichuan University (四川大學) in Sichuan Province, the PRC in July 1992. He also received a doctoral degree in management from Sun Yat-Sen University (中山大學) in Guangdong Province, the PRC in December 2002. He completed post-doctoral study in School of Economics and Management of Tsinghua University (清華大學) in Beijing, the PRC in September 2005.

**Ms. KANG Wei (康韋)**, aged 56, was appointed as our independent non-executive Director on June 27, 2024. She is responsible for providing independent opinion and judgment to the Board.

Ms. Kang is currently the executive advisor of Beijing RDPAC International Consulting Co., Ltd. (北京阿迪派克國際諮詢有限公司) (“**RDPAC**”), a company principally engaged in pharmaceutical registration, compliance and commercialization consultancy services, having held that position since February 2018. She has also been an executive consultant in RDPAC since October 2023. She served as a vice general manager and was responsible for leading the nephrology business unit of Beijing Fresenius Kabi Pharmaceutical Co., Ltd. (北京費森尤斯卡比醫藥有限公司) from 2010 to September 2017. Ms. Kang served at Shanghai Novartis Trading Ltd. (上海諾華貿易有限公司) from July 1995 to February 2011 and her last position was senior marketing director.

Ms. Kang received a bachelor’s degree in cell-biology from Xiamen University (廈門大學) in Fujian, the PRC in July 1989 and a master’s degree in business administration from University of Western Sydney in Sydney, Australia in September 2004. She received an advance program certificate from Dartmouth College in New Hampshire, the US in April 2010, and a postgraduate certificate in leadership capability in Glasgow Caledonian University in United Kingdom in February 2010.

**Mr. ZHU Xiaolu (朱小路)**, aged 40, was appointed as our independent non-executive Director on June 27, 2024. He is responsible for providing independent opinion and judgment to the Board.

Mr. Zhu has been a partner of Junchuan Capital (君川資本) since December 2022. He successively served as a co-chief financial officer and the chief financial officer of Qutoutiao Inc., a company listed on the NASDAQ (NASDAQ: QTT), principally engaged in operation of mobile content platforms, from May 2019 to November 2022. Prior to that, Mr. Zhu served at Qunar Cayman Islands Limited, a company previously listed on the NASDAQ and delisted in March 2017, from November 2014 to November 2017 with his last position as the chief financial officer. From April 2012 to October 2014, Mr. Zhu served as a vice president of finance in Beijing Lashou Internet Technology Co., Ltd. (北京拉手網絡技術有限公司), a company mainly engaged in operation of Lashou.com. Mr. Zhu served as a manager of investment banking in Goldman Sachs Gao Hua Securities Company Limited (高盛高華證券有限責任公司) from July 2009 to March 2011.

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## DIRECTORS AND SENIOR MANAGEMENT

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Mr. Zhu received a bachelor degree in law from Peking University (北京大學) in Beijing, the PRC in July 2005, and a Juris Doctor degree from Duke University in Durham, North Carolina, the US in May 2009.

### SENIOR MANAGEMENT

The following table provides information about members of the senior management of the Group:

Name	Age	Position(s)	Date of joining the Group (including the Pre-reorganization Group)	Date of appointment as senior management	Roles and responsibilities
XIE Fangmin (謝方敏)	45	Chairman of the Board, executive Director and chief executive officer	August 10, 2015	August 10, 2015	Overall business management of the Group
ZHOU Feng	55	Executive Director and chief strategy officer	November 20, 2015	November 20, 2015	Strategic planning, operation and investment and financing of the Group
ZOU Yuming (鄒宇鳴)	43	Executive Director and chief financial officer	August 1, 2018	August 1, 2018	Corporate finance and financial management of the Group, investor relations, and secretarial affairs of the Board

For biographical details of **Mr. XIE Fangmin (謝方敏)**, **Mr. ZHOU Feng** and **Mr. ZOU Yuming (鄒宇鳴)**, please see “—Executive Directors” of this section.

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## DIRECTORS AND SENIOR MANAGEMENT

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### DIRECTORS' AND SENIOR MANAGEMENT'S INTERESTS

Save as disclosed above, none of our Directors or senior management members has been a director of any public company the securities of which are listed on any securities market in Hong Kong or overseas in the three years immediately preceding the date of this Prospectus.

Save as disclosed above, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there was no other matter with respect to the appointment of our Directors that needs to be brought to the attention of our Shareholders and there was no information relating to our Directors that is required to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules as of the Latest Practicable Date.

As of the Latest Practicable Date, save for the interests in the shares of the Company held by Mr. Xie, Mr. Zhou and Mr. ZOU Yuming, our executive Directors, and by Mr. David McKee Hand, our non-executive Director, which are disclosed in the section headed “Statutory and General Information—C. Further Information about Our Directors” in Appendix IV in this prospectus, none of our Directors held any interest in the securities within the meaning of Part XV of the SFO.

As of the Latest Practicable Date, none of our Directors or senior management are related to other Directors or senior management of our Company.

### JOINT COMPANY SECRETARIES

**Mr. ZOU Yuming (鄒宇鳴)** was appointed as one of the joint company secretaries of our Company on September 6, 2021. For details of his biography, see “—Executive Directors.”

**Ms. FUNG Po Ting (馮寶婷)**, was appointed as one of the joint company secretaries of our Company on May 3, 2023. Ms. Fung is a manager of the listing services department of TMF Hong Kong Limited, responsible for providing corporate secretarial and compliance services to listed companies. She has over 12 years of experience in the corporate secretarial field. Ms. Fung is an associate member of The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom. Ms. Fung obtained her master's degree in Corporate Governance and her bachelor's degree in Corporate Administration of Business Administration from Hong Kong Metropolitan University (formerly known as The Open University of Hong Kong) in 2020 and 2016, respectively.

### DIRECTORS' REMUNERATION

For the details of the service contracts and appointment letters that we have entered into with the Directors, see the section headed “Statutory and General Information—C. Further Information about Our Directors—1. Particulars of Directors' service contracts and appointment letters” in Appendix IV.

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## DIRECTORS AND SENIOR MANAGEMENT

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The aggregate amount of remuneration (including basic salaries, housing allowances, other allowances and benefits in kind, contributions to pension plans and discretionary bonuses) for the Directors for the years ended December 31, 2021, 2022 and 2023 was RMB5.8 million, RMB8.7 million and RMB12.7 million, respectively.

For the years ended December 31, 2021, 2022 and 2023, the aggregate amount of remuneration (including basic salaries, housing allowances, other allowances and benefits in kind, contributions to pension plans and discretionary bonuses) for the five highest paid individuals who are neither a Director nor chief executive of the Group were RMB2.5 million, RMB3.4 million and RMB3.7 million, respectively.

Save as disclosed above, no other payments have been paid or are payable in respect of the Track Record Period to the Directors by the Group.

During the Track Record Period, no amount was paid to, or receivable by, the Directors or the five highest paid individuals as an inducement to join or upon joining the Group. No compensation was paid to, or receivable by, the Directors, past Directors or the five highest paid individuals during the Track Record Period for the loss of office as director of any member of the Group or of any other office in connection with the management of the affairs of any member of the Group. None of the Directors waived any emoluments during the Track Record Period.

### RSU SCHEME

We adopted the RSU Scheme. For further details, please see the section headed “Statutory and General Information—D. RSU Scheme” in this Prospectus.

### CORPORATE GOVERNANCE CODE

We have adopted certain corporate governance measures in compliance with the Corporate Governance Code set out in Appendix C1 to the Listing Rules (the “**Corporate Governance Code**”). We aim to achieve a high standard of corporate governance, which is crucial to safeguard the interests of the Shareholders. To accomplish this, we expect to comply with the Corporate Governance Code after the Listing, except for the following:

Pursuant to code provision C.2.1 in the Corporate Governance Code as set out in Appendix C1 to the Listing rules, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

Mr. XIE Fangmin is currently serving as the chairman of the Board as well as the chief executive officer of our Company. As Mr. Xie is the founder of our Group and has been managing our Group’s business since its establishment, our Directors consider that vesting the roles of chairman and chief executive officer in Mr. Xie is beneficial to the business prospects and management of our Group by ensuring consistent leadership within our Group. Taking into account all the corporate governance measures that we are going to implement upon Listing, our Board considers that the balance of power and authority for the present arrangement will

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## DIRECTORS AND SENIOR MANAGEMENT

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not be impaired and this structure will enable our Company to make and implement decisions promptly and effectively. Accordingly, our Company had not segregated the roles of its chairman and chief executive officer. Our Board will continue to review and consider splitting the roles of chairman of our Board and the chief executive officer of our Company at an appropriate time if necessary, taking into account the circumstances of our Group as a whole.

Saved as disclosed above, as of the Latest Practicable Date and to the best of the knowledge, information and belief of our Directors, having made all reasonable enquiries, the Directors are not aware of any deviation from provisions in the Corporate Governance Code as set out in Appendix C1 to the Listing Rules.

### **BOARD COMMITTEE**

Save and except that nomination committee is chaired by Mr. Xie, each of our audit committee and remuneration committee is chaired by an independent non-executive Director. All committees comprise a majority of independent non-executive Directors.

#### **Audit Committee**

We have established an audit committee in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code. The primary duties of the audit committee are to review and supervise the financial reporting process and internal audit system of the Group, review and approve connected transactions and to advise the Board. The audit committee comprises three independent non-executive Directors, namely Mr. ZHU Xiaolu, Dr. WANG Haizhong and Ms. KANG Wei. Mr. ZHU Xiaolu, being the chairman of the committee, is appropriately qualified as required under Rules 3.10(2) and 3.21 of the Listing Rules.

#### **Remuneration Committee**

We have established a remuneration committee in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code. The primary duties of the remuneration committee are to review and make recommendations to the Board regarding the terms of remuneration packages, bonuses and other compensation payable to the Directors and senior management. The remuneration committee comprises one non-executive Director and two independent non-executive Directors, namely Ms. KANG Wei, Mr. ZHU Xiaolu and Mr. David McKee HAND. Ms. KANG Wei is the chairlady of the committee.

#### **Nomination Committee**

We have established a nomination committee in compliance with Rule 3.27A of the Listing Rules and the Corporate Governance Code. The primary duties of the nomination committee are to make recommendations to the Board regarding the appointment of Directors and Board succession. The nomination committee comprises one executive Director, and two independent non-executive Directors, namely Mr. XIE Fangmin, Mr. ZHU Xiaolu and Dr. WANG Haizhong. Mr. XIE Fangmin is the chairman of the committee.

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## DIRECTORS AND SENIOR MANAGEMENT

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### BOARD DIVERSITY POLICY

We recognize and embrace the benefits of having a diverse Board and see increasing diversity at the Board level as an essential element in maintaining our competitive advantage. The nomination committee will review annually the structure, size and composition of our Board and where appropriate, make recommendations on changes to our Board to complement our corporate strategy.

In relation to reviewing and assessing our Board composition, our nomination committee will consider a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional qualifications, skills, knowledge, length of service and industry and regional experience. Meanwhile, our Company will consider the above factors based on our business mode and our specific needs, and the ultimate decision will be based on merit and contribution that the selected candidates will bring to our Board.

We have taken, and will continue to take, steps to promote gender diversity at all levels of our Company, including but not limited to our Board and the senior management levels. While we recognise that gender diversity at our Board level can be improved given one out of seven of our Directors is female upon the Listing, we will continue to apply the principle of appointments based on merits with reference to our board diversity policy as a whole, and we have also taken, and will continue to take steps to promote gender diversity at all levels of our Company, including but not limited to the Board and the management levels. After the Listing, we will strive to achieve gender balance of the Board through certain measures to be implemented by our nomination committee in accordance with our board diversity policy. In particular, taking into account the business needs of our Group and changing circumstances from time to time that may affect our Group's business plans, we will actively identify female individuals suitably qualified to become our Board members and we aim to achieve a target of 30% female representation in our Board, during the period of which we are listed on the Stock Exchange. To further ensure gender diversity of our Board in a long run, our Group will also identify and select several female individuals with a diverse range of skills, experience and knowledge in different fields from time to time, and maintain a list of such female individuals who possess qualities to become our Board members, which will be reviewed by our nomination committee quarterly in order to develop a pipeline of potential successors to our Board to promote gender diversity of our Board.

Our nomination committee will discuss and where necessary, agree on the additional measurable objectives for achieving diversity on the Board and recommend them to the Board for adoption. We aim to maintain an appropriate balance of diversity perspectives of our Board that are relevant to our business growth. After the Listing, our Board will monitor the implementation of the board diversity policy and review the board diversity policy from time to time to ensure its continued effectiveness. We will also disclose in our annual corporate governance report a summary of the board diversity policy together with information regarding the implementation of the board diversity policy.

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## DIRECTORS AND SENIOR MANAGEMENT

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### COMPLIANCE ADVISOR

We have appointed Somerley Capital Limited as the compliance advisor (the “**Compliance Advisor**”) pursuant to Rule 3A.19 of the Listing Rules. The Compliance Advisor will provide us with guidance and advice as to compliance with the Listing Rules and applicable Hong Kong laws. Pursuant to Rules 3A.23 of the Listing Rules, the Compliance Advisor will advise the Company in certain circumstances and/or matters including:

- (a) before the publication of any regulatory announcement, circular, or financial report;
- (b) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;
- (c) where we propose to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where the business activities, development or results of the Group deviate from any forecast, estimate or other information in this prospectus; and
- (d) where the Stock Exchange makes an inquiry to the Company regarding unusual movements in the price or trading volume of its listed securities or any other matters in accordance with Rule 13.10 of the Listing Rules.

The term of appointment of the Compliance Advisor shall commence on the Listing Date and is expected to end on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the Listing Date.

### CONFIRMATION FROM OUR DIRECTORS

#### Rule 3.09D of the Listing Rules

Each of our Directors confirms that he or she (i) has obtained the legal advice referred to under Rule 3.09D of the Listing Rules in September 2021, and (ii) understands his or her obligations as a director of a listed issuer under the Listing Rules.

#### Rule 3.13 of the Listing Rules

Each of the independent non-executive Directors confirms (i) his or her independence as regards each of the factors referred to in Rules 3.13(1) to (8) of the Listing Rules; (ii) that he or she has no past or present financial or other interests in the business of our Company or its subsidiaries or any connection with any core connected person (as defined in the Listing Rules) of our Company; and (iii) that there are no other factors that may affect his or her independence at the time of his or her appointment.

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## DIRECTORS AND SENIOR MANAGEMENT

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### **Rule 8.10 of the Listing Rules**

Each of the Directors confirms that as of the Latest Practicable Date, he or she did not have any interest in a business which materially competes or is likely to compete, directly or indirectly, with the business of our Group, and requires disclosure under Rule 8.10 of the Listing Rules.



## SUBSTANTIAL SHAREHOLDERS

### SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the Global Offering, assuming the weighted voting rights structure is cancelled and the Over-allotment Option is not exercised and each Class A Ordinary Share, Class B Ordinary Share and Preferred Share will be automatically converted into one Ordinary Share upon the Global Offering becoming unconditional, the following parties will have interests and/or short positions in the Shares or underlying Shares of our Company that (i) would fall to be disclosed to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or, (ii) will be, directly or indirectly, interested in 10% or more of the nominal value of any class of our share capital carrying rights to vote in all circumstances at general meetings of our Company:

Name	Capacity/Nature of interest	Shares held as at the date of this prospectus <sup>(1)</sup>		Shares held immediately following the completion of the Global Offering <sup>(2)</sup>	
		Number of Shares <sup>(1)</sup>	Approximate percentage <sup>(1)</sup>	Number of Shares <sup>(2)</sup>	Approximate percentage <sup>(2)</sup>
Mr. XIE Fangmin	Interest in controlled corporations <sup>(3)</sup>	276,605,527	21.01%	276,605,527	20.64%
	Interest of a party to an agreement <sup>(4)</sup>	236,624,057	17.97%	236,624,057	17.65%
	Interest of a party to an agreement <sup>(10)</sup>	138,430,610	10.52%	138,430,610	10.33%
	Interest in a controlled corporation <sup>(11)</sup>	116,875,898	8.88%	116,875,898	8.72%
Mr. ZHOU Feng	Interest in controlled corporations <sup>(5)</sup>	236,624,057	17.97%	236,624,057	17.65%
	Interest of a party to an agreement <sup>(4)</sup>	276,605,527	21.01%	276,605,527	20.64%
	Interest of a party to an agreement <sup>(10)</sup>	138,430,610	10.52%	138,430,610	10.33%
	Interest in a controlled corporation <sup>(11)</sup>	116,875,898	8.88%	116,875,898	8.72%
Celaeno Group Limited	Beneficial owner <sup>(5)</sup>	186,158,297	14.14%	186,158,297	13.89%
Fangrong Management Limited	Beneficial owner <sup>(3)</sup>	265,538,362	20.17%	265,538,362	19.81%
Asia Tech Investments Ltd.	Beneficial owner <sup>(11)</sup>	116,875,898	8.88%	116,875,898	8.72%
Crescent ACSO Investment Management Ltd	Interest in controlled corporations <sup>(6)</sup>	115,165,045	8.75%	115,165,045	8.59%

## SUBSTANTIAL SHAREHOLDERS

Name	Capacity/Nature of interest	Shares held as at the date of this prospectus <sup>(1)</sup>		Shares held immediately following the completion of the Global Offering <sup>(2)</sup>	
		Number of Shares <sup>(1)</sup>	Approximate percentage <sup>(1)</sup>	Number of Shares <sup>(2)</sup>	Approximate percentage <sup>(2)</sup>
Crescent Trident Singapore Pte. Ltd.	Beneficial owner <sup>(6)</sup>	115,165,045	8.75%	115,165,045	8.59%
Crescent Point	Investment manager <sup>(9)</sup>	437,443,815	33.23%	437,443,815	32.64%
Danai Rojanavanichkul	Interest in controlled corporations <sup>(7)(8)</sup>	264,582,255	20.10%	264,582,255	19.74%
Veneto Holdings Ltd.	Interest in controlled corporations <sup>(7)(8)</sup>	264,582,255	20.10%	264,582,255	19.74%
Tech-Med Cayman III Ltd.	Interest in controlled corporations <sup>(8)</sup>	138,430,610	10.52%	138,430,610	10.33%
Tech-Med Investments (S) Pte. Ltd. <sup>(11)</sup>	Beneficial owner <sup>(8)</sup>	138,430,610	10.52%	138,430,610	10.33%
CP Pharmatech Singapore Pte. Ltd.	Beneficial owner <sup>(7)</sup>	126,151,645	9.58%	126,151,645	9.41%
David McKee HAND	Interest in controlled corporations <sup>(9)</sup>	437,443,815	33.23%	437,443,815	32.64%

*Notes:*

- (1) The table above assumes that the weighted voting rights structure is cancelled.
- (2) The table above assumes the weighted voting rights structure is cancelled and the Over-allotment Option is not exercised and each Class A Ordinary Share, Class B Ordinary Share and Preferred Share will be converted into one Ordinary Share upon the Global Offering becoming unconditional.
- (3) Fangrong Management Limited is wholly-owned by Mr. Xie. Each of Fangzhan Holdings L.P. and Xingyu Holdings L.P. is controlled by Mr. Xie. Therefore, Mr. Xie is deemed to be interested in the 265,538,362, 5,481,985 and 5,585,180 Shares held by Fangrong Management Limited, Fangzhan Holdings L.P. and Xingyu Holdings L.P., respectively, under the SFO.
- (4) Mr. Xie and Mr. Zhou are parties to the Concert Deed, according to which Mr. Xie and Mr. Zhou confirmed and agreed that they have acted and will continue to act in concert and collectively for all material management affairs and the arrival and/or execution of all commercial decisions, including but not limited to financial and operational matters, of our Group since date of the Concert Deed, and they have casted and will continue to cast unanimous vote collectively for or against all resolutions in all Board and Shareholders' meetings and discussions of the Group. Therefore, Mr. Xie and Mr. Zhou are deemed to be jointly interested in the aggregate number of Shares held by each other.
- (5) Each of Celaeno Group Limited and Silica Brothers Corp. is wholly-owned by Mr. Zhou. Therefore, Mr. Zhou is deemed to be interested in 186,158,297 and 50,465,760 Shares held by Celaeno Group Limited and Silica Brothers Corp., respectively, under the SFO.
- (6) Crescent Trident Singapore Pte. Ltd. is controlled by Crescent ACSO Investment Management Ltd, which is ultimately controlled by David McKee Hand.

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## SUBSTANTIAL SHAREHOLDERS

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- (7) CP Pharmatech Singapore Pte. Ltd. is controlled by Veneto Holdings Ltd., which is in turn ultimately controlled by Danai Rojanavanichkul.
- (8) Tech-Med Investments (S) Pte. Ltd. is controlled by Tech-Med Cayman III Ltd., which is in turn controlled by Veneto Holdings Ltd., and is in turn ultimately controlled by Danai Rojanavanichkul.
- (9) Each of Crescent Point Vehicles is advised by Crescent Point, which is ultimately controlled by David McKee Hand.
- (10) Effective immediately before the Listing, Mr. Xie and Mr. Zhou will be entitled to exercise the voting rights attached to 138,430,610 Shares, representing approximately 10.33% of shareholding interest in the Company immediately following the completion of the Global Offering, held by Tech-Med Investments (S) Pte. Ltd. pursuant to the deed of voting proxy executed by Tech-Med Investments (S) Pte. Ltd. on June 12, 2024. For details, see “History, Reorganization and Corporate Structure—Deed of Voting Proxy.”
- (11) Asia Tech Investments Ltd. is a platform holding the underlying incentive shares granted to our Directors and senior management in the total amount of 116,875,898 Class A Ordinary Shares under the RSU Scheme. Approximately 51.34% and 48.41% interest of Asia Tech Investments Ltd. were held by Mr. Xie and Mr. Zhou, respectively. Therefore, each of Mr. Xie and Mr. Zhou is deemed to be interested in the Shares of the Company held by Asia Tech Investments Ltd. in accordance with SFO.

Except as disclosed above, our Directors are not aware of any other person who will, immediately following the completion of the Global Offering (assuming the weighted voting rights structure is cancelled and the Over-allotment Option is not exercised and each Class A Ordinary Share, Class B Ordinary Share and Preferred Share will be automatically converted into one Share upon the Global Offering becoming unconditional), have any interest and/or short positions in the Shares or underlying shares of our Company which would fall to be disclosed to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or, will be, directly or indirectly, interested in 10% or more of the nominal value of any class of our share capital carrying rights to vote in all circumstances at general meetings of our Company. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company or any other member of our Group.

## SHARE CAPITAL

### AUTHORIZED AND ISSUED SHARE CAPITAL

The following is a description of the authorized and issued share capital of our Company immediately prior to and upon the completion of the Global Offering, assuming that (i) the Global Offering becomes unconditional and the Offer Shares are issued pursuant to the Global Offering, (ii) the weighted voting rights structure is cancelled, and (iii) the Over-allotment Option is not exercised.

#### 1. Share capital at the date of this prospectus

##### (i) Authorized share capital

Description of Shares	Number of Shares	Approximate aggregate nominal value of Shares (US\$)	Approximate percentage of authorized share capital (%)
Class A Ordinary Shares	1,478,144,936	29,562.90	59.13
Class B Ordinary Shares	450,192,125	9,003.84	18.01
Series A Preferred Shares	115,165,045	2,303.30	4.60
Series A-1 Preferred Shares	86,828,195	1,736.56	3.47
Series B Preferred Shares	197,737,720	3,954.75	7.91
Series C Preferred Shares	155,180,335	3,103.61	6.21
Series D Preferred Shares	8,664,773	173.30	0.35
Series D+ Preferred Shares	8,086,871	161.74	0.32
Total	2,500,000,000	50,000.00	100.00

##### (ii) Issued and to be issued, fully paid or credited to be fully paid

Description of Shares	Number of Shares	Approximate aggregate nominal value of Shares (US\$)	Approximate percentage of issued share capital (%)
Class A Ordinary Shares	294,612,393	5,892.25	22.38
Class B Ordinary Shares	450,192,125	9,003.84	34.20
Series A Preferred Shares	115,165,045	2,303.30	8.75
Series A-1 Preferred Shares	86,828,195	1,736.56	6.60
Series B Preferred Shares	197,737,720	3,954.75	15.02
Series C Preferred Shares	155,180,335	3,103.61	11.79
Series D Preferred Shares	8,664,773	173.30	0.66
Series D+ Preferred Shares	8,086,871	161.74	0.61
Total	1,316,467,457	26,329.35	100.00

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## SHARE CAPITAL

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2. Share capital immediately following the completion of the Global Offering (assuming the weighted voting rights structure is cancelled, the Over-allotment Option is not exercised and each Class A Ordinary Share, Class B Ordinary Share and Preferred Share is converted into one Share)

Description of Shares	Number of Shares	Approximate aggregate nominal value of Shares  (US\$)
Authorized share capital	2,500,000,000	50,000.00

Description of Shares	Number of Shares	Approximate aggregate nominal value of Shares  (US\$)	Approximate percentage of issued share capital  (%)
Shares in issue	1,316,467,457	26,329.35	98.22
Shares to be issued pursuant to the Global Offering	23,800,000	476.00	1.78
Total	1,340,267,457	26,805.35	100.00

The tables above do not take into account any Shares that may be issued or repurchased by the Company under the general mandates granted to our Directors referred to below.

### RANKING

The Offer Shares will rank *pari passu* in all respects with all Shares then in issue or to be issued as mentioned in this prospectus, and will qualify and rank equally for all dividends or other distributions declared, made or paid on the Shares on a record date which falls after the date of this prospectus.

### CIRCUMSTANCES UNDER WHICH GENERAL MEETINGS ARE REQUIRED

The Company will have only one class of Shares, namely ordinary shares, and each ranks *pari passu* with the other Shares upon completion of the Global Offering.

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## SHARE CAPITAL

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Pursuant to the Cayman Companies Act and the terms of the Memorandum of Association and Articles of Association, our Company may from time to time by ordinary resolution of shareholders (i) increase its capital; (ii) consolidate and divide its capital into shares of larger amount; (iii) divide its shares into several classes; (iv) subdivide its shares into shares of smaller amount; and (v) cancel any shares which have not been taken. In addition, our Company may subject to the provisions of the Cayman Companies Act reduce its share capital or capital redemption reserve by its shareholders passing a special resolution. See the section headed “Summary of the Constitution of the Company and Cayman Company Law—2. Articles of Association—(a) Shares—(iii) Alteration of capital” in Appendix III for further details.

### GENERAL MANDATE TO ISSUE SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares with a total nominal value of not more than the sum of:

- 20% of the aggregate nominal value of the Shares in issue immediately following completion of the Global Offering (excluding any Shares to be issued pursuant to the exercise of the Over-allotment Option, if any); and
- the aggregate nominal value of Shares repurchased by the Company under the authority referred to in the paragraph headed “—General Mandate to Repurchase Shares” in this section.

This general mandate to issue Shares will expire at the earliest of:

- the conclusion of the next annual general meeting of our Company unless otherwise renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions; or
- the expiration of the period within which our Company’s next annual general meeting is required by the Memorandum of Association and Articles of Association or any other applicable laws to be held; or
- the date on which it is varied or revoked by an ordinary resolution of our Shareholders in general meeting.

See the section headed “Statutory and General Information—A. Further Information about our Company and our Subsidiaries and Consolidated Affiliated Entities—5. Resolutions of the Shareholders of Our Company dated June 14, 2024” in Appendix IV for further details of this general mandate.

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## SHARE CAPITAL

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### GENERAL MANDATE TO REPURCHASE SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase our own securities with nominal value of up to 10% of the aggregate nominal value of our Shares in issue immediately following the completion of the Global Offering (excluding any Shares to be issued pursuant to the exercise of the Over-allotment Option, if any).

The repurchase mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which our Shares are listed (and which are recognized by the SFC and the Stock Exchange for this purpose), and which are in accordance with the Listing Rules. A summary of the relevant Listing Rules is set out in the section headed “Statutory and General Information—A. Further Information about our Company and our Subsidiaries and Consolidated Affiliated Entities—6. Repurchase of our own securities” in Appendix IV.

This general mandate to repurchase Shares will expire at the earliest of:

- the conclusion of the next annual general meeting of our Company unless otherwise renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions; or
- the expiration of the period within which our Company’s next annual general meeting is required by the Memorandum of Association and Articles of Association or any other applicable laws to be held; or
- the date on which it is varied or revoked by an ordinary resolution of our Shareholders passed in a general meeting.

See the section headed “Statutory and General Information—A. Further Information about our Company and our Subsidiaries and Consolidated Affiliated Entities—6. Repurchase of our own securities” in Appendix IV for further details of the repurchase mandate.

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## FINANCIAL INFORMATION

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*You should read the following discussion and analysis in conjunction with our consolidated financial information, including the notes thereto, included in the Accountants' Report set out in Appendix I to this prospectus. Our consolidated financial information has been prepared in accordance with HKFRSs.*

*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 assumptions and analysis made by us in light of our experience and perception of historical events, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors. We discuss factors that we believe could cause or contribute to these differences below and elsewhere in this prospectus, including those set forth in "Risk Factors" and "Forward-Looking Statements" in this prospectus.*

### OVERVIEW

We are the largest online chronic disease management platform in China in terms of average MAU in 2023, according to CIC.

We offer comprehensive medical services to patients, such as follow-up physician consultations and e-prescription services, which are conducted by our registered physicians and in-house medical professionals through our industry-leading H2H service platform and online retail pharmacy service platform. We also provide online retail pharmacy services to offer a variety of pharmaceutical products to customers. Our comprehensive medical services and online retail pharmacy services are supported by a chronic disease management service center consisting of 169 staff members as of December 31, 2023 and a robust supply chain. Leveraging our technological capability, we provide digitalized solutions for key participants in the healthcare industry.

For the years ended December 31, 2021, 2022 and 2023, our revenue amounted to RMB1,758.7 million, RMB2,204.3 million and RMB2,434.3 million, respectively. Our gross profit in 2021, 2022 and 2023 amounted to RMB219.6 million, RMB380.6 million and RMB487.4 million, respectively.

### BASIS OF PRESENTATION AND PREPARATION

We were incorporated as an exempted company with limited liability under the laws of Cayman Islands on September 26, 2019. We are principally engaged in online chronic disease management services in China.



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## FINANCIAL INFORMATION

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Our consolidated financial information has been prepared in accordance with all applicable HKFRSs, which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). The HKICPA has issued a number of new and revised HKFRSs. For the purpose of preparing our consolidated financial information, we have consistently adopted all applicable new and revised HKFRSs that are effective during the Track Record Period, except for any new standards or interpretations that are not yet effective for the Track Record Period. The revised and new accounting standards and interpretations issued but not yet effective for the Track Record Period are set out in note 32 to the Accountants’ Report set out in Appendix I to this prospectus. The preparation of our consolidated financial information in conformity with HKFRSs requires the use of certain accounting estimates. It also requires management to exercise its judgment in the process of applying our accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to our consolidated financial information, are disclosed in note 3 to the Accountants’ Report set out in Appendix I to this prospectus.

### **KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS**

We believe that the following factors have a major impact on our results of operations:

#### **Growth of the online chronic disease management market in China**

Our financial performance and future business growth depend on the development and growth of the online chronic disease management market in China. According to CIC, the size of online chronic disease management market in China in terms of GMV increased from RMB27.6 billion in 2015 to RMB178.1 billion in 2023, representing a CAGR of 26.3%, and is expected to continue to grow at a CAGR of 30.6% and reach RMB1,153.9 billion in 2030. In addition, the market size of the online to-consumer chronic disease management market grew rapidly at a CAGR of 75.6% from RMB0.5 billion in 2015 to RMB45.5 billion in 2023, and is projected to reach RMB599.5 billion in 2030, representing a CAGR of 44.5%. The growth of online chronic disease management market is largely driven by (i) the increasing demand for chronic disease management services with the increase in the aging population with chronic disease, while the capacity of Class III hospitals which provide better medical services in China is limited; (ii) the growth of out-of-hospital prescription market; (iii) the expanded coverage of national medical insurance for online medication; and (iv) the increasing acceptance of online medical services across all age groups. As a leading online chronic disease management platform in China, we expect to capture growth opportunities in this market, which will impact our results of operations and future performance. See “Industry Overview” in this prospectus for details.

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### **Our ability to establish a large and active user base**

We believe that our user base is the foundation of our business. Our results of operations will largely depend on our ability to build and monetize a large and active user base. In the early stage of building our business, we prioritized scaling our business, and we were especially committed to increasing our paying user base as well as the efficiency of our user acquisition efforts through various marketing initiatives. These efforts were particularly evident in 2021, when we made a strategic decision to rapidly expand the scale of our H2H services. Since July 2019, when we commenced in-house operations of the Jianke mobile applications and website, which were previously operated by Guangdong Jianke, we also devoted significant efforts to enhancing user acquisition efficiency and improving conversion rate of our active users to paying users in order to expand our paying user base. The number of paying users on our Jianke Platform increased from 3.9 million for the year ended December 31, 2022 to 4.4 million for the year ended December 31, 2023. The conversion rate of active users to paying users on our H2H service platform was 32.6%, 42.9% and 36.2% in 2021, 2022 and 2023, respectively. For those same years, the conversion rate of active users to paying users on our online retail pharmacy service platform was 14.7%, 14.8% and 17.7%, respectively.

Driven by the increase in our user base, the GMV of the Jianke Platform and third-party e-commerce platforms increased from RMB1,945.4 million in 2021 to RMB2,430.3 million and RMB2,481.5 million in 2022 and 2023, respectively.

### **Our ability to enrich our product and service offerings**

Our revenue growth and results of operations depend on our ability to provide a wide range and well-diversified portfolio of product and service offerings to address the needs of different stakeholders in the industry. We have been a pioneer in online chronic disease management services, offering online retail pharmacy services and comprehensive medical services, such as physician consultations and e-prescriptions. As we focus on chronic disease management, our users typically require periodic prescription drug refills and follow-up medical consultations to treat their condition, which will continuously drive our sales revenue. We endeavor to further enrich the services and products offered through our Jianke Platform. For example, the number of products available on our platform has grown rapidly as we strived to provide customers with a wide range of pharmaceutical products, with a special focus on prescription drugs to serve the needs of chronic disease patients. As of December 31, 2023, we had offered over 212,000 drug SKUs, of which approximately 61.6% were prescription drugs. As a result, the average spending per user on our Jianke Platform amounted to RMB766.3, RMB626.7 and RMB558.9 in 2021, 2022 and 2023, respectively, which was higher than the industry average of approximately RMB200.0 for the same years, according to CIC. We will also continue to broaden our selection of high-value-add products, such as health supplement products and traditional Chinese medicine, to cater to users with such needs. We believe this will enable us to expand our reach and coverage to serve a larger user base, which would in turn drive our sales revenue.

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As the industry evolves, we expect to remain at the forefront in offering new products and services. We will continue to expand our customized content and marketing solutions business in order to provide relevant content to physicians and patients, while helping pharmaceutical companies raise awareness about chronic disease conditions and treatment options among targeted audience. In addition, we have utilized and will continue to utilize our big data analytics capabilities to better understand our users so that we are able to serve their evolving needs.

### **Our ability to attract and retain active registered physicians**

Our results of operations and long term success depend in part on our ability to attract and retain qualified physicians on our Jianke Platform. Through our expanding coverage of registered physicians and patient users, we have helped facilitate real-world physician-patient relationships, enabling us to build trust with patients and retain them to our platform. The number of registered physicians on our platform experienced rapid growth since we began to operate in-house in July 2019, reaching over 212,000 as of December 31, 2023. We plan to further expand the number of physicians registered on our H2H service platform and cultivate engagement from active registered physicians to better serve patients throughout the lifespan of their chronic disease management. We will also focus on attracting physicians with a broader range of specialties to our platform to increase the choices available to patients, while providing us with greater monetization opportunities.

### **Our profitability**

Our profitability is significantly affected by our growth strategies and business priorities. During the Track Record Period, our business went through a dynamic period of expansion and growth. Since we began to operate the Jianke mobile applications and website in-house in July 2019, we actively grew our user base and business scale, which resulted in rapid growth of our H2H services and online retail pharmacy services during the Track Record Period. These efforts have had a positive effect on our overall gross profit margin, which increased from 12.5% in 2021 to 17.3% in 2022 and further increased to 20.0% in 2023.

From 2021 to 2022, our gross profit margin increased from 12.5% to 17.3%, primarily because we gained greater flexibility in setting our customer pricing as we were able to negotiate more favorable procurement terms due to our increased business scale, which resulted in decreased unit costs for a significant portion of the products sold on our Jianke Platform in 2022. For instance, 30 of our top 50 best-selling drugs in 2022 by revenue with comparable sales data in 2021 experienced a unit cost decrease of up to 63% from 2021 to 2022. As a result of our ongoing efforts to enhance our supply chain capabilities, our gross profit margin further increased from 17.3% in 2022 to 20.0% in 2023, as we were able to procure pharmaceutical and healthcare products at more favorable prices. We expect our gross profit margins to continue to be affected by our business goals and strategies in the future.

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### **Our ability to effectively manage our costs and expenses and enhance operating efficiency**

Our ability to achieve profitability is, to a large extent, dependent on our ability to control our costs and expenses through enhancing our operating leverage and efficiency. Our cost of sales primarily represents procurement costs for pharmaceutical and other products, which are subject to various factors, such as our negotiating power with pharmaceutical companies and suppliers. Our operating efficiency is also affected by our ability to optimize our expense structure. During the Track Record Period, selling and distribution expenses were the largest component of our operating expenses. Despite the increases in absolute amounts of our selling and distribution expenses during the Track Record Period, our selling and distribution expenses as a percentage of revenue exhibited a downward trend, primarily attributable to economies of scale, a reduction in our compensation to registered physicians and our increased cost efficiency after building up our in-house operation capabilities. We expect our costs and expenses to remain substantial as we further expand our business.

We continuously seek to streamline our operations and we believe that controlling operating expenses to achieve optimal operating efficiency is important to our success. We believe the continued growth of our business and expansion of our market share can bring us economies of scale, resulting in higher utilization of our services and technologies and stronger bargaining power with pharmaceutical companies. In addition, we believe our services have network effects that can promote our brand effectively and enhance our marketing efficiency. Going forward, we will continue to adjust our marketing strategies to operate more efficiently and effectively as our business grows.

### **Extensive and evolving legal and regulatory requirements for the healthcare and online chronic disease management industries**

Due to the complex nature of our business, we are subject to extensive and evolving legal and regulatory requirements applicable to multiple industries in the PRC. These industries primarily include healthcare, chronic disease management, e-commerce and the Internet. Various regulatory authorities of the PRC government are empowered to promulgate and implement regulations governing broad aspects of these industries. Government regulation and enforcement are evolving and subject to significant uncertainties, which affect the manner in which we conduct our business as well as our ability to further grow and expand our business.

For instance, sales of pharmaceutical and healthcare products for chronic disease management in China are subject to extensive and evolving government regulation and supervision. These regulations will continue to evolve and new regulations and policies may be introduced that affect the market landscape and our operations. Regulatory changes in these industries may also increase our compliance burden and affect our business, profitability and prospects. In particular, certain laws, rules and regulations may affect the pricing, demand and sales of pharmaceutical and healthcare products, such as those relating to procurement, prescription and dispensing of drugs by hospitals and other medical institutions, online sales, retail pharmacy, government funding for private healthcare and medical services, and the inclusion of products in the drugs catalogs for national basic medical insurance, on-the-job

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injury insurance and maternity insurance jointly promulgated by the National Healthcare Security Administration and the MOHRSS. For details, see “Risk Factors—Risks Relating to Our Business and Industry—We are subject to extensive and evolving regulatory requirements. Future regulations may impose additional requirements and obligations on our business that could materially and adversely affect our business, reputation, financial condition and results of operations.”

### IMPACT OF COVID-19 ON OPERATIONS

Since the end of 2019, the outbreak of COVID-19 has materially and adversely affected the global economy. In response to intensifying efforts to contain the spread of COVID-19, the PRC government took a number of actions, which included compulsory quarantining arrangement, travel restrictions, remote work arrangement and public activities restrictions, among others. The COVID-19 pandemic also resulted in temporary closures of many corporate offices, retail stores, manufacturing facilities and factories across China. During the Track Record Period, the COVID-19 pandemic has evolved in China, from being substantially controlled in 2021, to a resurgence from March to June 2022 in Shanghai and many other cities in China, and further in late 2022.

The COVID-19 pandemic also demonstrated the positive role online to-consumer chronic disease management platforms can play in the healthcare industry to improve the availability of medical resources and alleviate pressure on major hospitals in China. The pandemic also cultivated consumer habits, accelerating user growth for the online to-consumer chronic disease management market in China. It also prompted governmental and policy support for the online chronic disease management market. The user adoption of online to-consumer healthcare services and the consumer habits cultivated are also expected to persist post-pandemic.

In light of the above, although hospital operations and our own business operations were disrupted from time to time due to COVID-19 lockdown measures, as a whole, the COVID-19 outbreak did not materially affect our business and financial performance during the Track Record Period. As consumers increasingly use online platforms for medical services such as online consultations and drug purchases as a result of the COVID-19 outbreak, our revenue increased from RMB1,758.7 million in 2021 to RMB2,204.3 million in 2022. Even as the COVID-19 pandemic abated in 2023, we reached full-year revenue of RMB2,434.3 million, demonstrating the continued adoption of online healthcare services and development of consumer habits. As of December 31, 2023, we had cash and cash equivalents of RMB146.3 million. We believe that our current level of liquidity is sufficient for us to successfully navigate an extended period of uncertainty. While COVID-19 pandemic in China has been under control since early 2023, the future development of COVID-19 and its long-term effects on our industry and business remain uncertain. See “Risk Factors—Risks Relating to Our Business and Industry—Any catastrophe, including natural catastrophes, outbreaks of health epidemics and other extraordinary events, could disrupt our business operations.”

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### **MATERIAL ACCOUNTING POLICY INFORMATION, JUDGEMENTS AND ESTIMATES**

The preparation of our consolidated financial information requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. Our material accounting policy information and judgments made by management in the application of HKFRSs that have significant effect on the consolidated financial information and major sources of estimation uncertainty are set out in detail in notes 2 and 3 to the Accountants' Report set out in Appendix I to this prospectus. Set out below are the material accounting policy information which we believe are most important for an understanding of our financial condition and results of operations.

#### **Revenue and Other Income**

Income is classified by our Group as revenue when it arises from the sale of goods and provision of services in the ordinary course of our business.

Our Group is the principal for our revenue transactions and recognizes revenue on a gross basis. In determining whether our Group acts as a principal or as an agent, we consider whether it obtains control of the products or services before they are transferred to our customers. Control refers to our Group's ability to direct the use of and obtain substantially all of the remaining benefits from the products or services.

Our revenue and other income recognition policies are as follows:

#### ***Comprehensive Medical Services***

Revenue from comprehensive medical services principally comprises (i) online consultation services, e-prescription services and sales of pharmaceutical and other products on our comprehensive medical service platform to individual customers; and (ii) physician consultation services, physical examination services, surgery services and sales of pharmaceutical products by our hospital to individual patients.

The revenue from the sales of pharmaceutical and healthcare products through comprehensive medical service platform and hospital is recognized at the point in time when control of pharmaceutical and healthcare products is transferred to the customers.

Online consultation services, e-prescription services, physician consultation services, physical examination services and surgery service are generally rendered in a short period of time and revenue is recognized at a point in time on completion of the related services when the services are rendered and completed.

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### *Online Retail Pharmacy Services*

Revenue from online retail pharmacy services is principally sales of pharmaceutical and healthcare products to individual customers on our online retail pharmacy service platform, third-party platforms and retail pharmacies, along which we provide online consultation services and after-sales consultation services.

The revenue from online retail pharmacy services is recognized at the point in time when control of pharmaceutical and healthcare products is transferred to the customers.

### *Customized Content and Marketing Solutions*

Revenue from customized content and marketing solutions principally comprises content and marketing solutions to pharmaceutical and healthcare products suppliers and third-parties. We perform the services stipulated in the contracts during the continuous transfer of control of the services to the customers and recognize revenue over time.

### *Others*

Other revenue from pharmaceutical distribution is recognized at the point in time when control of pharmaceutical and healthcare products is transferred to our customers.

### *Discount Vouchers*

From time to time, we offer our customers discount vouchers free of charge through various promotional and advertising activities, and the discount vouchers can only be utilized when future purchases are made by the customers on certain specified pharmaceutical and healthcare products of our Group. We recognize the discount vouchers as a reduction in revenue when the customers apply the discount vouchers in future purchases.

### *Interest Income*

Interest income is recognized as it accrues using the effective interest method. For financial assets measured at amortized cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortized cost, which refers to gross carrying amount net of loss allowance, of the asset.

### *Government Grants*

Government grants are recognized in the consolidated statements of financial position initially when there is reasonable assurance that they will be received and that we will comply with the conditions attaching to them. Grants that compensate us for expenses incurred are recognized as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred.

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### Income Tax

Income tax for the period comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognized in profit or loss except to the extent that they relate to items recognized in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognized in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the end of each year during the Track Record Period, and any adjustment to tax payable in respect of previous period.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilized, are recognized. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilized.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, we control the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognized is measured based on the expected manner of realization or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of each period during the Track Record Period. Deferred tax assets and liabilities are not discounted.



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The carrying amount of a deferred tax asset is reviewed at the end of each period during the Track Record Period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilized. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognized when the liability to pay the related dividends is recognized.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if we have the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, we intend either to settle on a net basis, or to realize the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
  - the same taxable entity; or
  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realize the current tax assets and settle the current tax liabilities on a net basis or realize and settle simultaneously.

### **Credit Losses from Financial Instruments**

We recognize a loss allowance for expected credit losses (“ECLs”) on financial assets measured at amortized cost (including cash and cash equivalents, trade and other receivables and amounts due from related parties).

Financial assets measured at fair value are not subject to the ECLs assessment.

### ***Measurement of ECLs***

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that we expect to receive).

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The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

- trade and other receivables: effective interest rate determined at initial recognition or an approximation thereof.

The maximum period considered when estimating ECLs is the maximum contractual period over which we are exposed to credit risk.

In measuring ECLs, we take into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on our historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date. During the Track Record Period, since there were changes in the business scale of customized content and marketing solutions service and our expectations for the future economic conditions, the expected credit loss rates were adjusted in accordance with our accounting policy set out in note 2(i) to the Accountants' Report.

For all other financial instruments, we recognize a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

### ***Significant Increases in Credit Risk***

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, we compare the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, we consider that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to our Group in full, without recourse by our Group to actions such as realizing security (if any is held); or (ii) the financial asset is 90 days past due. We consider both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

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

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to our Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognized as an impairment gain or loss in profit or loss. We recognize an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

### ***Basis of Calculation of Interest Income***

Interest income recognized in accordance with note 2(s)(vi) to the Accountants' Report set out in Appendix I to this prospectus is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortized cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, we assess whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or past due event;
- it becoming probable that the borrower will enter into bankruptcy or other financial reorganization;

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- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or
- the disappearance of an active market for a security because of financial difficulties of the issuer.

### ***Write-off Policy***

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognized as a reversal of impairment in profit or loss in the period in which the recovery occurs.

### **Impairment of Non-Financial Assets**

During the Track Record Period, our Directors considered that the Group as a whole constitutes a single cash generating unit and assessed the impairment indication of the property, plant and equipment and intangible assets at the end of reporting period by reviewing internal and external sources of information. If any such indication exists, the asset's recoverable amount is estimated by using the value in use model. Value in use was calculated by preparing discounted cash flows and any shortfall of the recoverable amount against the carrying amounts would be recognized as impairment.

The balance of property, plant and equipment amounted to RMB23.4 million, RMB31.3 million and RMB51.6 million as of December 31, 2021, 2022 and 2023, respectively. Such balance mainly included (i) right-of-use assets in relation to our pharmacies, warehouses, offices and dormitories through tenancy agreements; and (ii) leasehold improvement. The balance of intangible assets amounted to RMB2.4 million, RMB2.5 million and RMB2.3 million as of December 31, 2021, 2022 and 2023, respectively. Such balance mainly included computer software, license and trademark. Upon review of the aforesaid year-end balance and assessment of the impairment indication for each respective year, the Group did not make any impairment for the property, plant and equipment and intangible assets during the years ended December 31, 2021, 2022 and 2023.

### **Credit Losses from Financial Guarantee Issued**

Financial guarantees are contracts that require the issuer, or the guarantor, to make specific payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

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Financial guarantees issued are initially recognized within “trade and other payables” at fair value, which is determined by reference to fees charged in an arm’s length transaction for similar services, when such information is obtainable, or to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognized in accordance with the Group’s policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognized in profit or loss.

We monitor the risk that the specified debtor will default on the contract and recognize a provision when ECLs on the financial guarantees are determined to be higher than the amount carried in “trade and other payables” in respect of the guarantees (i.e. the amount initially recognized, less accumulated amortization).

To determine ECLs, we consider changes in the risk of default of the specified debtor since the issuance of the guarantee. A 12-month ECL is measured unless the risk that the specified debtor will default has increased significantly since the guarantee is issued, in which case a lifetime ECL is measured. The same definition of default and the same assessment of significant increase in credit risk as described in note 2(i)(i) to the Accountants’ Report set out in Appendix I to this prospectus apply.

### **Convertible Redeemable Preferred Shares**

Convertible redeemable preferred shares give rise to financial liabilities if they are redeemable in case of occurrence of triggering events which are beyond the control of both the Group and the preferred shareholders. The conversion feature is recognised as a derivative liability if it will or may be settled other than by the Group exchanging a fixed amount of cash or another financial asset for a fixed number of the Group’s own equity instruments.

At initial recognition, the redemption liabilities resulting from the convertible redeemable preferred shares are measured at the present value of the redemption amount. Subsequent changes in the carrying amount of the redemption liabilities are recognised in profit or loss.

If the preferred shares are converted into ordinary shares, the carrying amount of the financial liabilities is transferred to share capital and capital reserve.

### **Share-based Payments**

The fair value of shares granted to directors, employees, advisors and other persons is recognized as an expense with a corresponding increase in share-based payments reserve within equity. The fair value is measured at grant date using the equity allocation method or discounted cash flow method, taking into account the terms and conditions upon which the shares were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the shares, the total estimated fair value of the shares is spread over the vesting period, taking into account the probability that the shares will vest.

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During the vesting period, the number of shares that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognized in prior years is charged/credited to the profit or loss for the period of the review, with a corresponding adjustment to the share-based payments reserve. On vesting date, the amount recognized as an expense is adjusted to reflect the actual number of shares that vest (with a corresponding adjustment to the share-based payments reserve). The equity amount is recognized in the share-based payments reserve until the shares are vested (when it is included in the amount recognized in share premium).

### DESCRIPTION OF CERTAIN CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME ITEMS

The following table sets forth a summary of our consolidated statements of profit or loss and other comprehensive income for the years indicated.

	For the year ended December 31,					
	2021		2022		2023	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Revenue	1,758,673	100.0	2,204,303	100.0	2,434,308	100.0
Cost of sales	<u>(1,539,025)</u>	<u>(87.5)</u>	<u>(1,823,719)</u>	<u>(82.7)</u>	<u>(1,946,901)</u>	<u>(80.0)</u>
Gross profit	219,648	12.5	380,584	17.3	487,407	20.0
Other net income/(loss)	33,005	1.9	(134,188)	(6.1)	(23,915)	(1.0)
Selling and distribution expenses	(309,291)	(17.6)	(330,248)	(15.0)	(343,770)	(14.1)
Administrative expenses	(138,967)	(7.9)	(177,483)	(8.1)	(171,477)	(7.0)
Recognition of impairment losses	<u>(310)</u>	<u>(0.0)</u>	<u>(173)</u>	<u>(0.0)</u>	<u>(140)</u>	<u>(0.0)</u>
<b>Loss from operations</b>	<b><u>(195,915)</u></b>	<b><u>(11.1)</u></b>	<b><u>(261,508)</u></b>	<b><u>(11.9)</u></b>	<b><u>(51,895)</u></b>	<b><u>(2.1)</u></b>
Finance costs	<u>(108,035)</u>	<u>(6.1)</u>	<u>(121,781)</u>	<u>(5.5)</u>	<u>(144,816)</u>	<u>(5.9)</u>
<b>Loss before taxation</b>	<b><u>(303,950)</u></b>	<b><u>(17.3)</u></b>	<b><u>(383,289)</u></b>	<b><u>(17.4)</u></b>	<b><u>(196,711)</u></b>	<b><u>(8.1)</u></b>
Income tax	<u>(39)</u>	<u>(0.0)</u>	<u>(13)</u>	<u>(0.0)</u>	<u>(77)</u>	<u>(0.0)</u>
<b>Loss and total comprehensive income for the year</b>	<b><u><u>(303,989)</u></u></b>	<b><u><u>(17.3)</u></u></b>	<b><u><u>(383,302)</u></u></b>	<b><u><u>(17.4)</u></u></b>	<b><u><u>(196,788)</u></u></b>	<b><u><u>(8.1)</u></u></b>
Attributable to:						
Equity shareholders of the Company	(303,964)	(17.3)	(383,302)	(17.4)	(196,788)	(8.1)
Non-controlling interests	(25)	(0.0)	-	-	-	-

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### Non-HKFRS Measure: Adjusted Net Loss/Profit and Adjusted Net Loss/Profit Margin

To supplement our consolidated financial statements, which are presented in accordance with HKFRSs, we also use adjusted net loss/profit (non-HKFRS measure) and adjusted net loss/profit margin (non-HKFRS measure) as additional financial measures, which are not required by, or presented in accordance with, HKFRSs. We believe adjusted net loss/profit (non-HKFRS measure) and adjusted net loss/profit margin (non-HKFRS measure) facilitate comparisons of operating performance from year to year and provides useful information to investors and others to understand and evaluate our consolidated results of operations in the same manner as our management by eliminating impacts of certain items.

However, our presentation of adjusted net loss/profit (non-HKFRS measure) and adjusted net loss/profit margin (non-HKFRS measure) may not be comparable to similarly titled measures presented by other companies. The use of adjusted net loss/profit (non-HKFRS measure) and adjusted net loss/profit margin (non-HKFRS 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 HKFRSs.

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

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

	<b>For the year ended December 31,</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<i>RMB'000, except for percentages</i>		
<b>Reconciliation of net loss to adjusted net loss/profit (non-HKFRS measure)</b>			
<b>Loss and total comprehensive income for the year</b>	<b><u>(303,989)</u></b>	<b><u>(383,302)</u></b>	<b><u>(196,788)</u></b>

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	For the year ended December 31,		
	2021	2022	2023
	<i>RMB'000, except for percentages</i>		
Add:			
Equity settled share-based transactions	7,904	13,648	5,233
Listing expenses	13,453	21,273	25,081
Changes in the carrying amount of preferred shares liability	107,220	120,614	143,176
Foreign exchange from preferred shares liability	(31,409)	138,326	30,463
	<b>(206,821)</b>	<b>(89,441)</b>	<b>7,165</b>
<b>Adjusted net (loss)/profit (non-HKFRS measure)</b>	<b>(206,821)</b>	<b>(89,441)</b>	<b>7,165</b>
<b>Adjusted net (loss)/profit margin (non-HKFRS measure)</b>	<b>(11.8)%</b>	<b>(4.1)%</b>	<b>0.3%</b>

### Revenue

During the Track Record Period, we generated our revenue primarily from (i) comprehensive medical services; (ii) online retail pharmacy services; (iii) customized content and marketing solutions; and (iv) others. The following table sets forth the breakdown of our revenue by business line for the years indicated.

	For the year ended December 31,					
	2021		2022		2023	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Comprehensive medical services	719,693	40.9	868,171	39.4	983,654	40.4
Online retail pharmacy services	1,011,427	57.5	1,252,123	56.8	1,297,106	53.3
Customized content and marketing solutions	27,553	1.6	60,254	2.7	87,046	3.6
Others	—	—	23,755	1.1	66,502	2.7
<b>Total</b>	<b>1,758,673</b>	<b>100.0</b>	<b>2,204,303</b>	<b>100.0</b>	<b>2,434,308</b>	<b>100.0</b>



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### *Comprehensive Medical Services*

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

### *Online Retail Pharmacy Services*

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

### *Customized Content and Marketing Solutions*

Revenue from customized content and marketing solutions mainly represents revenue derived from customized content and marketing solutions that we provided to pharmaceutical companies.

### *Others*

Revenue from others primarily represents revenue derived from wholesale of pharmaceutical products to third-party distributors for the purpose of inventory management.

### **Cost of Sales**

Our cost of sales for comprehensive medical services and online retail pharmacy services primarily represents procurement costs for pharmaceutical and healthcare products. Our cost of sales for customized content and marketing solutions primarily consists of staff costs. The following table sets forth the breakdown of our cost of sales by business line for the years indicated.

	<b>For the year ended December 31,</b>					
	<b>2021</b>		<b>2022</b>		<b>2023</b>	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Comprehensive medical services	679,150	44.1	746,093	40.9	833,916	42.8
Online retail pharmacy services	856,427	55.7	1,045,430	57.3	1,033,915	53.1
Customized content and marketing solutions	3,448	0.2	8,771	0.5	14,769	0.8
Others	–	–	23,425	1.3	64,301	3.3
<b>Total</b>	<b><u>1,539,025</u></b>	<b><u>100.0</u></b>	<b><u>1,823,719</u></b>	<b><u>100.0</u></b>	<b><u>1,946,901</u></b>	<b><u>100.0</u></b>

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

	For the year ended December 31,					
	2021		2022		2023	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Procurement costs	1,516,288	98.5	1,796,325	98.5	1,912,293	98.2
Medical service costs	13,518	0.9	14,800	0.8	15,499	0.8
Staff costs	4,157	0.3	6,931	0.4	12,407	0.6
Content production costs	2,165	0.1	4,523	0.2	5,537	0.3
Others	2,897	0.2	1,140	0.1	1,165	0.1
<b>Total</b>	<b><u>1,539,025</u></b>	<b><u>100.0</u></b>	<b><u>1,823,719</u></b>	<b><u>100.0</u></b>	<b><u>1,946,901</u></b>	<b><u>100.0</u></b>

### Gross Profit and Gross Profit Margin

Our gross profit represents our revenue less cost of sales. Our gross profit margin represents our gross profit as a percentage of our revenue. The following table sets forth the breakdown of our gross profit and gross profit margin by business line for the years indicated.

	For the year ended December 31,					
	2021		2022		2023	
	<b><u>Gross profit</u></b>	<b><u>Gross profit margin</u></b>	<b><u>Gross profit</u></b>	<b><u>Gross profit margin</u></b>	<b><u>Gross profit</u></b>	<b><u>Gross profit margin</u></b>
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Comprehensive medical services	40,543	5.6	122,078	14.1	149,738	15.2
Online retail pharmacy services	155,000	15.3	206,693	16.5	263,191	20.3
Customized content and marketing solutions	24,105	87.5	51,483	85.4	72,277	83.0
Others	–	–	330	1.4	2,201	3.3
<b>Total</b>	<b><u>219,648</u></b>	<b><u>12.5</u></b>	<b><u>380,584</u></b>	<b><u>17.3</u></b>	<b><u>487,407</u></b>	<b><u>20.0</u></b>

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Our gross profit margin increased from 12.5% in 2021 to 17.3% in 2022, and further increased to 20.0% in 2023, primarily because we were able to negotiate more favorable procurement terms for our pharmaceutical and healthcare products due to our increased business scale.

### Other Net Income/(Loss)

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

	<b>For the year ended December 31,</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Government grants	4,442	526	1,026
Foreign exchange gain/(loss)	27,635	(134,660)	(28,444)
Other gain/(loss)	928	(54)	3,503
<b>Total</b>	<b>33,005</b>	<b>(134,188)</b>	<b>(23,915)</b>

### Selling and Distribution Expenses

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

The following table sets forth the breakdown of our selling and distribution expenses for the years indicated.

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	For the year ended December 31,					
	2021		2022		2023	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Advertising and platform service fees	77,714	25.1	86,101	26.0	91,379	26.6
Service fees to registered physicians	96,781	31.3	78,543	23.8	68,235	19.8
Logistics expenses	50,176	16.2	57,672	17.5	54,692	15.9
Staff costs	39,019	12.6	52,193	15.8	52,336	15.2
Outsourcing expenses	26,713	8.6	28,025	8.5	47,990	14.0
Telecommunication expenses	3,886	1.3	7,797	2.4	7,292	2.1
Share-based compensation	3,447	1.1	5,253	1.6	2,026	0.6
Others	11,555	3.8	14,664	4.4	19,820	5.8
<b>Total</b>	<b><u>309,291</u></b>	<b><u>100.0</u></b>	<b><u>330,248</u></b>	<b><u>100.0</u></b>	<b><u>343,770</u></b>	<b><u>100.0</u></b>

In 2021, 2022 and 2023, our selling and distribution expenses amounted to RMB309.3 million, RMB330.2 million and RMB343.8 million, respectively, accounting for 17.6%, 15.0% and 14.1% of our total revenue for the same years, respectively. Despite the increases in absolute amounts of our selling and distribution expenses during the Track Record Period, our selling and distribution expenses as a percentage of revenue exhibited a downward trend, which was primarily attributable to economies of scale, a reduction in our compensation to registered physicians and our increased cost efficiency after building up our in-house operation capabilities. See “—Comparison of Results of Operations” in this section for a detailed discussion.

### Administrative Expenses

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

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The following table sets forth the breakdown of our administrative expenses in absolute amounts and as percentage of our total administrative expenses for the years indicated.

	For the year ended December 31,					
	2021		2022		2023	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Research and development costs	45,950	33.1	61,783	34.8	41,532	24.2
Staff costs	28,724	20.7	37,126	20.9	38,831	22.6
Professional service fees	24,843	17.9	32,292	18.2	35,983	21.0
Handling fees	10,731	7.7	13,104	7.4	12,651	7.4
Business expenses	8,991	6.4	7,892	4.4	11,469	6.7
Technical service fees	6,651	4.8	6,313	3.6	10,989	6.4
Depreciation of right-of-use assets	2,483	1.8	4,198	2.4	4,385	2.6
Outsourcing expenses	1,872	1.3	2,182	1.2	3,680	2.1
Share-based compensation	2,797	2.0	4,246	2.4	1,599	0.9
Others	5,925	4.3	8,347	4.7	10,358	6.1
<b>Total</b>	<b>138,967</b>	<b>100.0</b>	<b>177,483</b>	<b>100.0</b>	<b>171,477</b>	<b>100.0</b>

In 2021, 2022 and 2023, our administrative expenses amounted to RMB139.0 million, RMB177.5 million and RMB171.5 million, respectively, accounting for 7.9%, 8.1% and 6.7% of our total revenue for the same years, respectively. As we grew our business to achieve scale, our administrative expenses as a percentage of revenue displayed a generally decreasing trend during the Track Record Period, as we were able to achieve economies of scale, maintain relatively stable fixed costs and implement cost effective strategies such as building up our in-house capabilities. See “—Comparison of Results of Operations” in this section for a detailed discussion.

### Recognition of Impairment Losses

Our recognition of impairment losses, which mainly represent impairment losses recognized on trade receivables from enterprise customers for our customized content and marketing solution services, amounted to RMB0.3 million, RMB0.2 million and RMB0.1 million for the years ended December 31, 2021, 2022 and 2023, respectively.

### Finance Costs

Our finance costs mainly represent (i) changes in the carrying amount of preferred shares liability, which were recognized in relation to the present value of redemption amount of our convertible redeemable preferred shares; and (ii) interest on lease liabilities and bank loans. Our finance costs amounted to RMB108.0 million, RMB121.8 million and RMB144.8 million for the years ended December 31, 2021, 2022 and 2023, respectively.

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### **Income Tax**

Income tax primarily represents our total current and deferred tax expenses under the relevant income tax rules and regulations in the jurisdictions where we operate. During the Track Record Period and up to the Latest Practicable Date, we had fulfilled all of our tax obligations and did not have any material unresolved tax disputes.

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 and its subsidiaries incorporated in the Cayman Islands are not subject to tax on income or capital gains. Additionally, the Cayman Islands does not impose a withholding tax on payments of dividends to shareholders.

#### ***Hong Kong***

The Company's subsidiary domiciled in Hong Kong is subject to a two-tiered income tax rate for taxable income earned in Hong Kong effectively since April 1, 2018. The first HK\$2 million of assessable profits earned by the subsidiary in Hong Kong are subject to be taxed at an income tax rate of 8.25%, while the remaining profits will continue to be taxed at the existing tax rate, 16.5%. To avoid abuse of the two-tiered tax regime, each group of connected entities can nominate only one entity to benefit from the two-tiered tax rate. Additionally, payments of dividends by the subsidiaries incorporated in Hong Kong to the Company are not subject to any Hong Kong withholding tax.

#### ***PRC***

Under the EIT Law, our PRC operating entities, other than Fangzhou Information and Fangzhou Media, are subject to a statutory enterprise income rate of 25.0%. Fangzhou Information was recognized as a high and new technology enterprise and thereby entitled to a preferential income tax rate of 15.0% in 2022. Fangzhou Media was eligible as a small low-profit enterprise and entitled to a tax relief policy. The portion of annual taxable income amount of a small low-profit enterprise, which does not exceed RMB1 million, shall be computed at a reduced rate of 25% as taxable income amount, and be subject to enterprise income tax at 20% tax rate.

### **BUSINESS SUSTAINABILITY AND PATH TO PROFITABILITY**

Since our inception, we have pioneered innovative solutions to address pain points in chronic disease management by leveraging our deep insights into China's healthcare system and applying our spirit of innovation to create value for key stakeholders. We initially launched our online retail pharmacy platform to address the needs of chronic disease patients for repeat prescription drug refills and the inconvenience of regular trips to major hospitals in China. As

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our platform evolved, we realized that trusted physician-patient relationships were also essential for helping our patients manage their chronic conditions. This insight led us to launch our H2H service platform and operating model in 2018, which provides easy connectivity between patients and their physicians, and enables more effective chronic disease management through online follow-up consultations, e-prescriptions, and physician/patient education modules.

### **Our Historical Business Focus and Strong Growth**

We believe that building the scale of our user base and the reputation of our brand are the foundation to our long-term commercial success. As such, we have dedicated ourselves to cultivating an active and loyal community of patients and physicians on our Jianke Platform, and developing and strengthening business relationships with pharmaceutical companies. As we solidify our relationships with key stakeholders, we have focused on developing and shaping consumer behavior and preferences, developing new sales channels and introducing new services and products to address their needs.

In 2021, we focused significant efforts on growing our paying user base and cultivate user habits in order to better support our platform's long-term development. In particular, we undertook a strategic initiative to rapidly expand the scale of our H2H services. These efforts primarily included promotions to attract users to our Jianke Platform, and incentives to encourage physician and patient activities. Through these promotional initiatives, we were able to cultivate user habits and develop a stronger paying user base. This has placed us in a solid position to achieve sustainable long-term growth and profitability, reflected in the upward trend in our gross profit margin of 17.3% and 20.0% in 2022 and 2023, respectively.

### ***Robust Growth of Operating Metrics on Jianke Platform***

From 2016 to 2019, in order to maintain the ongoing business operations of the Jianke mobile applications and website during our business reorganization, their operations were carried out by Guangdong Jianke under license and authorization from the Initial WFOE until July 2019 when we began to operate them in-house. For more information, see "History, Reorganization and Corporate Structure—Reorganization and Disruption of Production and Business Operations Incident—Business Reorganization from Guangdong Jianke to the Pre-reorganization Group" in this prospectus. GMV generated by the Jianke Platform and through third-party e-commerce platforms increased from RMB1,945.4 million in 2021 to RMB2,430.3 million and RMB2,481.5 million in 2022 and 2023, respectively. Key operating metrics of our business have also experienced positive growth, as summarized below:

- *Paying user base expansion.* The number of paying users on the Jianke Platform grew from approximately 2.5 million in 2021 to 3.9 million and 4.4 million in 2022 and 2023, respectively.

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- *Increase in registered physicians.* The number of registered physicians on our H2H service platform continued to increase since we began to operate the Jianke mobile applications and website in-house in July 2019 and reached more than 212,000 as of December 31, 2023.
- *User loyalty and activity.* The average spending per paying user on the Jianke Platform was RMB766.3, RMB626.7 and RMB558.9 in 2021, 2022 and 2023, respectively, which was higher than the industry average for the respective year, according to CIC. In addition, our average user retention rate remained consistently high throughout the Track Record Period, at 77.3%, 78.7% and 79.0% in 2021, 2022 and 2023, respectively, which was higher than the industry average of approximately 30-35% for the respective years, according to CIC.

### *Enhanced Operating Efficiency*

During the Track Record Period, we made significant investment in building our teams across different functions and enhancing our brand recognition. In 2021 and 2022, we invested substantially in our sales and marketing, administrative, and research and development efforts, including selling and marketing initiatives such as promoting our Jianke Platform through app stores and different online and social media channels, and increases in headcount of our sales and marketing, administrative and research and development teams, all of which resulted in an increase in our operating expenses from RMB448.3 million in 2021 to RMB507.7 million in 2022. In 2023, our operating expenses further increased to RMB515.2 million as we continued to expand our business scale. Despite the increase in the overall absolute amount during the Track Record Period, our operating expenses as a percentage of revenue decreased from 25.5% in 2021 to 23.0% in 2022, and further decreased to 21.2% in 2023, primarily attributable to economies of scale and our increased cost efficiency after building up our in-house operating capabilities. The table below sets forth a breakdown of our operating expenses and their respective percentages to our revenue for the years indicated:

	<b>For the year ended December 31,</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<i>RMB'000, except for percentages</i>		
Selling and distribution expenses	309,291	330,248	343,770
– As a percentage of total revenue	17.6%	15.0%	14.1%
Administrative expenses (excluding research and development costs)	93,017	115,700	129,945
– As a percentage of total revenue	5.3%	5.2%	5.3%
Research and development costs	45,950	61,783	41,532
– As a percentage of total revenue	2.6%	2.8%	1.7%



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Our investment in sales and marketing activities, such as incentivizing physician activity on our platform and advertising and promotion of our brand, has enabled us to grow our brand reach and attract more users and physicians to register with us. Moreover, we aimed to incentivize effective activity from physicians, such as providing online consultations, e-prescriptions, and academic and patient community services. These activities, although not profit-making to us, create a better user experience for patients, which we believe can improve our overall user stickiness and increase the conversion rate of active users to paying users to our H2H service platform, thereby reducing user acquisition costs and improving our profitability. During the Track Record Period, our user acquisition costs, which were equivalent to the total advertising and platform service fees recorded under our selling and distribution expenses, decreased as a percentage of total revenue from 4.4% in 2021 to 3.9% and 3.8% in 2022 and 2023, respectively.

In addition, our significant investment in cultivating our own team was made with the aim to reduce reliance on outsourcing of core functions. Our total outsourcing expenses as a percentage of revenue was 1.7%, 1.4% and 2.1% in 2021, 2022 and 2023, respectively. The increase in 2023 was attributable to the increase in number of outsourced staff, particularly customer service staff to support our growing user base, and storage services to support our increased sales volume, which was partially offset by a decrease in outsourcing of R&D services, as our robust in-house research and development capabilities allowed us to optimize our research staffing and operate with greater efficiency. As we grow in scale, we believe that having in-house teams with the capability to operate our core functions is crucial to building a well-rounded business, and will also be more cost-effective for our business operations in the long-run. To that end, we will continue to strengthen our in-house capabilities and enhance their productivity. We will also adapt our staffing strategy to align with our evolving business needs and enhance operating efficiency.

### *Sustained Financial Growth*

In the early stage of building our business foundation, we prioritized scaling our business. As we achieved scale, we gained greater flexibility in price-setting and were able to negotiate more favorable procurement terms. As a result, our gross profit margin increased from 12.5% in 2021 to 17.3% in 2022, and further to 20.0% in 2023.

In 2021 and 2022, our adjusted net loss (non-HKFRS measure) was RMB206.8 million and RMB89.4 million, respectively. As we continued to expand our user base and effectively improved our operating efficiency, our net losses started to decrease, and we recorded adjusted net profit (non-HKFRS measure) of RMB7.2 million in 2023, which primarily reflected our decreased net losses for the same year. In addition, our net operating cash outflow in 2021 and 2022 amounted to RMB203.7 million and RMB50.0 million, respectively, primarily due to our initiatives to incentivize physician activity and to attract and develop a loyal customer base. In 2023, we recorded a net operating cash inflow of RMB22.3 million, which was primarily attributable to our increased sales volume of pharmaceutical and healthcare products and improved operating efficiency. For a year-on-year analysis of our financial performance, see “—Description of Certain Consolidated Statements of Profit or Loss and Other Comprehensive

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Income Items—Comparison of Results of Operations.” These financial results primarily reflect the significant costs and expenses we incurred in growing our user base, assembling our own team after we began to operate the Jianke Platform in-house, investing in our research and development capabilities to optimize the functions of our mobile applications and website to improve user experience and increasing our selling and marketing efforts to promote user engagement and enhance our brand recognition, which we believe are crucial as our foundation for long-term growth and success.

### **Our Strategies to Deliver Sustainable Revenue Growth and Profitability**

We believe there will continue to be a significant need for better chronic disease management in China for years to come. According to CIC, the size of online chronic disease management market in China in terms of GMV is expected to continue to grow at a CAGR of 30.6% from RMB178.1 billion in 2023 to RMB1,153.9 billion in 2030. In particular, the market size of the online to-consumer chronic disease management market is projected to grow from RMB45.5 billion in 2023 to reach RMB599.5 billion in 2030, representing a CAGR of 44.5%.

We believe that online to-consumer chronic disease management platforms are an overarching trend in the PRC healthcare system, by providing patients with convenient access to medical consultation and prescription services, and improving the availability, quality and coverage of medical services in China. Online to-consumer chronic disease management platforms enable patients to reach high quality healthcare providers and receive medical consultations and prescriptions beyond physical constraints. In addition, the COVID-19 pandemic has expedited the market adoption of online healthcare services and cultivated consumer habits, accelerating user growth for the online to-consumer chronic disease management market in China. For details, see “—Impact of COVID-19 on Operations.” Although the COVID-19 pandemic has come under control, we believe that the user adoption of online to-consumer healthcare services and the consumer habits cultivated will persist post-pandemic. As such, it is expected that demand for online to-consumer CDM services will continue to grow.

As a pioneer and leader in this growing industry segment, we believe that our active user base of patients and physicians, strong relationships with pharmaceutical companies, and ability to offer diversified and well-designed services and products will enable us to capture future growth opportunities. Going forward, we expect to sustain our revenue growth and achieve profitability by continuing to build a high-quality user base, introducing higher margin products and services, optimizing our procurement costs, and enhancing our operational efficiency.

Our Directors believe that, considering the underlying industry trend towards online to-consumer chronic disease management platforms and by implementing the strategies set out below, our business is and will continue to be sustainable and our profitability will improve.

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### *Building economies of scale and controlling operating expenses*

We have benefited from operational efficiency arising from the economies of scale we have achieved, and will continue to actively control operating expenses and expect that our operating expenses as a percentage of revenue will continue to decrease as our business expands. In 2021, 2022 and 2023, our selling and distribution expenses amounted to RMB309.3 million, RMB330.2 million and RMB343.8 million, respectively, representing 17.6%, 15.0% and 14.1% of our revenue for the same years, respectively. For those same years, our administrative expenses amounted to RMB139.0 million, RMB177.5 million and RMB171.5 million, respectively, representing 7.9%, 8.1% and 7.0% of our revenue for the same years, respectively. Despite the increase in overall absolute amount during the Track Record Period, our selling and distribution expenses and administrative expenses as a percentage of revenue decreased from 25.5% in 2021 to 23.0% in 2022, and further decreased to 21.2% in 2023, primarily attributable to economies of scale and our increased cost efficiency after building up our in-house operating capabilities. The decrease in our selling and distribution expenses as a percentage of revenue from 17.6% in 2021 to 15.0% in 2022, and further to 14.1% in 2023, was also partly the result of the ongoing optimization of our physician compensation structure. By continuously enhancing our ability to interpret physician's online behavior, we are able to better evaluate their effective activities, and optimize their compensation levels accordingly.

Going forward, we intend to take the following measures to further improve our operating efficiency:

- We will continue to adjust and optimize our staffing levels to enhance operating efficiency. In 2021 and 2022, we focused on building our internal team and strengthening our in-house operational capabilities, including ancillary functions, such as IT development and human resources. As a result, our total staff costs (recorded under selling and distribution expenses, administrative expenses and research and development costs) as a percentage of revenue increased from 6.2% in 2021 to 6.5% in 2022. In 2023, our robust in-house research and development capabilities enabled us to streamline our research staff and operate more efficiently. This resulted in a reduction of our total staff costs as a percentage of revenue to 5.3% for the year. Going forward, we will continue to enhance the productivity of our in-house teams and adapt our staffing strategy to align with our evolving business requirements.
- We will further improve our centralized management, streamline internal workflows and leverage technology to drive cost-effective management. For instance, our AI medical assistant provided assistance for approximately 65.7% of consultations during the Track Record Period. With the help of our AI medical assistant, the average number of orders processed per person per day by our customer service personnel increased from 67.3 in 2019 when we first launched our AI medical assistant, to 366.2 in 2023, representing a CAGR of 52.7% from 2019 to 2023. In addition, we have integrated knowledge mapping technology into our platform to develop a prescription verification system that can check the suitability of physicians' prescriptions for our H2H services. Using deep learning technology, we

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have introduced an intelligent prescription image recognition system which significantly improves the efficiency of e-prescription review and verification. We also developed intelligent warehouse space allocation algorithms and built a mechanized assembly line to automate merchandise packing, labeling and parcel sealing, drastically improving the efficiency of our warehouse operations. Moreover, we intend to invest in academic and on-the-job training to equip our sales and business development staff with more useful and professional knowledge in online chronic disease management so as to upgrade the overall quality and efficiency of business development.

- As we continue to grow our user base, we expect to continue benefiting from greater and heightened brand recognition to grow our business. We expect to attract and retain users more through word-of-mouth referrals, and reduce our reliance on extensive marketing and advertising campaigns. During the Track Record Period, our advertising and platform service fees as a percentage of revenue decreased from 4.4% in 2021 to 3.9% in 2022, and further to 3.8% in 2023. Despite such decrease, our revenue has continued to increase. This testifies to the effectiveness of word-of-mouth referrals by physicians and patients in growing our brand reach. Hence, as our business gains strong user engagement, we plan to gradually lower our discounts and investment in marketing and promotional activities. While we still consider marketing and advertising campaigns as an important channel for user access expansion, we will optimize the placement of relevant advertising campaigns to increase promotion efficiency we see fit. Moving forward, we will continue to fine-tune our marketing strategies to operate more efficiently and effectively as our business expands.

### ***Building a high-quality user base***

We will continue to focus on strengthening user activity and loyalty to build a high-quality user base, which we expect to be one of the key factors driving our business growth. We have accumulated experience that has enabled us to develop and identify effective strategies for addressing the evolving needs of our users, so as to deliver a superior user experience, which sustains the retention of an active and loyal user base. As a result of our efforts, the repeat purchase rate on our Jianke Platform remained high during the Track Record Period, at 82.0%, 83.3% and 84.2% in 2021, 2022 and 2023, respectively.

We anticipate that our large, high-quality user base will bring us additional monetization opportunities. For example, we plan to expand the scope of chronic disease management services offered on our platform and continue to enlarge and diversify our product portfolio, especially prescription and difficult-to-source drugs for chronic diseases, in order to better meet the evolving needs of our users. We plan to undertake a number of initiatives to optimize our product mix and further improve our gross profit margin and profitability: (i) increase our procurement and sales of traditional Chinese medicine and nutritional products which are effective for treating chronic diseases; (ii) collaborate with pharmaceutical companies to pinpoint additional high-margin medications which would be beneficial to our user base of chronic disease patients; (iii) ensure access to high margin, difficult-to-source

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medications, by leveraging our deep, long-standing relationships with pharmaceutical companies, and demonstrating our platform's unique ability by connecting pharmaceutical companies with a vast pool of registered doctors and patients. As of December 31, 2023, we had collaborated with more than 760 pharmaceutical companies. We plan to deepen our collaboration with our existing pharmaceutical company partners to promote a more diversified pool of SKUs. As of December 31, 2023, we had offered over 212,000 drug SKUs, and we expect the number of SKUs offered on our platform to continue to grow in the future, which will enable us to derive additional revenue from the enlarged user base. We believe that the resources accumulated on our platform, including our patient and physician base, and supplier network, will enable us to achieve economies of scale in promoting and selling these products.

With the expansion of our user base, we have seen increasing interest from pharmaceutical companies in our platform as an efficient and targeted channel to reach patients and physicians. We anticipate this will continue to drive strong revenue growth for our customized content and marketing solutions. During the Track Record Period, we provided more than 15,000 live streaming sessions via our platform, and we anticipate a further increase in this number as we continue to advance this business segment.

### ***Introducing products and services which can bring higher value-added and increased scale***

We aim to build a chronic disease management ecosystem dedicated to serving the needs of key stakeholders including patients, physicians and pharmaceutical companies. As we develop a highly loyal user base, we plan to introduce new service and product offerings with higher margins. We had a track record of successfully monetizing our user base through introduction of high-value-added service and product offerings.

For example, we began to provide customized content and marketing solutions and observed rapid revenue growth of this high margin business from RMB27.6 million in 2021 to RMB60.3 million in 2022 and further to RMB87.0 million in 2023. To continue growing this segment, we intend to enhance our service offerings to retain our existing pharmaceutical company partners and attract new ones. This will involve broadening the services and information covered on the platform, as well as refining and enriching the content in each specialty area, adding subspecialties and providing more value to patients and physicians. We also plan to expand our content offerings in multimedia formats, such as short form videos and live streaming of medical seminars and conferences, in order to better engage users' attention and make the marketing campaigns more effective.

We are also expanding our product offerings to cater to diverse patient needs. We regularly review and analyze our product mix in order to better meet the needs of our users. In the future, we expect to further expand our product offerings of high-value-added products, including healthcare and nutritional supplements and traditional Chinese medicines, which would also complement our broad selection of prescription drug SKUs.

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### *Lowering procurement costs*

As our business scale grows, we are increasingly able to negotiate more favorable prices and commercial terms with suppliers, including lower per unit prices for certain SKUs. In addition, our proprietary supply chain and procurement system allows us to link directly to the inventory systems of our major suppliers and access real-time pricing and availability data. This automated approach allows us to minimize procurement search costs while ensuring favorable pricing. Since the launch of our smart supply chain management system, we have been able to lower procurement costs for 59.4% of the SKUs we purchased as of December 31, 2023. The continued reduction in our procurement costs will allow us to improve our gross profit margin and overall profitability.

Going forward, we expect to adopt a number of measures to further improve our gross profit margin:

- As we gradually instill consumer habits and build customer loyalty to our services, we aim to dynamically adjust and optimize our pricing levels to enhance our gross profit margin.
- We expect to improve our overall procurement costs by leveraging our growing procurement volumes and improved bargaining power to secure more favorable input prices, credit terms, and rebates from existing suppliers and pharmaceutical company partners, while expanding our sourcing channels to include additional suppliers and pharmaceutical companies.
- We plan to further grow our high-margin customized content and marketing solution business, which will further improve our overall gross profit margin profile.

## COMPARISON OF RESULTS OF OPERATIONS

### **Year Ended December 31, 2023 Compared to Year Ended December 31, 2022**

#### *Revenue*

Our revenue increased by 10.4% from RMB2,204.3 million in 2022 to RMB2,434.3 million in 2023, primarily reflecting the increase in revenue from comprehensive medical services and customized content and marketing solutions.

Revenue generated from comprehensive medical services increased by 13.3% from RMB868.2 million in 2022 to RMB983.7 million in 2023, primarily due to the increase in number of paying users of our comprehensive medical services, which had increased by 32.0% from 2022 to 2023. The growth in paying users primarily reflected our increased brand recognition and the increasing public acceptance of online medical consultation services. The increase in revenue was partially offset by a decrease in average spending per paying user of our comprehensive medical services by 17.9% from 2022 to 2023, primarily reflecting the lower initial spending of our new paying users.

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Revenue generated from online retail pharmacy services increased by 3.6% from RMB1,252.1 million in 2022 to RMB1,297.1 million in 2023, which reflected the increased sales volume of our pharmaceutical and healthcare products primarily driven by growth in the number of paying users in this segment, which increased by 16.5% from 2022 to 2023. This increase in sales volume was partially offset by a decline of approximately 15.9% in average spending per paying user from 2022 to 2023, primarily because our increased business scale enabled us to negotiate more favorable procurement terms and offer more competitive pricing on a range of products while preserving our overall gross profit margins.

Revenue generated from customized content and marketing solutions increased by 44.3% from RMB60.3 million in 2022 to RMB87.0 million in 2023, primarily due to our ongoing marketing efforts aimed at reaching more enterprise customers and expanding our customer base for this business segment.

### *Cost of Sales*

Our cost of sales increased by 6.8% from RMB1,823.7 million in 2022 to RMB1,946.9 million in 2023, primarily reflecting the increase in our procurement of pharmaceutical and healthcare products in line with the growing number of orders on our platform.

### *Gross Profit and Gross Profit Margin*

Our gross profit increased by 28.1% from RMB380.6 million in 2022 to RMB487.4 million in 2023 as our business scale increased. Our overall gross profit margin increased from 17.3% in 2022 to 20.0% in 2023, primarily reflecting the increase in gross profit margins of our comprehensive medical services and online retail pharmacy services.

The gross profit margin of our comprehensive medical services increased from 14.1% in 2022 to 15.2% in 2023, primarily because of our increased ability to negotiate for more favorable procurement terms due to our increased business scale.

The gross profit margin of our online retail pharmacy services increased from 16.5% in 2022 to 20.3% in 2023, primarily due to the more favorable procurement terms we negotiated with suppliers as a result of our increased sales and procurement volumes, as well as a shift in product mix, as we increased the proportion of higher margin OTC drugs within our product portfolio.

The gross profit margin of our customized content and marketing services decreased from 85.4% in 2022 to 83.0% in 2023, primarily due to an increase in the headcount of sales and marketing personnel in line with our expansion of the customized content and marketing services business.

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### *Other Net Loss*

Our other net loss decreased by 82.2% from RMB134.2 million in 2022 to RMB23.9 million in 2023, primarily reflecting the decrease in foreign exchange loss in connection with the changes in present value of redemption amount of Preferred Shares denominated in US dollars, and to a lesser extent, our increase in other gain representing the interest income from our increased cash deposits.

### *Selling and Distribution Expenses*

Our selling and distribution expenses increased by 4.1% from RMB330.2 million in 2022 to RMB343.8 million in 2023. Our selling and distribution expenses as a percentage of revenue decreased slightly from 15.0% in 2022 to 14.1% in 2023. The increase in our selling and distribution expenses was primarily due to (i) an increase of RMB20.0 million in outsourcing expenses reflecting the increase in number of outsourced staff, particularly customer service staff to support our growing user base and provide high-quality customer service, and storage services to support our increased inventory and sales; and (ii) an increase of RMB5.3 million in advertising and platform service fees, primarily due to our increased marketing efforts.

### *Administrative Expenses*

Our administrative expenses decreased by 3.4% from RMB177.5 million in 2022 to RMB171.5 million in 2023. Our administrative expenses as a percentage of revenue decreased from 8.1% in 2022 to 7.0% in 2023. The decrease in our administrative expenses was primarily due to a decrease of RMB20.3 million in research and development costs as our robust in-house research and development capabilities allowed us to optimize our research staffing and operate with greater efficiency, which was partially offset by (i) an increase of RMB4.7 million in technical service fees as we increased the procurement of data security and protection services to improve the network security and reliability of our service platforms; (ii) an increase of RMB3.7 million in professional service fees in connection with the Listing; and (iii) an increase in RMB3.6 million in business expenses, primarily reflecting increased business development activities and related office and travel expenses.

### *Recognition of Impairment Losses*

Our recognition of impairment losses decreased from RMB173,000 in 2022 to RMB140,000 in 2023 due to our assessment of the improved recovery of trade receivables.

### *Finance Costs*

Our finance costs increased by 18.9% from RMB121.8 million in 2022 to RMB144.8 million in 2023, primarily due to an increase of RMB22.6 million in the carrying amount of preferred shares liability recognized in relation to the present value of redemption amount of our Preferred Shares.



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### *Income Tax*

Our income tax expense increased from RMB13,000 in 2022 to RMB77,000 in 2023, primarily reflecting the increase in our taxable income.

### *Loss and Total Comprehensive Income for the Year*

As a result of the foregoing, our loss and total comprehensive income for the year decreased by 48.7% from RMB383.3 million in 2022 to RMB196.7 million in 2023.

### **Year Ended December 31, 2022 Compared to Year Ended December 31, 2021**

#### *Revenue*

Our revenue increased by 25.3% from RMB1,758.7 million in 2021 to RMB2,204.3 million in 2022, primarily due to the growth of each of our business lines.

Revenue generated from comprehensive medical services increased by 20.6% from RMB719.7 million in 2021 to RMB868.2 million in 2022, primarily due to the increase in the number of paying users of our comprehensive medical services, which grew by 53.4% from 2021 to 2022. This growth in paying users was the result of a combination of factors including our increased marketing efforts to acquire new users, our enriched portfolio of products and services, and the resurgence of COVID-19 in the second half of 2022 which accelerated the adoption of online medical services. The increase in revenue was partially offset by a decrease in average spending per paying user by approximately 22.1% from 2021 to 2022, as the purchasing power of such new paying users was still ramping up in 2022.

Revenue generated from online retail pharmacy services increased by 23.8% from RMB1,011.4 million in 2021 to RMB1,252.1 million in 2022, in line with the continuous sales volume growth of our pharmaceutical and healthcare products. This increase was primarily driven by the growth in the number of paying users of our online retail pharmacy services, which increased by 58.3% from 2021 to 2022. The growth in paying users was the result of a combination of factors including our increased marketing efforts to acquire new users, our enriched portfolio of products and services, and the resurgence of COVID-19 in the second half of 2022 which accelerated the adoption of online medical services. The increase in revenue was partially offset by a decrease in average spending per paying user by approximately 18.6% from 2021 to 2022, as the purchasing power of such new paying users was still ramping up in 2022.

Revenue generated from customized content and marketing solutions increased significantly by 118.7% from RMB27.6 million in 2021 to RMB60.3 million in 2022, primarily due to our continued marketing efforts to reach enterprise customers and expand our customer base for this business. Our customized content and marketing solutions became increasingly attractive to pharmaceutical companies due to their heightened interest in digital marketing, and our rapidly growing user base of patients and registered physicians. In particular, the number of registered users of our Jianke Platform increased by 30.7% from 28.0 million in 2021 to 36.6 million in 2022, and the number of our registered physicians increased from 191,106 as of December 31, 2021 to 205,000 as of December 31, 2022.

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### *Cost of Sales*

Our cost of sales increased by 18.5% from RMB1,539.0 million in 2021 to RMB1,823.7 million in 2022, in line with the increase in our revenue, primarily due to an increase in our procurement of pharmaceutical and healthcare products to fulfill the growing number of orders on our platform.

### *Gross Profit and Gross Profit Margin*

Our gross profit increased by 73.3% from RMB219.6 million in 2021 to RMB380.6 million in 2022 as we grew in business scale. Our gross profit margin increased from 12.5% in 2021 to 17.3% in 2022, primarily due to the increase in gross profit margins of our comprehensive medical services and online retail pharmacy services.

The gross profit margin of our comprehensive medical services increased from 5.6% in 2021 to 14.1% in 2022, primarily because we were able to negotiate more favorable procurement terms due to our increased business scale, which also enabled us to have greater flexibility in price-setting for our products. The number of paying users of our comprehensive medical services increased by 53.4% from 2021 to 2022. The number of our registered physicians increased from 191,106 as of December 31, 2021 to 205,000 as of December 31, 2022.

The gross profit margin of our online retail pharmacy services was 15.3% and 16.5% in 2021 and 2022, respectively. The slight increase was primarily due to more favorable procurement terms we negotiated with suppliers as a result of our increased scale.

The gross profit margin of our customized content and marketing solutions decreased from 87.5% in 2021 to 85.4% in 2022, primarily due to the increased content production costs for customized content and marketing solutions and additions of business development staff, leading to an increase in staff costs for this business.

### *Other Net Income/(Loss)*

We recorded other net loss of RMB134.2 million in 2022 compared to other net income of RMB33.0 million in 2021, primarily arising from foreign exchange loss in relation to the Preferred Shares denominated in US dollars as a result of the fluctuation of foreign exchange rates.

### *Selling and Distribution Expenses*

Our selling and distribution expenses increased by 6.8% from RMB309.3 million in 2021 to RMB330.2 million in 2022. This increase was mainly attributable to (i) an increase of RMB13.2 million in staff costs as a result of the increased headcount of our sales and operational staff to support the expansion of our business and the increase in average salary level of our sales and operational staff; (ii) an increase of RMB8.4 million in advertising and platform service fees, primarily due to the growth of our business scale and our increased marketing efforts to promote our brand and services to reach a larger potential user base; (iii) an increase of RMB7.5 million in logistics expenses, primarily due to the increased sales volume of pharmaceutical and healthcare products through our platform; and (iv) an increase

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of RMB3.9 million in telecommunication expenses, primarily due to the increased sales volume of pharmaceutical and healthcare products through our platform, partially offset by a decrease of RMB18.2 million in service fees to registered physicians, primarily reflecting the result of optimizing the criteria for evaluating the number of hours that physicians were being active on our platform, resulting in a decrease in service fees to registered physicians in 2022.

Selling and distribution expenses as a percentage of our revenue decreased from 17.6% in 2021 to 15.0% in 2022, as our revenue grew at a faster rate primarily resulting from economies of scale, a reduction in our compensation to registered physicians and our increased cost efficiency after building up our in-house operating capabilities.

### *Administrative Expenses*

Our administrative expenses increased by 27.7% from RMB139.0 million in 2021 to RMB177.5 million in 2022. This increase was mainly attributable to (i) an increase of RMB15.8 million in research and development costs, primarily due to the increased headcount of our research and development staff and the increase in average salary level of our research and development staff; (ii) an increase of RMB8.4 million in staff costs to administrative personnel, primarily due to the increased hiring in line with our business growth and the increase in average salary level of our administrative staff; (iii) an increase of RMB7.5 million in professional service fees in connection with the Listing; and (iv) an increase of RMB2.4 million in handling fees, primarily due to the increased sale volume of pharmaceutical and healthcare products through our platform.

Our administrative expenses as a percentage of revenue remained stable at 7.9% and 8.1% in 2021 and 2022.

### *Recognition of Impairment Losses*

Our recognition of impairment losses decreased from RMB310,000 in 2021 to RMB173,000 in 2022, primarily due to the improved recovery of trade receivables.

### *Finance Costs*

Our finance costs increased from RMB108.0 million in 2021 to RMB121.8 million in 2022, primarily due to the increase of RMB13.4 million in the carrying amount of preferred shares liability recognized in relation to the present value of redemption amount of our Series A to Series D+ Preferred Shares, and the interest of RMB0.4 million on bank loans.

### *Income Tax*

Our income tax decreased from RMB39,000 in 2021 to RMB13,000 in 2022, primarily due to a decrease in our taxable income.

### *Loss and Total Comprehensive Income for the Year*

As a result of the foregoing, our loss and total comprehensive income for the year increased from RMB304.0 million in 2021 to RMB383.3 million in 2022.

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### DESCRIPTION OF CERTAIN KEY ITEMS OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The following table sets forth a summary of our consolidated statements of financial position as of the dates indicated.

	As of December 31,		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Non-current assets</b>			
Property, plant and equipment	23,376	31,260	51,639
Intangible assets	2,436	2,451	2,275
Other non-current assets	10,767	10,000	100
<b>Total non-current assets</b>	<u>36,579</u>	<u>43,711</u>	<u>54,014</u>
<b>Current assets</b>			
Inventories	111,528	126,464	136,045
Trade and other receivables	48,321	86,411	101,142
Other current assets	23,808	26,357	34,761
Prepayments	10,167	63,999	18,474
Amounts due from related parties	33,628	12,032	–
Restricted bank deposits	–	25,000	30,615
Cash and cash equivalents	84,658	134,907	146,317
<b>Total current assets</b>	<u>312,110</u>	<u>475,170</u>	<u>467,354</u>
<b>Current liabilities</b>			
Trade and other payables	282,049	356,217	440,451
Contract liabilities	18,055	89,368	19,873
Bank loans	–	10,154	5,005
Lease liabilities	9,958	12,796	15,346
Other current liabilities	1,799	8,502	1,252
Current taxation	–	12	15
<b>Total current liabilities</b>	<u>311,861</u>	<u>477,049</u>	<u>481,942</u>
<b>Net current assets/(liabilities)</b>	<u>249</u>	<u>(1,879)</u>	<u>(14,588)</u>
<b>Total assets less current liabilities</b>	<u>36,828</u>	<u>41,832</u>	<u>39,426</u>
<b>Non-current liabilities</b>			
Lease liabilities	8,315	13,858	29,368
Convertible redeemable preferred shares	1,368,767	1,737,882	1,911,521
<b>Total non-current liabilities</b>	<u>1,377,082</u>	<u>1,751,740</u>	<u>1,940,889</u>
<b>Net liabilities</b>	<u>(1,340,254)</u>	<u>(1,709,908)</u>	<u>(1,901,463)</u>

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### Property, Plant and Equipment

Our property, plant and equipment consist of (i) right-of-use assets; (ii) furniture, fixtures and other equipment; (iii) leasehold improvement; (iv) machinery and equipment; and (v) motor vehicles. The following table sets forth the details of our property, plant and equipment as of the dates indicated.

	As of December 31,		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Right-of-use assets	17,384	24,212	43,247
Furniture, fixtures and other equipment	1,509	2,903	3,360
Leasehold improvement	2,882	2,707	2,696
Machinery and equipment	458	646	1,891
Motor vehicles	1,143	792	445
<b>Total</b>	<b>23,376</b>	<b>31,260</b>	<b>51,639</b>

Our property, plant and equipment increased from RMB23.4 million as of December 31, 2021 to RMB31.3 million as of December 31, 2022, primarily due to (i) an increase of RMB6.8 million in right-of-use assets as we leased more office space and warehouses in line with our business expansion; and (ii) an increase of RMB1.4 million in furniture, fixtures and other equipment for our offices. Our property, plant and equipment further increased to RMB51.6 million as of December 31, 2023, primarily due to an increase of RMB19.0 million in right-of-use assets as we leased more office space to support our business expansion.

### Intangible Assets

Our intangible assets remained relatively stable at RMB2.4 million, RMB2.5 million and RMB2.3 million as of December 31, 2021, 2022 and 2023, respectively. Our intangible assets consist of computer software, licenses and trademarks. We recognized trademarks of RMB131,000 in 2022. The useful life of our trademarks is estimated to be 10 years, which was determined according to the Trademark Law of the People's Republic of China.

### Other Non-current Assets

We recorded other non-current assets of RMB10.8 million as of December 31, 2021 and RMB10.0 million as of December 31, 2022. The balance mainly represented an investment in a limited partnership investment vehicle of RMB10.0 million and RMB10.0 million as of December 31, 2021 and 2022, respectively. In 2020, we had entered into an agreement to invest in Shenzhen Xinlongyihao Investment Partnership (Limited Partnership) (“**Xinlongyihao Investment**”) to hold 49.8% equity interests in Xinlongyihao Investment. RMB8.0 million was injected to Xinlongyihao Investment in 2021. We accounted for this investment using the equity method during the Track Record Period in accordance with the accounting policy set out in note 2(d) to the Accountants' Report. As of December 31, 2023, our non-current assets decreased to RMB0.1 million because we disposed of the Xinlongyihao Investment in June 2023.

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### Inventories

Our inventories mainly consist of pharmaceutical and healthcare products. The following table sets forth the details of our inventories as of the dates indicated and inventory turnover days for the years indicated.

	<b>As of/for the year ended December 31,</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Pharmaceutical and healthcare products	111,528	126,464	136,045
Inventory turnover days <sup>(1)</sup>	21.4	23.8	24.6

*Note:*

- (1) Inventory turnover days for a year equals the average of the opening and closing inventory balance divided by cost of sales for the relevant year and multiplied by 365 days.

Our inventories increased from RMB111.5 million as of December 31, 2021 to RMB126.5 million and RMB136.0 million as of December 31, 2022 and 2023, respectively. Such increase was primarily due to the growth in sales volume of pharmaceutical and healthcare products.

Our inventory turnover days increased from 21.4 days for the year ended December 31, 2021 to 23.8 days and 24.6 days for the years ended December 31, 2022 and 2023, respectively, primarily reflecting the increase in inventories we held to improve order fulfillment rates.

The following table sets forth an aging analysis of our inventories as of the dates indicated.

	<b>As of December 31,</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 6 months	106,304	123,043	127,085
Over 6 months but within 1 year	4,583	2,416	6,040
Over 1 year but within 2 years	641	1,005	2,920
<b>Total</b>	<b>111,528</b>	<b>126,464</b>	<b>136,045</b>

As of April 30, 2024, RMB117.4 million or 86.3% of our total inventories as of December 31, 2023 had been subsequently sold.

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## FINANCIAL INFORMATION

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### Trade and Other Receivables

Our trade receivables represent outstanding amounts payable by and bills receivable from our enterprise customers, mainly pharmaceutical companies, for the products and services we provided in the ordinary course of our business. To a lesser extent, we also recorded trade receivables from third-party e-commerce platforms where we operated online retail pharmacies and customers from whom payments were due upon delivery. Our other receivables primarily represented rebates from suppliers and deposits in connection with our procurement of pharmaceutical products. The following table sets forth our trade and other receivables as of the dates indicated.

	<b>As of December 31,</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade debtors	7,599	28,534	24,299
Bills receivable	–	1,000	–
Less: loss allowance	(30)	(146)	(203)
	7,569	29,388	24,096
Purchase rebates with suppliers	32,914	42,426	60,944
Deposits	5,849	7,596	10,487
Other receivables	1,989	7,001	5,615
	40,752	57,023	77,046
<b>Total</b>	<b>48,321</b>	<b>86,411</b>	<b>101,142</b>

### *Trade Receivables*

Fluctuations of our trade receivables primarily reflected the volume of business that we provided to enterprise customers.

Our trade receivables are generally due within 180 days from the date of billing. We take into consideration a number of factors in determining the credit terms of an enterprise customer, including its cash flow condition and credit worthiness. Individual customers are generally required to pay when placing an order and they do not enjoy a credit period. We seek to maintain strict control over our outstanding receivables. We designate personnel to regularly review our trade receivables balance and overdue balance, and we follow up with customers with past due trade receivables. We conduct review on the recoverable amount of each individual trade receivable balance at the end of each reporting period to ensure adequate provision of impairment losses for irrecoverable amounts. Trade receivables are non-interest bearing.

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The following table sets forth an aging analysis of our trade receivables as of the dates indicated and trade receivables turnover days for the years indicated.

	<b>As of/For the year ended December 31,</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 3 months	7,183	24,904	17,012
Over 3 months but within 6 months	378	2,833	5,160
Over 6 months but within 1 year	8	1,651	1,336
Over 1 year	–	–	588
<b>Total</b>	<b>7,569</b>	<b>29,388</b>	<b>24,096</b>
Trade receivables turnover days <sup>(1)</sup>	0.9	3.1	4.0

*Note:*

- (1) Trade receivables turnover days for a year equals the average of the opening and closing balance of trade receivables divided by revenue for the relevant year and multiplied by 365 days.

Our trade receivables increased from RMB7.6 million as of December 31, 2021 to RMB29.4 million as of December 31, 2022, primarily due to our increased business scale for customized content and marketing solutions. Our trade receivables decreased to RMB24.1 million as of December 31, 2023, reflecting our improved recovery of trade receivables.

As of April 30, 2024, RMB16.9 million or 69.4% of our trade receivables as of December 31, 2023 had been subsequently settled. Based on our provision policy, which we believe to be appropriate and to provide adequate assessment of our recovery risks, we believe there are no material recovery risks arising from our trade receivables aged over three months because they mainly reflected payments due from governmental agencies in relation to publicly funded healthcare services, as well as multinational pharmaceutical companies. As a result, we did not make any provisions for such amounts.

Our trade receivables turnover days increased from 0.9 days in 2021 to 3.1 days in 2022, primarily reflecting an increased proportion of trade receivables due from enterprise customers of our customized content and marketing solutions segment, to whom we typically grant credit terms. Our trade receivables turnover days remained relatively stable at 4.0 days in 2023.



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## FINANCIAL INFORMATION

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### *Other Receivables*

Our other receivables primarily represented rebates from suppliers and deposits in connection with our procurement of pharmaceutical and other products. Our other receivables increased from RMB40.8 million as of December 31, 2021 to RMB57.0 million as of December 31, 2022, and further increased to RMB77.0 million as of December 31, 2023, primarily due to the increased rebate receivables from suppliers and deposits to suppliers for our purchase of pharmaceutical and other products as we grew our business scale.

Our rebate receivables represent supplier-granted rebates that we have accumulated and are entitled to claim or utilize in the future, typically as cash rebates or through deduction against subsequent purchases from the relevant suppliers on a monthly, quarterly or annual basis, as the case may be. These rebates will remain on our balance sheet as receivables until they are claimed or utilized. The top five suppliers in terms of rebate receivables as of December 31, 2023 accounted for 55.7% of our total rebate receivables as of the same date. During the Track Record Period, our rebate receivables amounted to RMB32.9 million, RMB42.4 million and RMB60.9 million as of December 31, 2021, 2022 and 2023, respectively.

As of April 30, 2024, RMB37.5 million or 48.7% of our other receivables as of December 31, 2023 had been subsequently settled of which RMB31.9 million or 52.3% of our rebate receivables as of December 31, 2023 had been subsequently utilized.

### **Other Current Assets**

Our other current assets primarily represent input value-added taxes to be verified or credited in connection with our sales of pharmaceutical and healthcare products. Our other current assets increased from RMB23.8 million as of December 31, 2021 to RMB26.4 million as of December 31, 2022 primarily due to the capitalization of our listing expenses, partially offset by a decrease of RMB2.2 million in input value-added taxes to be verified or credited. Our other current assets further increased to RMB34.8 million as of December 31, 2023, primarily reflecting the increase in input value-added tax to be verified or credited which resulted from our increased sales.

### **Prepayments**

Our prepayments primarily represent prepayments to service providers for renovation, decoration, online promotional and advertising services provided to us and prepayments for our procurement of pharmaceutical and other products. Our prepayments increased from RMB10.2 million as of December 31, 2021 to RMB64.0 million as of December 31, 2022, primarily due to the prepayments we made to suppliers for pharmaceutical procurement during the COVID-19 pandemic to ensure the stability of our supply chain. Our prepayments decreased to RMB18.5 million as of December 31, 2023 as we were able make reduced prepayments to our suppliers for the procurement of pharmaceutical products as the COVID-19 pandemic abated.

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## FINANCIAL INFORMATION

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### Trade and Other Payables

#### *Trade Payables*

Our trade payables primarily represent payables to our suppliers and registered physicians on our platform, which are normally settled within 30 to 75 days. The following table sets forth a breakdown of our trade payables as of the dates indicated and trade payables turnover days for the years indicated.

	<b>As of/for the year ended December 31,</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables to third parties	<u>191,500</u>	<u>220,083</u>	<u>292,944</u>
Trade payables turnover days <sup>(1)</sup>	36.0	41.2	48.1

*Note:*

- (1) Trade payables turnover days for a year equals the average of the opening and closing trade payables balance of trade payables to third parties, divided by cost of sales for the relevant year and multiplied by 365 days.

Our trade payables increased from RMB191.5 million as of December 31, 2021 to RMB220.1 million as of December 31, 2022 and further increased to RMB292.9 million as of December 31, 2023, which was in line with the increase in our inventory of pharmaceutical and healthcare products as a result of our business expansion and the growth of the sales volume of our products.

Our trade payables turnover days increased from 36.0 days in 2021 to 41.2 days and 48.1 days in 2022 and 2023, respectively, primarily because we lengthened our settlement period with suppliers due to our increased procurement and ability to negotiate for more favorable terms with suppliers.

As of April 30, 2024, RMB285.8 million or 97.6% of our trade payables as of December 31, 2023, had been subsequently settled.

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The following table sets forth an aging analysis of trade payables to third parties based on the invoice dates as of the dates indicated.

	As of December 31,		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 month	137,328	118,582	181,163
1 to 3 months	52,747	99,781	110,683
Over 3 months but within 6 months	1,253	1,471	842
Over 6 months but within 1 year	145	88	169
Over 1 year but within 2 years	27	161	87
<b>Total</b>	<b>191,500</b>	<b>220,083</b>	<b>292,944</b>

### *Other Payables*

Our other payables primarily consist of (i) staff cost payables; (ii) other tax payables; (iii) deposits from suppliers for the procurement of pharmaceutical products; and (iv) other payables and accrued charges, primarily representing rent payables, payables to registered physicians and payables to suppliers for online promotional and advertising services and logistics services. The following table sets forth a breakdown of our other payables as of the dates indicated.

	As of December 31,		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Staff cost payables	33,688	52,253	53,829
Other tax payables	2,825	13,555	20,480
Deposits	1,395	1,132	1,444
Other payables and accrued charges	52,641	69,194	71,754
<b>Total</b>	<b>90,549</b>	<b>136,134</b>	<b>147,507</b>

Our other payables increased from RMB90.5 million as of December 31, 2021 to RMB136.1 million as of December 31, 2022, primarily due to (i) an increase of RMB16.6 million in other payables and accrued charges, primarily reflecting increases in payables to registered physicians, third-party logistics and courier companies, and marketing channels as a result of the expansion of our business; (ii) an increase of RMB18.6 million in staff cost payables primarily due to the increase in our accumulated provision for social insurance and housing provident fund as a result of the increased headcount of our employees; and (iii) an increase of RMB10.7 million in other tax payables as a result of our increased sales and gross profit.

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Our other payables increased from RMB136.1 million as of December 31, 2022 to RMB147.5 million as of December 31, 2023, primarily due to an increase of RMB6.9 million in other tax payables resulting from our increased sales and gross profit.

As of April 30, 2024, RMB69.0 million or 46.8% of our other payables as of December 31, 2023, had been subsequently settled.

### Contract Liabilities

Our contract liabilities represent (i) payments we receive in advance from customers for sales of pharmaceutical and healthcare products, which are recognized as revenue when the products are delivered; and (ii) advance payments from our customers' loyalty points program, which are recognized as revenue when users make payments by these loyalty points or when these loyalty points expire. See "Business—Sales and Marketing—Sales Model and Marketing Strategies" in this prospectus for more information about this program. The following table sets forth a breakdown of our contract liabilities as of the dates indicated.

	As of December 31,		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Advances from customers	13,841	83,448	15,254
Customers' loyalty points program	4,214	5,920	4,619
<b>Total</b>	<b>18,055</b>	<b>89,368</b>	<b>19,873</b>

Our contract liabilities increased from RMB18.1 million as of December 31, 2021 to RMB89.4 million as of December 31, 2022, primarily due to the increased advance payment from customers because there was a surge of drug orders on our platform in December 2022 as a result of the COVID-19 pandemic in China, but logistics services were affected during the pandemic, resulting in delays in shipment and delivery of our orders. Our contract liabilities decreased to RMB19.9 million as of December 31, 2023, primarily reflecting the decrease in advance payments received from customers.

As of April 30, 2024, RMB16.4 million or 82.3% of our contract liabilities as of December 31, 2023, had been subsequently recognized as revenue.

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### Other Current Liabilities

Our other current liabilities primarily represent value-added taxes accrued for the payments in advance from customers of our online retail pharmacy services. Our other current liabilities increased from RMB1.8 million as of December 31, 2021 to RMB8.5 million as of December 31, 2022, primarily due to the increase in value-added taxes accrued in respect of the increased advance payments from customers as of December 31, 2022. This increase in advance payments was the result of a surge in COVID-19 related orders on our platform in December 2022, which subsequently experienced significant shipping and logistics delays due to the pandemic. Our other current liabilities decreased to RMB1.3 million as of December 31, 2023, primarily reflecting the decreased value-added taxes accrued in respect of our advance payments from customers.

As of April 30, 2024, RMB1.2 million or 96.7% of our other current liabilities as of December 31, 2023, had been subsequently settled.

### Convertible Redeemable Preferred Shares

We issued convertible redeemable preferred shares to our investors during the Track Record Period. As of December 31, 2021, 2022 and 2023, our convertible redeemable preferred shares amounted to RMB1,368.8 million, RMB1,737.9 million and RMB1,911.5 million, respectively. Immediately prior to the completion of the Global Offering, all of our convertible redeemable preferred shares will be automatically converted to ordinary shares. See “History, Reorganization and Corporate Structure” in this prospectus and note 25 to the Accountants’ Report set out in Appendix I to this prospectus for details of the convertible redeemable preferred shares.

## LIQUIDITY AND CAPITAL RESOURCES

### Working Capital

During the Track Record Period, we primarily financed our operations through cash inflow from operating activities and equity financing. As of December 31, 2023, we had cash and cash equivalents of RMB146.3 million. As of April 30, 2024, we had unutilized banking facilities of RMB106.5 million. We monitor and maintain a level of cash and cash equivalents we believe adequate to finance our operations and mitigate the effects of fluctuations in cash flows.

We had net current assets of RMB0.2 million as of December 31, 2021. As of December 31, 2022 and 2023, we had net current liabilities of RMB1.9 million and RMB14.6 million, respectively. The following table sets forth our current assets and liabilities as of the dates indicated.

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	As of December 31,			As of April 30,
	2021	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(Unaudited)</i>
<b>Current assets</b>				
Inventories	111,528	126,464	136,045	156,310
Trade and other receivables	48,321	86,411	101,142	125,487
Other current assets	23,808	26,357	34,761	37,932
Prepayments	10,167	63,999	18,474	11,823
Amounts due from related parties	33,628	12,032	–	–
Restricted bank deposits	–	25,000	30,615	35,117
Cash and cash equivalents	84,658	134,907	146,317	139,046
<b>Total current assets</b>	<b>312,110</b>	<b>475,170</b>	<b>467,354</b>	<b>505,716</b>
<b>Current liabilities</b>				
Trade and other payables	282,049	356,217	440,451	437,483
Contract liabilities	18,055	89,368	19,873	14,205
Bank loans	–	10,154	5,005	–
Lease liabilities	9,958	12,796	15,346	15,250
Other current liabilities	1,799	8,502	1,252	1,593
Current taxation	–	12	15	–
<b>Total current liabilities</b>	<b>311,861</b>	<b>477,049</b>	<b>481,942</b>	<b>468,531</b>
<b>Net current assets/(liabilities)</b>	<b>249</b>	<b>(1,879)</b>	<b>(14,588)</b>	<b>37,184</b>

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We recorded net current liabilities of RMB1.9 million and RMB14.6 million as of December 31, 2022 and 2023, respectively, which was primarily attributable to the trade and other payables incurred to support our increased business scale. We expect our working capital position to improve as our operating cash flow position improves. We plan to achieve this primarily by increasing revenue and improving gross profit margin. Our procurement volume is expected to increase with the growth of our business scale, and we expect to have better bargaining power to obtain more favorable pricing and rebates from suppliers. With our business expansion, we will enhance our cost and expense structure and improve operating efficiency by making full use of economies of scale.

Our Directors believe that we have sufficient working capital to meet our present and future cash requirements for at least the next 12 months from the date of publication of this prospectus, taking into account our anticipated improvement in operating cash flows, management of working capital, efforts to obtain more favorable credit terms from suppliers and net proceeds from the Global Offering. The details of these factors are as follows:

- *Improvement in operating cash flows.* We had a large amount of net cash used in operating activities in 2021, primarily due to our initiatives to offer more favorable prices and discounts for our services to attract and develop a loyal customer base. Our net cash used in operating activities decreased significantly for the year ended December 31, 2022 as we gained greater flexibility in setting our customer pricing as we were able to negotiate more favorable procurement terms due to our increased business scale. As of December 31, 2023, we recorded net cash generated from operating activities of RMB22.3 million.
- *Management of trade payables and receivables settlement.* We monitor and adjust our trade payables and receivables settlement based on our cash position to ensure that we have sufficient working capital for our operations. We have also endeavored to obtain more favorable credit terms from suppliers of up to 75 days to manage the settlement of trade payables.
- *Net proceeds from the Global Offering.* We expect to receive net proceeds from the Global Offering of approximately HK\$55.42 million based on the low end of the Offer Price range set out in this prospectus (assuming that the Over-allotment Option is not exercised).

After due consideration of the foregoing factors and discussions with the management, the Joint Sponsors have no reason to believe that the Directors' foregoing views are unreasonable.

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### Cash Flows

The following table sets forth the breakdown of our cash flows for the years indicated.

	<b>For the year ended December 31,</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Operating cash flows before movements			
in working capital	(202,039)	(95,577)	11,070
Changes in working capital	(1,574)	45,613	11,286
Income tax paid	(42)	(1)	(74)
Net cash generated from/(used in)			
operating activities	(203,655)	(49,965)	22,282
Net cash (used in)/generated from			
investing activities	(4,323)	14,315	16,418
Net cash generated from/(used in)			
financing activities	(11,407)	82,233	(29,308)
Net increase/(decrease) in cash and			
cash equivalents	(219,385)	46,583	9,392
Cash and cash equivalents at the			
beginning of the year	307,817	84,658	134,907
Effect of foreign exchange rate changes	(3,774)	3,666	2,018
Cash and cash equivalents at the			
end of the year	84,658	134,907	146,317

### *Net Cash Flows (Used in)/Generated from Operating Activities*

We expect our operating cash flow position to improve as we improve profitability, which we plan to achieve by (i) increasing revenue and improving gross profit margin; (ii) enhancing cost and expense control capacity by making full use of economies of scale; and (iii) continuously improving working capital management by proactive management of trade receivables, trade payables and inventory turnover and deepened collaboration with our suppliers. For example, we have been dynamically adjusting product mix to include products of higher gross profit margin. In addition, our procurement volume increases with the growth of our business scale, and we expect to have better bargaining power to obtain more favorable price, credit terms and rebates from suppliers. Our smart supply chain management system also helps us broaden our procurement channel and control costs of products. Going forward, we believe our liquidity requirements will be satisfied by using funds from a combination of cash from operations, bank balances and cash and net proceeds from the Global Offering.



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During the Track Record Period, our net cash flows used in or generated from operating activities primarily comprised our loss before taxation for the year adjusted by non-cash and non-operating items and changes in working capital.

For the year ended December 31, 2023, our net cash generated from operating activities was RMB22.3 million, primarily reflecting our loss before taxation of RMB196.7 million, as adjusted by (i) non-cash and non-operating items, which primarily consisted of finance costs of RMB144.8 million and foreign exchange loss of RMB28.4 million; and (ii) changes in working capital, which primarily resulted from an increase in trade and other payables of RMB84.2 million, primarily due to the growth of our sales of pharmaceutical and healthcare products and the corresponding procurement amount from suppliers, and a decrease in prepayments of RMB45.5 million as we were able to make reduced prepayments to our suppliers for the procurement of pharmaceutical products as the COVID-19 pandemic abated. These were partially offset by (i) a decrease in contract liabilities of RMB69.5 million as our receipt of advance payments on drug orders decreased; and (ii) an increase in trade and other receivables of RMB14.9 million primary due to the increased trade receivables for our growing customized content and marketing solutions segment.

For the year ended December 31, 2022, our net cash used in operating activities was RMB50.0 million, primarily reflecting our loss before taxation of RMB383.3 million, as adjusted by (i) non-cash and non-operating items, which primarily consisted of foreign exchange loss of RMB134.7 million, and finance costs of RMB121.8 million; and (ii) changes in working capital, which primarily resulted from an increase of RMB77.2 million in trade and other payables primarily due to the growth of our sales of pharmaceutical and healthcare products and the corresponding procurement amount from suppliers, and an increase of RMB71.3 million in contract liabilities, which was primarily due to the increased advance payment from customers attributable to a surge in COVID-19 related orders on our platform in December 2022, which subsequently experienced significant shipping and logistics delays due to the pandemic. These were partially offset by (i) an increase of RMB53.8 million in prepayments, mainly representing the prepayments we made to suppliers for pharmaceutical procurement during the COVID-19 pandemic to ensure the stability of our supply chain; (ii) an increase of RMB38.3 million in trade and other receivables primarily due to an increase in trade receivables from our increased business scale for customized content and marketing solutions, and an increase in rebates from suppliers; and (iii) an increase of RMB14.9 million in inventories which was in line with the growth in sales volume of pharmaceutical and healthcare products.

For the year ended December 31, 2021, our net cash used in operating activities was RMB203.7 million, primarily reflecting our loss before taxation of RMB304.0 million, as adjusted by (i) non-cash and non-operating items, which primarily consisted of finance costs of RMB108.0 million, foreign exchange gain of RMB27.6 million, and recognition of impairment losses of RMB0.3 million; and (ii) changes in working capital, which primarily resulted from an increase of RMB92.0 million in trade and other payables primarily due to the growth of our sales of pharmaceutical and healthcare products and the corresponding procurement amount from suppliers, and a decrease of RMB43.5 million in amounts due from

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related parties due to the settlement of related party transactions. See “—Material Related Party Transactions” for more information. These were partially offset by a decrease of RMB52.7 million in amounts due to related parties, an increase of RMB42.6 million in inventories, and an increase of RMB32.2 million in trade and other receivables as a result of an increase in rebates from suppliers.

See “—Description of Certain Key Items of Consolidated Statements of Financial Position” for primary reasons relating to the underlying causes for our operating cash flow changes.

### *Net Cash Flows (Used in)/Generated from Investing Activities*

For the year ended December 31, 2023, our net cash generated from investing activities was RMB16.4 million, which was primarily attributable to RMB12.0 million in repayments of borrowings by related parties and proceeds of RMB10.0 million from our disposal of the Xinlongyihao Investment in June 2023.

For the year ended December 31, 2022, our net cash generated from investing activities was RMB14.3 million, which was primarily attributable to RMB21.6 million in repayments of borrowings by related parties, partially offset by payment of RMB5.3 million for purchases of property, plant and equipment and intangible assets and RMB2.0 million used for transaction arising from Reorganization.

For the year ended December 31, 2021, our net cash used in investing activities was RMB4.3 million, which was primarily attributable to (i) advance of RMB36.8 million for advance of borrowings to related parties; (ii) payment of RMB8.0 million for other non-current assets; and (iii) payment of RMB5.5 million for purchases of property, plant and equipment and intangible assets, partially offset by RMB46.0 million in repayments of borrowings by related parties. See “—Material Related Party Transactions” for more information.

### *Net Cash Flows Generated from/(Used in) Financing Activities*

For the year ended December 31, 2023, our net cash used in financing activities was RMB29.3 million, which primarily consisted of (i) payment of RMB60.6 million in restricted bank deposits; (ii) repayment of RMB30.6 million of bank loans; and (iii) RMB16.9 million of capital element of lease rentals paid, partially offset by (i) proceeds of RMB55.0 million from maturity of restricted bank deposits; and (ii) proceeds of RMB25.6 million from bank loans.

For the year ended December 31, 2022, our net cash generated from financing activities was RMB82.2 million, which primarily consisted of (i) proceeds of RMB110.2 million from the issuance of convertible redeemable preferred shares; and (ii) proceeds of RMB24.8 million from bank loans, partially offset by payment of RMB25.0 million of restricted bank deposits, repayment of RMB14.8 million of bank loans, and RMB11.9 million of capital element of lease rentals paid.

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For the year ended December 31, 2021, our net cash used in financing activities was RMB11.4 million, which primarily consisted of RMB10.6 million of capital element of lease rentals paid.

### INDEBTEDNESS

The following table sets forth a breakdown of our indebtedness as of the dates indicated.

	As of December 31,			As of April 30,
	2021	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(Unaudited)</i>
Bank loans	–	10,154	5,005	–
Lease liabilities	18,273	26,654	44,714	43,391
Convertible redeemable preferred shares	<u>1,368,767</u>	<u>1,737,882</u>	<u>1,911,521</u>	<u>1,964,559</u>
<b>Total</b>	<b><u>1,387,040</u></b>	<b><u>1,774,690</u></b>	<b><u>1,961,240</u></b>	<b><u>2,007,950</u></b>

Our Directors confirm that as of the Latest Practicable Date, there was no material covenant on any of our outstanding debt and there was no breach of any covenant during the Track Record Period and up to the Latest Practicable Date. Our Directors further confirm that there has not been any material change in the Group's indebtedness since the Latest Practicable Date up to the date of this prospectus.

### Bank Loans

As of December 31, 2023, the repayment schedule of bank loans were within one year and the balances were unsecured. As of April 30, 2024, we had unutilized banking facilities of RMB106.5 million.

Our bank loans during the Track Record Period were denominated in RMB and were primarily used to supplement our working capital. We had bank loans of RMB5.0 million as of December 31, 2023, the interest rate of which was 3.69%.

Our Directors confirm that there were no material defaults in repayment of bank loans or material breaches of financial covenants during the Track Record Period and up to the Latest Practicable Date.

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### Lease Liabilities

We recognized right-of-use assets and the corresponding lease liabilities in respect of all leases, except for short-term leases and leases of low value assets. The table below sets forth our lease liabilities as of the dates indicated.

	As of December 31,			As of April 30,
	2021	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(Unaudited)</i>
Current	9,958	12,796	15,346	15,250
Non-current	8,315	13,858	29,368	28,141
<b>Total</b>	<b>18,273</b>	<b>26,654</b>	<b>44,714</b>	<b>43,391</b>

### Convertible Redeemable Preferred Shares

As of December 31, 2021, 2022, 2023 and April 30, 2024, the carrying amount of our convertible redeemable preferred shares was RMB1,368.8 million, RMB1,737.9 million, RMB1,911.5 million and RMB1,964.6 million, respectively. See “—Description of Certain Key Items of Consolidated Statements of Financial Position—Convertible Redeemable Preferred Shares” for details of the convertible redeemable preferred shares.

Except as disclosed above, we did not have any material mortgages, charges, debentures, loan capital, debt securities, loans, bank overdrafts or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptances (other than normal trade bills), acceptance credits, which are either guaranteed, unguaranteed, secured or unsecured as of April 30, 2024.

### CONTINGENT LIABILITIES

During the Track Record Period, we paid service fees to physicians we engaged to provide medical consultation services. Without clear guidance in current regulations, there is uncertainty as to the characterization of income received by our registered physicians through our platform. If the tax authority’s interpretation of current regulations is clarified and is different from ours, we might be responsible to withhold and report individual income tax for the engaged physicians in relation to their services rendered on our platform. Should the relevant tax authority find the engaged physicians’ relevant individual income tax paid is improper or insufficient, we may be required to procure the engaged physicians file and pay up the underpaid tax liabilities, and may be subject to penalties calculated 50% to 300% of the underpaid tax. Our PRC Legal Advisor has advised us that the likelihood of us being subject to such penalties is remote. As such, our Directors assessed and considered that, no provision

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## FINANCIAL INFORMATION

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is required to be made in this regard. For risks associated with the characterization of income received by our registered physicians through our platform, see “Risk Factors—Risks Relating to Regulations—Developments in the PRC legal system may affect our business and limit the legal protection available to you.” Save as disclosed in this section, we did not have any material contingent liabilities as of December 31, 2021, 2022, 2023 and April 30, 2024.

### CAPITAL EXPENDITURES

The following table sets forth our capital expenditures for the years indicated.

	<b>For the year ended December 31,</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Payment for purchases of property, plant and equipment and intangible assets	5,515	5,281	5,648
Payment for other non-current assets	8,000	–	–
Deemed distribution	–	2,000	–
<b>Total</b>	<b><u>13,515</u></b>	<b><u>7,281</u></b>	<b><u>5,648</u></b>

Our capital expenditures primarily consist of (i) purchases of property, plant and equipment and intangible assets; (ii) other non-current assets; and (iii) deemed distribution arising from the Reorganization.

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

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## FINANCIAL INFORMATION

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### KEY FINANCIAL RATIOS

The following table sets forth the details of our key financial ratios as of the dates or for the years indicated.

	As of/For the year ended December 31,		
	2021	2022	2023
Gross profit margin <sup>(1)</sup>	12.5%	17.3%	20.0%
Net loss margin <sup>(2)</sup>	(17.3)%	(17.4)%	(8.1)%
Adjusted net (loss)/profit margin (non-HKFRS measure) <sup>(3)</sup>	(11.8)%	(4.1)%	0.3%
Current ratio <sup>(4)</sup>	1.0	1.0	1.0
Quick ratio <sup>(5)</sup>	0.6	0.7	0.7

*Notes:*

- (1) Gross profit margin is calculated using gross profit divided by revenue for the year and multiplied by 100%.
- (2) Net loss margin is calculated using net loss divided by revenue for the year and multiplied by 100%.
- (3) Adjusted net loss/profit margin (non-HKFRS measure) is calculated using the adjusted net loss/profit (non-HKFRS measure) divided by revenue for the year and multiplied by 100%.
- (4) Current ratio is calculated by using current assets divided by current liabilities as of the same date.
- (5) Quick ratio is calculated by using current assets less inventories and divided by current liabilities as of the same date.

See “—Comparison of Results of Operations” above for discussions on revenue growth and fluctuation of our gross profit margin and net loss margin during the Track Record Period.

### Current Ratio

Our current ratio remained at 1.0 as of December 31, 2021, 2022 and 2023. See “—Description of Certain Key Items of Consolidated Statements of Financial Position” for details of our current assets and current liabilities.

### Quick Ratio

Consistent with our current ratio, our quick ratio remained relatively stable at 0.6 as of December 31, 2021 and 0.7 as of December 31, 2022 and 2023.

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## FINANCIAL INFORMATION

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### CONTRACTUAL OBLIGATIONS

#### Capital Commitments

As of December 31, 2021, 2022 and 2023, we had no material capital commitments.

### OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

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

### FINANCIAL RISKS DISCLOSURE

We are exposed to a variety of financial risks, including credit risk, liquidity risk, interest rate risk and currency risk. We manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner. See note 27 to the Accountants' Report set out in Appendix I to this prospectus for more information. The discussion below provides a summary of our financial risks.

#### Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to our Group. Our credit risk is primarily attributable to trade and other receivables, guarantees and amounts due from related parties. Our exposure to credit risk arising from cash and cash equivalents, restricted bank deposits and bills receivables is limited because the counterparties are banks and financial institutions or enterprises with high-credit-quality, for which we consider to have low credit risk.

#### Liquidity Risk

Our management reviews the liquidity position of our Group on an ongoing basis, including review of the expected cash inflows and outflows in order to monitor our liquidity requirements in the short and longer terms. Our policy is to regularly monitor our liquidity requirements and compliance with lending covenants, to ensure that we maintain sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet our liquidity requirements in the short and longer term.

#### Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Our interest-bearing financial assets and liabilities are at fixed interest rates at the end of the Track Record Period, including restricted bank deposits, bank loans, lease liabilities and convertible redeemable preferred shares, and the change of market interest rate does not expose us to interest rate risk. Overall, our exposure to interest rate risk is not significant.

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## FINANCIAL INFORMATION

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### Currency Risk

We are exposed to currency risk primarily given rise to cash balances and financial liabilities that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily US dollars.

### MATERIAL RELATED PARTY TRANSACTIONS

During the Track Record Period, we entered into a number of transactions with related parties, including Mr. Xie, our Controlling Shareholder, and companies controlled by Mr. Xie or over which Mr. Xie had significant influence. The following table sets forth the amount of our related party transactions during the Track Record Period.

	For the year ended December 31,		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Purchase of goods	4,659	–	–
Advance of borrowings to related parties	36,814	–	–
Repayments of borrowings by related parties	46,006	21,596	12,032

### Purchase of Goods

In 2021, we procured certain pharmaceutical products, medical devices, healthcare and nutritional supplements and other wellness products from Guangzhou Jianke instead of directly from third-party suppliers for our online retail pharmacy services and comprehensive medical services. We made back-to-back orders with Guangzhou Jianke upon receiving orders on our Jianke Platform, which helped reduce our inventory risks; as Guangzhou Jianke was qualified for pharmaceutical wholesale, it had procured and kept products in stock for us, and was able to sell off excess stock not taken up by us to other retailers. Moreover, we had only begun to operate our Jianke mobile applications and websites in-house since July 2019, and were still in the process of building up our supplier network and business scale. Procuring goods from Guangzhou Jianke also enabled us to leverage their established relationships with suppliers for more favorable procurement prices. During the Track Record Period, the commercial terms of our transactions with Guangzhou Jianke were negotiated on an arm's length basis, and all other legal and standard terms were materially similar to those that we entered into with other independent third parties. The prices of goods procured from Guangzhou Jianke during the Track Record Period were generally comparable to market rate. As we rapidly developed our own supplier network and relationships following the Reorganization, we were able to increase our bargaining power with suppliers to negotiate more favorable procurement prices, and began to procure products predominantly from independent third parties in 2021. As a result, we purchased a modest amount of goods from Guangzhou Jianke amounting to RMB4.7 million in 2021, and ceased to procure products from related parties in 2022. We do not have plans to procure products from related parties in the future.



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### **Advance/Repayments of Borrowings to/by Related Parties**

In 2021, our advance of borrowings to related parties amounted to RMB36.8 million, primarily representing (i) advance of RMB21.9 million to a number of companies over which Mr. Xie had significant influence; (ii) advance of RMB7.5 million to Yunyi Limited which was used to repay Guangdong Jianke's bank loan, and release Yunyi Limited from its corresponding financial guarantee obligations; and (iii) advance of RMB7.4 million to Mr. Xie and companies controlled by Mr. Xie to fund their working capital.

Since the end of 2021, we have ceased providing any new advances or loans to related parties, and do not have plans to do so in the future. Accordingly, we did not record any advance of borrowings to related parties in 2022 and 2023.

During the Track Record Period, we did not receive any interests from our advance of borrowings to related parties.

In 2021, 2022 and 2023, we recorded repayments of borrowings from related parties of RMB46.0 million, RMB21.6 million and RMB12.0 million, respectively. As of December 31, 2023, all advances of borrowings to related parties had been repaid.

### **Balance with Related Parties**

#### *Amounts Due from Related Parties*

As of December 31, 2021 and 2022, the balance of amounts due from related parties were all non-trade in nature, and amounted to RMB33.6 million and RMB12.0 million, respectively, mainly consisting of advances that our Group granted to a number of companies over which Mr. Xie had significant influence, or to Mr. Xie and companies controlled by Mr. Xie. As of December 31, 2023, all such amounts due from related parties had been fully settled.

Our Directors confirm that all advance of borrowings to related parties during the Track Record Period were non-trade in nature and had been settled as of December 31, 2023. For further details on related party balance and transactions, see note 28 to the Accountants' Report set out in Appendix I to this prospectus.

We have established a comprehensive cash management policy to assess and monitor the provision of advances, loans, borrowings or guarantees to related parties and third parties, and our internal audit department will conduct regular monitoring and evaluation of the effectiveness of our internal control policies. Before extending any advances, loans and borrowings or providing guarantees to other companies, our financial department is required to (i) thoroughly evaluate our liquidity and financial condition; (ii) conduct a comprehensive analysis and assessment on the needs and necessity of such activities; and (iii) prepare a report for the Board's approval. We periodically assess the recoverability of our advances to other companies. In particular, we regularly review the business performance of the parties to which we provided advances, loans, borrowings or financial guarantees. If any risk of default is identified, impairment losses will be made in accordance with applicable accounting principles.

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## FINANCIAL INFORMATION

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### DIVIDENDS

No dividend has been paid or declared by our Company during the Track Record Period. Any future declarations and payments of dividends will be at the absolute discretion of our Board and if necessary, subject to the approval by our Shareholders at a general meeting. There can be no assurance that we will be able to declare or distribute any dividend in the amount set out in any plan of the Board or at all. Currently, we do not have any dividend policy or intention to declare or pay any dividends in the near future. As advised by our Cayman Islands counsel, under the Companies Act and the Memorandum and Articles, the Company may declare and pay a dividend out of either profits or share premium account, provided always that in no circumstances may a dividend be declared or paid out of Share premium account if such payment would result in the Company being unable to pay its debts as they fall due in the ordinary course of business. Investors should not purchase our Shares with the expectation of receiving cash dividends.

### DISTRIBUTABLE RESERVES

As of December 31, 2023, we did not have any reserves available for distribution to our Shareholders.

### LISTING EXPENSES

Assuming an Offer Price of HK\$7.98 per Share (being the mid-point of the indicative Offer Price range of HK\$7.60 to HK\$8.36 per Share), and assuming that the Over-allotment Option is not exercised, the aggregate commissions and fees, together with the Stock Exchange listing fee, SFC transaction levy, AFRC transaction levy and Stock Exchange trading fee, legal and other professional fees, printing and other expenses relating to the Global Offering, which are paid or payable by us, are estimated to be approximately RMB115.7 million, accounting for 66.8% of gross proceeds from the Global Offering. Up to December 31, 2023, we incurred listing expenses in the amount of RMB64.8 million, of which RMB60.8 million was recognized in the consolidated statements of profit or loss and other comprehensive income, and RMB4.0 million was recognized as deferred listing expenses in the consolidated statements of financial position as of December 31, 2023 which will be recognized as a reduction from equity upon the Listing. We expect to further incur additional listing expenses of approximately RMB50.9 million after the Track Record Period, of which approximately RMB28.0 million is expected to be recognized in our consolidated statements of profit or loss and other comprehensive income, and approximately RMB22.9 million is expected to be deducted from equity upon the Listing under the relevant accounting standards. By nature, our listing expenses are composed of (i) underwriting related expenses of approximately RMB24.3 million; and (ii) non-underwriting related expenses of approximately RMB91.4 million, which consist of fees and expenses of legal advisors and Reporting Accountants of approximately RMB63.5 million and other fees and expenses of approximately RMB27.9 million.

## FINANCIAL INFORMATION

### UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets of our Group prepared in accordance with Rule 4.29 of the Listing Rules is to illustrate the effect of the Global Offering on our net tangible liabilities of our Group as if the Global Offering had been completed on December 31, 2023. The unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of our net tangible assets of our Group had the Global Offering been completed as of December 31, 2023 or at any future dates.

	Consolidated net tangible liabilities of the Group as of December 31, 2023	Estimated net proceeds from the Global Offering	Automatic conversion of convertible redeemable preferred shares into ordinary shares upon the completion of the Global Offering as of December 31, 2023	Unaudited pro forma adjusted net tangible assets of the Group	Unaudited pro forma adjusted net tangible assets of the Group per Share as of December 31, 2023	
	<i>RMB'000</i> <sup>(1)</sup>	<i>RMB'000</i> <sup>(2)(5)</sup>	<i>RMB'000</i> <sup>(3)</sup>	<i>RMB'000</i>	<i>RMB</i> <sup>(4)</sup>	<i>HK\$</i> <sup>(5)</sup>
Based on an Offer Price of HK\$7.60 per Share	(1,903,738)	111,360	1,911,521	119,143	0.10	0.11
Based on an Offer Price of HK\$8.36 per Share	(1,903,738)	125,314	1,911,521	133,097	0.11	0.12

*Notes:*

- (1) The consolidated net tangible liabilities of the Group as of December 31, 2023 is arrived at after deducting intangible assets of RMB2,275,000 from the consolidated total deficit of our Group of RMB1,901,463,000 as at December 31, 2023, as extracted from the financial information included in the Accountants' Report set out in Appendix I to this prospectus.
- (2) The estimated net proceeds from the Global Offering are based on the estimated Offer Prices of HK\$7.60 per Share and HK\$8.36 per Share, being the lower end price and higher end price of the estimated Offer Price range respectively, and the expected issuance of 23,800,000 Shares, after deduction of the estimated underwriting fees and other related listing expenses related to the Global Offering paid or payable by our Group (excluding RMB60,821,000.00 of the listing expenses that had been charged to profit or loss up to December 31, 2023), and does not take into account of any Shares which may be issued upon the exercise of the Over-allotment Option.
- (3) As of December 31, 2023, the aggregate carrying amount of convertible redeemable preferred shares was RMB1,911,521,000. Upon the completion of the Global Offering, the convertible redeemable preferred shares will be automatically converted into ordinary shares of our Company and will be reclassified from liabilities to equity. Accordingly, for the purpose of the unaudited pro forma financial information, these liabilities are assumed to have been reclassified to equity on December 31, 2023.

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## FINANCIAL INFORMATION

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- (4) The unaudited pro forma adjusted net tangible assets of the Group per Share is arrived at after the adjustments as described in the preceding paragraphs and on the basis that a total of 1,213,025,279 Shares (which is calculated based on 1,189,225,279 Shares at December 31, 2023 and adjusted for 23,800,000 Shares newly issued upon the Global Offering but exclude 127,242,178 Class A Ordinary Shares issued to Asia Tech Investments Ltd., Endeavor Cloud Limited, FAST GOAL INTERNATIONAL LIMITED, Gaoxin Thrive Limited, Mr. ZOU Yuming and Torano Investments Limited in May 2024) were in issue immediately following the completion of the Global Offering assuming the Over-allotment Option is not exercised.
- (5) The estimated net proceeds from the Global Offering and the unaudited pro forma adjusted net tangible assets of our Group per Share are converted from or into Hong Kong dollars at an exchange rate of RMB1.00 to HK\$1.0965 being the exchange rate set by PBOC prevailing on June 20, 2024. No representation is made that Hong Kong dollars amounts have been, could have been or may be converted into RMB, or vice versa, at that rate or at any other rate.
- (6) No adjustment has been made to the unaudited pro forma adjusted net tangible assets of our Group to reflect any trading results or other transactions of our Group entered into subsequent to December 31, 2023.

### **NO MATERIAL ADVERSE CHANGE**

Our Directors have confirmed, after performing all the due diligence work which our Directors consider appropriate, that, as of the date of this prospectus, there has been no material adverse change in our financial or operation or trading position or prospects since December 31, 2023 and up to the date of 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, they were not aware of any circumstance that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

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## FUTURE PLANS AND USE OF PROCEEDS

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### FUTURE PLANS AND PROSPECTS

See “Business—Strategies” in this prospectus for a detailed description of our future plans.

### USE OF PROCEEDS

We estimate that we will receive net proceeds from the Global Offering of approximately HK\$63.07 million, after deducting underwriting commissions, fees and estimated expenses payable by us in connection with the Global Offering, and assuming an Offer Price of HK\$7.98 per Share, which is the mid-point of the indicative Offer Price range stated in this prospectus. If the Offer Price is set at HK\$8.36 per Share, which is the high end of the indicative Offer Price range, the net proceeds from the Global Offering will increase by approximately HK\$7.65 million. If the Offer Price is set at HK\$7.60 per Share, which is the low end of the indicative Offer Price range, the net proceeds from the Global Offering will decrease by approximately HK\$7.65 million.

Assuming an Offer Price at the mid-point of the indicative Offer Price range, we currently intend to apply these net proceeds for the following purposes:

- (i) Approximately 67.4%, or HK\$42.51 million, will be used for business expansion in the next three to five years, in particular:
  - Approximately 17.3%, or HK\$10.91 million, is expected to be used for promoting brand awareness by (i) increasing our online marketing and promotional activities through major search engines, web portals, various popular short-video platforms and app stores, and intensifying our marketing efforts through online channels, such as increasing promotions on professional medical websites and online medical communities, hosting healthcare-related webinars and sponsoring virtual academic conferences, which we believe will raise our brand awareness among pharmaceutical companies and prospective physicians to attract more physicians to our platform; and (ii) investing into the academic and on-the-job training of business development team to equip business development personnel with latest professional knowledge in online chronic disease management and industry best-practice in order to upgrade the overall quality of our business development team.
  - Approximately 21.5%, or HK\$13.56 million, is expected to be used for enhancing user growth and engagement, and maintaining a highly active user base, by expanding our Jianke Platform through attracting and retaining more physicians across China to strategically cover additional specialties such as cardiovascular, cerebrovascular, infectious diseases, dermatology, psychiatry and gynecology, to serve the diverse and evolving needs of chronic disease patients. In particular, our business development staff will continue to focus on developing our pool of registered physicians across a number of key geographic areas and specialties where our platform may currently lack coverage, or which we believe to be underserved.

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## FUTURE PLANS AND USE OF PROCEEDS

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- Approximately 23.1%, or HK\$14.57 million, is expected to be used for attracting and retaining talents, especially those with extensive experience in media and technology-powered medical services and insights in the fields of chronic disease management. Specifically, we plan to focus our talent recruitment on the following: (i) engage experienced business development personnel to continue maintaining and developing our relationships with pharmaceutical companies. In particular, we will additionally hire approximately 50 in-house business development staff by 2028, with experience in sales function and/or pharmaceutical industry to be dedicated to developing and maintaining our business relationships with pharmaceutical companies and expanding the registered physicians on our platform; (ii) by 2028, recruit approximately 50 new media marketing personnel to continuously develop and deepen our collaboration with the leading pharmaceutical manufacturers or medical institutions in the world to enhance our customized marketing services and diversify the patient education content on our platform; and (iii) establish a senior innovative business development team of approximately 10 staff by 2028 to explore the opportunities for innovative business collaboration between our Group and other participants in the healthcare industry.
  
  - Approximately 5.5%, or HK\$3.47 million, is expected to be used for expanding product offerings and enhancing supply chain capabilities. We plan to (i) establish two additional warehouses in regions with competitive sourcing conditions, including Chengdu and Wuhan, each with a storage capacity of approximately 8,000 to 10,000 square meters; (ii) upgrade our storage system for approximately 1,000 square meters in our warehouses each year before 2028 to reduce storage outsourcing costs and improve our ability to ensure proper storage of temperature-sensitive drugs; (iii) continue to establish partnerships with qualified third-party delivery couriers with logistic specialties, such as cold chain delivery capabilities.
- (ii) Approximately 16.0%, or HK\$10.09 million, will be used for research and development activities in the next five years, including:
- Approximately 7.0%, or HK\$4.41 million, will be used for recruiting a team of approximately 40 software engineers by 2028, of which 70% are senior software engineers and the remainder are junior software engineers. We plan to offer competitive compensation packages combined of a base remuneration as well as a performance-based rewarding mechanism to attract more experienced software engineers and continue to incentivize them. Apart from maintaining our infrastructure system, our software engineers are expected to focus on upgrading the existing functions and developing new functions and modules of our CDM platform, in order to improve the quality of our services and enhance the engagement by patients and physicians on our CDM platform. Such

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## FUTURE PLANS AND USE OF PROCEEDS

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functions include standardized chronic disease management guidance for physicians, intelligent medication guidance for patients, big data analysis on medication data and patient feedbacks, and in-depth research in specific diseases.

- Approximately 9.0%, or HK\$5.68 million, will be used to (i) improve the application of AI technology and big data analysis capabilities in chronic disease management to more accurately capture user habits throughout their activities, from seeking consultations, purchasing pharmaceutical products to their preferences for viewing content on our platform, thereby improving user experience and improving the conversion rate of paying users on our platform; (ii) optimize our infrastructure in various technological areas, such as (a) computer vision, to improve the efficiency of order identification and processing and user information management, (b) natural language processing, to optimize the question-answering engine of our AI medical assistant, and (c) search-based recommendation algorithms to deliver the most relevant information catered to the users' evolving needs; (iii) improve stability of the system to withstand the increasing pressure as we scale our online operations; and (iv) optimize the functions of our WeChat mini programs and perform routine system upgrade and maintenance.
- (iii) Approximately 11.6%, or HK\$7.32 million, will be used for our potential investments and acquisitions or strategic alliances with other stakeholders in the value chain of the online chronic disease management industry. We will focus on companies with proven track records and advanced technology capabilities and services, companies with complementary business lines, such as treatment and rehabilitation for the major chronic disease types that enrich our service offerings and potentially bring additional monetization channels, and companies which have synergies with our current business. We also seek to acquire or cooperate with companies with innovative business lines, including AI-assisted medical devices which are employed to improve the quality and efficiency of online consultations, medical media platforms which provide customized medical content or content produced by KOLs in the medical industry, Internet healthcare services focusing on specialized chronic disease departments, and smart retailing of pharmaceutical products, such as Internet hospital operators and direct-to-patient (“DTP”) pharmacy business operators. In selecting potential acquisition targets, we especially focus on assessing their growth prospects and the synergies they can bring us for the improvement of our service offerings. According to CIC, as of December 31, 2023, there were over 1,700 licensed Internet hospitals in China and the number of DTP pharmacy chains was over 2,000 in China as of the same date. As of the Latest Practicable Date, we have not identified any specific targets for potential acquisition.
- (iv) Approximately 5.0%, or HK\$3.15 million, will be used for our working capital and general corporate purposes.

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## FUTURE PLANS AND USE OF PROCEEDS

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If the offer price is set at the Maximum Offer Price or the Minimum Offer Price of the indicative Offer price range, the net proceeds of the Global Offering will increase or decrease by approximately HK\$7.65 million, respectively.

If the Over-allotment Option is exercised in full, the additional net proceeds we will receive would be (i) HK\$25.66 million (assuming an Offer Price of HK\$8.36 per Share, being the maximum Offer Price); (ii) HK\$24.50 million (assuming an Offer Price of HK\$7.98 per Share, being the median of the Offer Price range); and (iii) HK\$23.33 million (assuming an Offer Price of HK\$7.60 per Share, being the minimum Offer Price).

To the extent that the net proceeds from the Global Offering (including the net proceeds from the exercise of the Over-allotment Option) are either more or less than expected, we may adjust our allocation of the net proceeds for the above purposes on a pro rata basis. In such event, we will comply with the appropriate disclosure requirements under the Listing Rules.

If the net proceeds of the Global Offering are not immediately applied to the above purposes, we will only deposit those net proceeds into short-term interest-bearing accounts at licensed commercial banks and/or other authorized financial institutions (as defined under the Securities and Futures Ordinance or applicable laws and regulations in other jurisdictions).



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## UNDERWRITING

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### HONG KONG UNDERWRITERS

Citigroup Global Markets Asia Limited

ABCI Securities Company Limited

Essence International Securities (Hong Kong) Limited

ICBC International Securities Limited

China Galaxy International Securities (Hong Kong) Co., Limited

China Everbright Securities (HK) Limited

China Merchants Securities (HK) Co., Limited

Citrus Securities Limited

CMB International Capital Limited

Fosun International Securities Limited

GF Securities (Hong Kong) Brokerage Limited

Huatai Financial Holdings (Hong Kong) Limited

Long Bridge HK Limited

Shenwan Hongyuan Securities (H.K.) Limited

Zhongtai International Securities Limited

Futu Securities International (Hong Kong) Limited

Tiger Brokers (HK) Global Limited

Victory Securities Company Limited

Yue Xiu Securities Company Limited

### UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters on a conditional basis. The International Offering is expected to be fully underwritten by the International Underwriters. If, for any reason, the Offer Price is not agreed between the Overall Coordinators (for themselves and on behalf of the Underwriters) and our Company by 12:00 noon on **Friday, July 5, 2024**, the Global Offering will not proceed and will lapse.

The Global Offering comprises the Hong Kong Public Offering of initially 2,380,000 Hong Kong Offer Shares and the International Offering of initially 21,420,000 International Offer Shares, subject, in each case, to reallocation on the basis as described in the section headed “Structure of the Global Offering” as well as to the Over-allotment Option in the case of the International Offering.

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## UNDERWRITING

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### UNDERWRITING ARRANGEMENTS AND EXPENSES

#### Hong Kong Public Offering

##### *Hong Kong Underwriting Agreement*

Pursuant to the Hong Kong Underwriting Agreement, we are offering the Hong Kong Offer Shares for subscription by the public in Hong Kong on the terms and conditions set out in this prospectus and the Hong Kong Underwriting Agreement at the Offer Price.

Subject to (i) the Listing Committee granting approval for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including any additional Shares that may be issued pursuant to the exercise of the Over-allotment Option) on the Main Board of the Stock Exchange and such approval not having been withdrawn prior to the commencement of trading of the Shares on the Stock Exchange and (ii) certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed severally, but not jointly, to subscribe or procure subscribers for their respective applicable proportions of the Hong Kong Offer Shares being offered which are not taken up under the Hong Kong Public Offering on the terms and conditions set out in this prospectus and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional on, amongst other things, the International Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms.

##### *Grounds for Termination*

The Joint Sponsors and the Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters) may, in their sole and absolute discretion, by giving notice (orally or in writing) to our Company terminate the Hong Kong Underwriting Agreement with immediate effect if, at any time prior to 8:00 a.m. on the Listing Date:

- (a) there develops, occurs, exists or comes into effect:
  - (i) any local, national, regional or international event or circumstance or series of events or circumstances in the nature of force majeure (including, without limitation, any acts of government, declaration of a national, regional or international emergency or war, calamity, crisis, epidemic, pandemic, outbreak, escalation, mutation or aggravation of diseases, including, without limitation, severe acute respiratory syndrome (SARS), swine or avian flu, H5N1, H1N1, H1N7, H7N9, Ebola virus, Middle East respiratory syndrome (MERS), COVID-19 and their related/mutated forms, comprehensive or economic sanctions, labor disputes, strikes, lock-outs, other industrial actions, fire, explosion, flooding, tsunami, earthquake, volcanic eruption, civil commotion, riots, rebellion, public disorder, accident or interruption or delay in transportation, acts of war, outbreak or escalation of hostilities (whether or

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not war is declared), acts of God, acts of terrorism (whether or not responsibility has been claimed), paralysis in government operations or other state of emergency or calamity or crisis) in or affecting (directly or indirectly) Hong Kong, the PRC, the United States, the United Kingdom, the European Union (or any member thereof), the Cayman Islands, the BVI, Singapore or any other jurisdiction relevant to our Group or the Global Offering (collectively, the “**Relevant Jurisdictions**”); or

- (ii) any change or development involving a prospective change (whether or not permanent), or any event or circumstance or series of events or circumstances resulting in or representing or likely to result in or represent a change or development involving a prospective change (whether or not permanent), in any local, national, regional or international financial, economic, political, military, industrial, legal, fiscal, regulatory, currency, credit or market matters or conditions or sentiments (including, without limitation, a change in matters or conditions or sentiments in the stock and bond markets, money and foreign exchange markets, inter-bank markets and credit markets, or any monetary or trading settlement system, a change in the system under which the value of the Hong Kong dollar is linked to that of the United States dollar) in or affecting (directly or indirectly) any of the Relevant Jurisdictions, or affecting an investment in the Offer Shares; or
- (iii) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities generally on the Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Tokyo Stock Exchange, the Singapore Stock Exchange, the Shanghai Stock Exchange or the Shenzhen Stock Exchange; or
- (iv) any general moratorium on commercial banking activities, or any disruption in commercial banking activities or foreign exchange trading or securities settlement or clearance services, procedures or matters, in or affecting (directly or indirectly) Hong Kong, New York, London or any of the other Relevant Jurisdictions; or
- (v) any new law, or any change or development involving a prospective change or any event or circumstance or series of events or circumstances likely to result in a change or development involving a prospective change in (or in the interpretation or application by any court or other competent authority of) existing laws, in each case, in or affecting any of the Relevant Jurisdictions; or
- (vi) the imposition of sanctions or export controls, or the withdrawal of trading privileges, in whatever form, directly or indirectly, in any of the Relevant Jurisdictions; or

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- (vii) any change or development involving a prospective change in or affecting taxation or exchange control, currency exchange rates or foreign investment regulations (including, without limitation, a material devaluation of the Hong Kong dollar, United States dollar or the Renminbi against any foreign currencies), or the implementation of any exchange control, in any of the Relevant Jurisdictions; or
- (viii) any Proceedings being threatened or instigated or commenced or announced against any member of our Group, any Director or any of the Controlling Shareholders; or
- (ix) any adverse change or prospective adverse change in or affecting the business, business prospects, financial or trading position, or conditions (financial or otherwise) of our Group; or
- (x) any change or development involving a prospective change in, or a materialization of, any of the risks set out in “Risk Factors;” or
- (xi) any contravention by any member of our Group, any Director or any Controlling Shareholder of any applicable laws, including, without limitation, the Listing Rules, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the PRC Company Law and all rules and regulations applicable to members of our Group incorporated in the PRC (including but not limited to cybersecurity laws); or
- (xii) any non-compliance of this prospectus (or any other documents used in connection with the contemplated offer and sale of the Offer Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable laws; or
- (xiii) any breach of any of the obligations imposed upon any party to the Hong Kong Underwriting Agreement or the International Underwriting Agreement (other than upon any of the Joint Sponsors, the Hong Kong Underwriters or the International Underwriters); or
- (xiv) any event, act or omission which gives or is likely to give rise to any liability of any of the indemnifying parties (including our Company and our Controlling Shareholders) pursuant to the Hong Kong Underwriting Agreement; or
- (xv) other than with the prior written consent of the Overall Coordinators, the issue or requirement to issue by our Company of any supplement or amendment to this prospectus, the preliminary offering circular, the final offering circular, the CSRC filings or any other document used in connection with the Global Offering pursuant to the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Listing Rules or the CSRC rules or any requirement or request of the Stock Exchange, HKSCC, the SFC, the CSRC and/or any other relevant authority,

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which, individually or in the aggregate, in the sole and absolute opinion of the Joint Sponsors and the Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters):

- (i) has or will have or may have a material adverse effect on the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, revenues, profits, losses, earnings, results of operations, position or condition (financial, operational, trading or otherwise), or performance of our Group as a whole; or
  - (ii) has or will have or may have a material adverse effect on the success of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Offering or the distribution of Offer Shares or the anticipated dealings in the Shares in the secondary market; or
  - (iii) makes or will make or may make it inadvisable, inexpedient, impracticable or incapable for the Hong Kong Public Offering and/or the International Offering to proceed or to market the Global Offering or to deliver or distribute the Offer Shares on the terms and in the manner contemplated by this prospectus, the Formal Notice, the preliminary offering circular or the final offering circular; or
  - (iv) has or will have or may have the effect of making any material term of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or preventing or delaying the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or
- (b) there has come to the notice of any of the Joint Sponsors or the Overall Coordinators:
- (i) that any statement contained in any of the Offering Documents, the CSRC filings and/or in any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) (together, the “**Offer Related Documents**”) (excluding the names, logos and addresses of the Underwriters expressly and specifically for use therein) was, when it was issued, or has become untrue, incorrect, inaccurate or incomplete in any material respect, or misleading or deceptive, or that any forecast, estimate, expression of opinion, intention or expectation contained in any of the Offer Related Documents was, when it was issued, or has become unfair, misleading, dishonest or given in bad faith, or not based on reasonable assumptions; or

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- (ii) any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before this prospectus Date, constitute a material misstatement in, or a material omission from, any of the Offer Related Documents; or
- (iii) any material adverse change, or any development involving a prospective material adverse change, in or affecting the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, revenues, profits, losses, results of operations, position or condition (financial, operational or otherwise), or performance of the Group as a whole; or
- (iv) any demand by any creditor for repayment or payment of any indebtedness of any member of our Group or in respect of which such member of our Group is liable prior to its stated maturity; or
- (v) any order or petition for the winding-up or liquidation of any member of our Group, or any composition or arrangement made by any member of our Group with its creditors, or any scheme of arrangement entered into by any member of our Group, or any resolution for the winding-up of any member of our Group, or any appointment of a provisional liquidator, receiver or manager over all or part of the assets or undertaking of any member of our Group, or anything analogous thereto occurring in respect of any member of our Group; or
- (vi) any breach of, or any event or circumstance rendering untrue, inaccurate, incomplete or misleading in any respect, any of the representations, warranties, agreements or undertakings given by our Company or any of the Controlling Shareholders in the Hong Kong Underwriting Agreement; or
- (vii) any Director or any member of our Group's senior management or any Controlling Shareholder being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management or taking directorship of a company; or
- (viii) the commencement by any authority or political or regulatory or administrative body, agency or organization of any investigation or action, or an announcement by any authority or political or regulatory or administrative body, agency or organization that it intends to investigate or take any action, against any member of our Group, any Director or any of the Controlling Shareholders; or
- (ix) any executive Director or the chief executive officer of our Company seeking to retire, being removed from or vacating his or her office; or

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- (x) the approval by the Listing Committee of the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including the additional Shares which may be issued pursuant to the exercise of the Over-allotment Option) is refused or not granted on or before the Listing Date, or if granted, the approval is subsequently qualified (other than by customary conditions), rejected, withdrawn, cancelled, revoked, withheld, amended or invalidated; or
- (xi) our Company withdraws any of the Offer Related Documents or the Global Offering; or
- (xii) any person (other than the Joint Sponsors) has withdrawn or is subject to withdrawing its consent to the issue of any of the offering documents with the inclusion of its report, letter and/or opinion (as the case may be) and references to its name included in the form and context in which it respectively appears; or
- (xiii) any prohibition on our Company for whatever reason from offering, allotting, issuing or selling any of the Offer Shares pursuant to the terms of the Global Offering; or
- (xiv) the notice of acceptance of the CSRC filings issued by the CSRC and/or the results of the CSRC filings published on the website of the CSRC is qualified (other than by customary conditions), rejected, withdrawn, cancelled, revoked, withheld, amended or invalidated; or
- (xv) a material portion of the orders placed or confirmed in the book-building process have been withdrawn, terminated or cancelled.

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### *Undertakings to the Stock Exchange Pursuant to the Listing Rules*

#### *Undertakings by our Company*

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that we will not, at any time within six months from the Listing Date, issue any further Shares or securities convertible into equity securities of us (whether or not of a class already listed) or enter into any agreement to such an issue (whether or not such issue of Shares or securities will be completed within six months from the Listing Date), except (a) pursuant to the Global Offering (including pursuant to the Over-allotment Option) and (b) under any of the circumstances provided under Rule 10.08 of the Listing Rules.

#### *Undertakings by the Controlling Shareholders*

Pursuant to Rule 10.07(1) of the Listing Rules, each of our Controlling Shareholders has undertaken to the Stock Exchange and to us that, except pursuant to the Stock Borrowing Agreement or in compliance with the requirements of the Listing Rules, he/it will not and will procure that the relevant registered holder(s) will not, either directly or indirectly:

- (i) in the period commencing on the date by reference to which disclosure of his/its shareholding in our Company is made in this prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the securities of our Company in respect of which he/it is shown by this prospectus to be the beneficial owner (including 630,105,482 Shares held by the Controlling Shareholders and 138,430,610 Shares held by Tech-Med Investments (S) Pte. Ltd., representing approximately 47.01% and 10.33% of the issued Shares of the Company, respectively, immediately following the completion of the Global Offering, assuming that the Over-allotment Option is not exercised); or
- (ii) in the period of six months commencing on the date on which the period referred to in paragraph (i) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the securities referred to in paragraph (i) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/it would cease to be a controlling shareholder (as defined in the Listing Rules) of us (i.e. the Controlling Shareholders will not, during such period, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, more than 228,025,244 Shares, representing approximately 17.01% of the issued Shares of the Company immediately following the completion of the Global Offering, assuming that the Over-allotment Option is not exercised).



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Pursuant to Note 3 to Rule 10.07(2) of the Listing Rules, each of the Controlling Shareholders has undertaken to the Stock Exchange and to us that, within the period commencing on the date by reference to which disclosure of his/its shareholding in us is made in this prospectus and ending on the date which is 12 months from the Listing Date, he/it will and will procure that the relevant registered holder(s) will:

- (a) when he/it pledges or charges any securities of our Company beneficially owned by him/it in favor of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) pursuant to Note 2 to Rule 10.07(2) of the Listing Rules for a bona fide commercial loan, immediately inform our Company of such pledge or charge together with the number of the securities so pledged or charged; and
- (b) when he/it receives indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged securities will be disposed of, immediately inform our Company of such indications.

Upon being informed of matters referred to in paragraph (i) or (ii) above by any of the Controlling Shareholders, our Company will inform the Stock Exchange and make an announcement in accordance with the Listing Rules as soon as practicable.

### *Undertakings Pursuant to the Hong Kong Underwriting Agreement*

#### *Undertakings by our Company and our Controlling Shareholders in respect of our Company*

Our Company has undertaken to each of the Joint Sponsors, the Sponsor-Overall Coordinators, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters and the Capital Market Intermediaries that, except for the offer, allotment and issue of the Offer Shares pursuant to the Global Offering (including pursuant to the exercise of the Over-allotment Option), our Company will not, and will procure each other member of our Group not to, without the prior written consent of the Joint Sponsors and the Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules, at any time during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the date falling six months after the Listing Date (the “**First Six-Month Period**”):

- (i) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, assign, mortgage, charge, pledge, hypothecate, hedge, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an encumbrance over, or offer, contract or agree to transfer or dispose of or create an encumbrance over, in each case either directly or indirectly, conditionally or unconditionally, or repurchase, any legal or beneficial interest in any Shares or other securities of our Company or any shares or other securities of such other member of our Group, as applicable, or any interest in any

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of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to subscribe for or purchase, any Shares or other securities of our Company or any shares or other securities of such other member of our Group, as applicable, or any interest in any of the foregoing), or deposit any Shares or other securities of our Company or any shares or other securities of such other member of our Group, as applicable, with a depositary in connection with the issue of depositary receipts;

- (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the beneficial and/or economic consequences of ownership (legal or beneficial) of any Shares or other securities of our Company or any shares or other securities of such other member of our Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to subscribe for or purchase, any Shares or other securities of our Company or any shares or other securities of such other member of our Group, as applicable, or any interest in any of the foregoing);
- (iii) enter into any transaction, directly or indirectly, with the same economic effect as any of the transactions specified in paragraph (i) or (ii) above; or
- (iv) offer to or agree to or announce or publicly disclose any intention to effect any of the transactions specified in paragraph (i), (ii) or (iii) above,

in each case, whether any of the transactions specified in paragraph (i), (ii) or (iii) above is to be settled by delivery of Shares or other securities of our Company or shares or other securities of such other member of our Group, as applicable, or in cash or otherwise (whether the issue of such Shares or other shares or securities or such transaction will be completed within the First Six-Month Period or the Second Six-Month Period (as defined below) or otherwise) provided that the foregoing restrictions shall not apply to the issue of Shares by the Company pursuant to the Global Offering, or any change of the share capital of any member of our Group resulting from incorporation of any new subsidiaries of our Company or capital injection by other members of our Group without issuing any new Shares as consideration for such change.

During the period of six months commencing on the date on which the First Six-Month Period expires (the “**Second Six-Month Period**”), our Company shall not enter into any of the transactions specified in paragraph (i), (ii) or (iii) above or offer to or agree to or announce or publicly disclose any intention to effect any such transaction if, immediately following such transaction or upon the exercise or enforcement of any such option, right, interest or encumbrance, any of the Controlling Shareholders, directly or indirectly, would cease to be a “controlling shareholder” (as defined in the Listing Rules) of our Company. Until the expiry of the Second Six-Month Period, in the event that our Company enters into any of the transactions specified in paragraph (i), (ii) or (iii) above or offers to or agrees to or announces or publicly discloses any intention to effect

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any such transaction, our Company shall immediately inform the Joint Sponsors and the Overall Coordinators in writing, and take all reasonable steps to ensure that it will not, and no other act of our Company will, create a disorderly or false market in the Shares or other securities of our Company.

Each of the Controlling Shareholders has jointly and severally undertaken to each of the Joint Sponsors, the Sponsor-Overall Coordinators, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters and the Capital Market Intermediaries to procure our Company to comply with the above undertakings.

Each of our Company and the Controlling Shareholders agrees and undertakes to each of the Joint Sponsors, the Sponsor-Overall Coordinators, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters and the Capital Market Intermediaries that it/he will, and each of the Controlling Shareholders further undertakes to each of the Joint Sponsors, the Sponsor-Overall Coordinators, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters and the Capital Market Intermediaries to procure that our Company will, comply with the minimum public float requirements specified in the Listing Rules (as may be modified by any waiver granted and not revoked by the Stock Exchange) (the “**Minimum Public Float Requirement**”), and will not effect any purchase of Shares, or agree to do so, which may reduce the holdings of Shares held by the public (as defined in Rule 8.24 of the Listing Rules) to below the Minimum Public Float Requirement on or before the date falling one year after the Listing Date without first having obtained the prior written consent of the Joint Sponsors and the Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters).

### *Undertakings by our Controlling Shareholders in respect of Themselves*

Each of our Controlling Shareholders has jointly and severally undertaken to each of our Company, the Joint Sponsors, the Sponsor-Overall Coordinators, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters and the Capital Market Intermediaries that, except pursuant to the Stock Borrowing Agreement, each of our Controlling Shareholders, and each of our Controlling Shareholders will procure that each of the relevant registered holder(s), company(ies) controlled by him/it or nominee(s) or trustee(s) holding on trust for him/it, without the prior written consent of the Joint Sponsors and the Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

- (a) will not, at any time during the First Six-Month Period:
  - (i) sell, offer to sell, contract or agree to sell, create any short position (as defined in section 308 of the SFO), assign, mortgage, charge, pledge, hypothecate, hedge, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an encumbrance over, or offer,

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contract or agree to transfer or dispose of or create an encumbrance over, in each case either directly or indirectly, conditionally or unconditionally, any legal or beneficial interest in any Shares or other securities of our Company or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to subscribe for or purchase, any Shares or other securities of our Company or any interest in any of the foregoing), or deposit any Shares or other securities of our Company with a depositary in connection with the issue of depositary receipts;

- (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the beneficial and/or economic consequences of ownership (legal or beneficial) of any Shares or other securities of our Company or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to subscribe for or purchase, any Shares or other securities of our Company or any interest in any of the foregoing);
- (iii) enter into any transaction, directly or indirectly, with the same economic effect as any of the transactions specified in paragraph (i) or (ii) above; or
- (iv) offer to or agree to or announce or publicly disclose any intention to effect any of the transactions specified in paragraph (i), (ii) or (iii) above,

in each case, whether any of the transactions specified in paragraph (i), (ii) or (iii) above is to be settled by delivery of Shares or other securities of our Company or in cash or otherwise (whether such transaction will be completed within the First Six-Month Period or the Second Six-Month Period or otherwise);

- (b) will not, during the Second Six-Month Period, enter into any of the transactions specified in paragraph (a)(i), (ii) or (iii) above or offer to or agree to or announce or publicly disclose any intention to effect any such transaction if, immediately following such transaction or upon the exercise or enforcement of any such option, right, interest or encumbrance, he/it, directly or indirectly, would cease to be a “controlling shareholder” (as defined in the Listing Rules) of our Company;
- (c) until the expiry of the Second Six-Month Period, in the event that he/it enters into any of the transactions specified in paragraph (a)(i), (ii) or (iii) above or offers to or agrees to or announces or publicly discloses any intention to effect any such transaction, will immediately inform our Company, the Joint Sponsors and the Overall Coordinators in writing, and take all reasonable steps to ensure that it will not create a disorderly or false market in the Shares or other securities of our Company.

For the avoidance of doubt, nothing herein shall prevent our Controlling Shareholders from (i) purchasing additional Shares or other securities of our Company and disposing of such additional Shares or securities of our Company in

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accordance with the Listing Rules; and (ii) using the Shares or other securities of our Company or any interest therein beneficially owned by him/them as security (including a charge or a pledge) in favor of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a *bona fide* commercial loan; and

- (d) at any time within the period commencing on the date of the Hong Kong Underwriting Agreement and ending on the date which is 12 months after the Listing Date, shall and shall procure that the relevant registered holder(s) shall:
- (i) if and when he/it pledges or charges any Shares or other securities (or any interest therein) of our Company beneficially owned by him/it, immediately inform our Company, the Joint Sponsors and the Overall Coordinators in writing of such pledge or charge together with the number of Shares or other securities of our Company so pledged or charged; and
  - (ii) if and when he/it receives indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged Shares or other securities (or any interest therein) of our Company will be disposed of, immediately inform our Company, the Joint Sponsors and the Overall Coordinators in writing of such indications.

Our Company has undertaken that upon being informed of matters referred to in paragraph (d)(i) or (ii) above by any of our Controlling Shareholders, our Company shall inform the Stock Exchange and/or any other relevant authorities and make an announcement as soon as practicable, if required by and in accordance with the Listing Rules, the SFO and/or any other applicable Laws.

### *Undertakings by Other Existing Shareholders*

Each of the existing Shareholders other than the Controlling Shareholders has entered into a lock-up undertaking (the “**Lock-up Undertaking**”) in favor of the Company, the Joint Sponsors and the Overall Coordinators (acting for themselves and on behalf of the Underwriters) that, except with the prior written consent of the Company, the Joint Sponsors and the Overall Coordinators, it will not, and will procure that none of the relevant registered holder(s) or its associates or companies controlled by it or any nominee or trustee holding on trust for it will, at any time during the period commencing on June 27, 2024 and ending on, and including, the date that is six months from the Listing Date (the “**Lock-up Period**”),

- (i) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, hedge, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create any mortgage, charge, pledge, lien or other security interest or any option, restriction, right of first refusal, right of pre-emption or other third party claim, right, interest or preference or any other encumbrance of any kind (the

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“**Encumbrance**”) over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of the Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other securities of the Company) directly or indirectly held by it as at the date hereof and/or the Listing Date (the “**Lock-up Shares**”), or deposit any Lock-up Shares or other securities of the Company with a depository in connection with any issue of depositary receipts, or

- (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Lock-up Shares, or
- (iii) enter into any transaction with the same economic effect as any transaction specified in clause (i) or (ii) of this paragraph, or
- (iv) offer to or agree to or contract to or announce or publicly disclose any intention to effect any transaction specified in clause (i), (ii) or (iii) of this paragraph,

in each case, whether any of the transactions specified in clause (i), (ii) or (iii) of this paragraph is to be settled by delivery of Shares or other securities of the Company or in cash or otherwise (whether or not the issue of such Shares or other securities will be completed within the Lock-up Period); provided that the foregoing shall not:

- (a) apply to transactions relating to any Shares acquired by it in open market transactions after the Listing (and in respect of certain existing Shareholder only, shall not apply to transactions relating to any Shares acquired by it or its close associate in the Global Offering or in open market transactions after the Listing); or
- (b) apply to any transfer of Lock-up Shares to any nominee for the purposes of holding such Lock-up Shares in CCASS, provided that such Lock-up Shares shall, at all times, remain subject to the lock-up undertaking until the Lock-up Period expires; or
- (c) prevent it from using Lock-up Shares beneficially owned by it as security (including a charge or a pledge) in favor of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan made to it; or
- (d) apply to any transfer of Lock-up Shares as may be required by applicable law or regulations; or
- (e) apply to any transfer of Lock-up Shares to its wholly-owned entities (or, in respect of certain existing Shareholder(s), its affiliates), provided, however, that in any such case, it shall be a condition to the transfer that the transferee executes a written

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undertaking (addressed to and in favor of the Company, the Joint Sponsors and the Overall Coordinators) stating that the transferee is receiving and holding such Lock-up Shares subject to the provisions of the Lock-up Undertaking.

### *Hong Kong Underwriters' Interests in our Company*

Save as disclosed in this prospectus, and save for their respective obligations under the Hong Kong Underwriting Agreement and, if applicable, the Stock Borrowing Agreement, as of the Latest Practicable Date, none of the Hong Kong Underwriters was interested, legally or beneficially, directly or indirectly, in any Shares or any securities of any member of our Group or had any right or option (whether legally enforceable or not) to subscribe for or purchase, or to nominate persons to subscribe for or purchase, any Shares or any securities of any member of our Group.

Following the completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their respective obligations under the Hong Kong Underwriting Agreement.

### **International Offering**

#### *International Underwriting Agreement*

In connection with the International Offering, it is expected that we and our Controlling Shareholders will enter into the International Underwriting Agreement with, among others, the Joint Sponsors, the Overall Coordinators and the International Underwriters on or about the Price Determination Date. Under the International Underwriting Agreement and subject to the Over-allotment Option, the International Underwriters would, subject to certain conditions set out therein, agree severally but not jointly to procure subscribers or purchasers for, or themselves to subscribe for or purchase, their respective applicable proportions of the International Offer Shares being offered pursuant to the International Offering.

It is expected that the International Underwriting Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors should note that in the event that the International Underwriting Agreement is not entered into or is terminated, the Global Offering will not proceed. Please refer to the section headed “Structure of the Global Offering—The International Offering.”

#### *Over-allotment Option*

We are expected to grant the Over-allotment Option to the International Underwriters, exercisable by the Overall Coordinators (for themselves and on behalf of the International Underwriters) at any time from the Listing Date until 30 days after the last day for lodging applications under the Hong Kong Public Offering, pursuant to which we may be required to allot and issue up to an aggregate of 3,570,000 additional Shares, representing not more than

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## UNDERWRITING

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15% of the Offer Shares initially available under the Global Offering, at the Offer Price to, among other things, cover over-allocations in the International Offering, if any. See “Structure of the Global Offering—Over-allotment Option.”

### **Underwriting Commissions and Expenses**

The Underwriters and the Capital Market Intermediaries will receive an underwriting commission of 8.0% of the aggregate Offer Price in respect of all of the Offer Shares, including Offer Shares to be issued pursuant to the Over-allotment Option (the “**Fixed Fee**”). Our Company may, at our sole discretion, pay an additional discretionary fee of up to 6.0% of the aggregate Offer Price in respect of all of the Offer Shares, including Offer Shares to be issued pursuant to the Over-allotment Option (the “**Discretionary Fee**”), to one or more Underwriter(s) and Capital Market Intermediary(ies). Assuming the Discretionary Fee is paid in full, the ratio of the Fixed Fee and the Discretionary Fee will be approximately 57%:43%. For any unsubscribed Hong Kong Offer Shares reallocated to the International Offering, we will pay an underwriting commission at the rate applicable to the International Offering to the relevant International Underwriters (and not the Hong Kong Underwriters).

The aggregate underwriting commissions and fees payable to the Underwriters and the Capital Market Intermediaries, together with the Stock Exchange listing fees, the SFC transaction levy, the AFRC transaction levy and the Stock Exchange trading fee, legal and other professional fees and printing and other expenses payable by us in relation to the Global Offering are estimated to be approximately RMB115.7 million (assuming an Offer Price of HK\$7.98 per Offer Share (which is the mid-point of the indicative Offer Price range), the full payment of the Discretionary Fee and the Over-allotment Option is not exercised at all).

### **Indemnity**

Each of our Company and our Controlling Shareholders has agreed to jointly and severally indemnify the Joint Sponsors, the Sponsor-Overall Coordinators, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters, the Capital Market Intermediaries and each of them for certain losses which they may suffer or incur, including losses arising from their performance of their obligations under the Hong Kong Underwriting Agreement or any breach by any of our Company and the Controlling Shareholders of the Hong Kong Underwriting Agreement.

### **INDEPENDENCE OF THE JOINT SPONSORS**

As of the Latest Practicable Date, Citigroup Global Markets Asia Limited and ABCI Capital Limited satisfied the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.



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## UNDERWRITING

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### ACTIVITIES BY SYNDICATE MEMBERS

The underwriters of the Hong Kong Public Offering and the International Offering (together, the “**Syndicate Members**”) and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting or stabilizing process.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In the ordinary course of their various business activities, the Syndicate Members and their respective affiliates may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers. Such investment and trading activities may involve or relate to assets, securities and/or instruments of our Group and/or persons and entities with relationships with our Group and may also include swaps and other financial instruments entered into for hedging purposes in connection with our Group’s loans and other debts.

In relation to the Shares, the activities of the Syndicate Members and their affiliates could include acting as agent for buyers and sellers of the Shares, entering into transactions with those buyers and sellers in a principal capacity, including as a lender to initial purchasers of the Shares (which financing may be secured by the Shares) in the Global Offering, proprietary trading in the Shares, and entering into over the counter or listed derivative transactions or listed or unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying assets, assets including the Shares. Such transactions may be carried out as bilateral agreements or trades with selected counterparties. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of the Shares, which may have a negative impact on the trading price of the Shares. All such activities could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the Shares, in baskets of securities or indices including the Shares, in units of funds that may purchase the Shares, or in derivatives related to any of the foregoing.

In relation to issues by the Syndicate Members or their affiliates of any listed securities having the Shares as their underlying securities, whether on the Stock Exchange or on any other stock exchange, the rules of the stock exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, which will also result in hedging activity in the Shares in most cases.

All such activities may occur both during and after the end of the stabilizing period described in the section headed “Structure of the Global Offering”. Such activities may affect the market price or value of the Shares, the liquidity or trading volume in the Shares and the volatility of the price of the Shares, and the extent to which this occurs from day to day cannot be estimated.

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## UNDERWRITING

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It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

- (a) the Syndicate Members (other than the Stabilizing Manager or any person acting for it) may not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and
- (b) the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

Certain of the Syndicate Members or their respective affiliates have provided from time to time, and expect to provide in the future, investment banking and other services to us and our affiliates for which such Syndicate Members or their respective affiliates have received or will receive customary fees and commissions.

In addition, the Syndicate Members or their respective affiliates may provide financing to investors to finance their subscriptions of Offer Shares in the Global Offering.

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## STRUCTURE OF THE GLOBAL OFFERING

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### THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. Citigroup Global Markets Asia Limited, ABCI Capital Limited and Essence International Securities (Hong Kong) Limited are the Overall Coordinators of the Global Offering.

The listing of the Shares on the Stock Exchange is sponsored by the Joint Sponsors. The Joint Sponsors have made an application on behalf of our Company to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus.

23,800,000 Offer Shares will initially be made available (subject to the Over-allotment Option) under the Global Offering comprising:

- (i) the Hong Kong Public Offering of initially 2,380,000 Offer Shares (subject to reallocation) in Hong Kong as described in the subsection headed “—The Hong Kong Public Offering” below; and
- (ii) the International Offering of initially 21,420,000 Offer Shares (subject to reallocation and the Over-allotment Option) (a) outside the United States (including to professional and institutional investors within Hong Kong) in offshore transactions in accordance with Regulation S and (b) in the United States solely to QIBs in reliance on an exemption from registration under the U.S. Securities Act provided by, and in accordance with the restrictions of, Rule 144A or another exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act, as described in the subsection headed “—The International Offering” below.

Investors may either:

- (i) apply for Hong Kong Offer Shares under the Hong Kong Public Offering; or
- (ii) apply for or indicate an interest for International Offer Shares under the International Offering,

but may not do both.

The Offer Shares will represent approximately 1.78% of the issued share capital of our Company immediately following the completion of the Global Offering, assuming the Over-allotment Option is not exercised. If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 2.04% of our enlarged issued share capital immediately following the completion of the Global Offering.

References in this prospectus to applications, application monies or the procedures for applications relate solely to the Hong Kong Public Offering.

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## STRUCTURE OF THE GLOBAL OFFERING

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### THE HONG KONG PUBLIC OFFERING

#### Number of Offer Shares initially offered

Our Company is initially offering 2,380,000 Offer Shares (subject to reallocation) for subscription by the public in Hong Kong at the Offer Price, representing approximately 10% of the Offer Shares initially available under the Global Offering. The Offer Shares initially offered under the Hong Kong Public Offering, subject to any reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, will represent approximately 0.18% of the total issued share capital of our Company immediately following the completion of the Global Offering (assuming that the Over-allotment Option is not exercised).

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to professional and institutional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities that regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions set out in the subsection headed “—Conditions of the Global Offering” below.

#### Allocation

Allocation of Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which could mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

For allocation purposes only, the total number of Hong Kong Offer Shares available under the Hong Kong Public Offering (after taking into account any reallocation referred to below) will be divided equally (to the nearest board lot) into two pools (with any odd lots being allocated to pool A): pool A and pool B. The Hong Kong Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of HK\$5 million (excluding the brokerage, the SFC transaction levy, AFRC transaction levy and the Stock Exchange trading fee payable) or less. The Hong Kong Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of more than HK\$5 million (excluding the brokerage, the SFC transaction levy, AFRC transaction levy and the Stock Exchange trading fee payable) and up to the total value in pool B.

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## STRUCTURE OF THE GLOBAL OFFERING

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Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If any Hong Kong Offer Shares in one (but not both) of the pools are unsubscribed, such Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of the immediately preceding paragraph only, the “price” for Hong Kong Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Hong Kong Offer Shares from either pool A or pool B and not from both pools. Multiple or suspected multiple applications under the Hong Kong Public Offering and any application for more than 1,190,000 Hong Kong Offer Shares is liable to be rejected.

### **Reallocation**

The allocation of Offer Shares between the Hong Kong Public Offering and the International Offering is subject to reallocation under the Listing Rules. Paragraph 4.2 of Practice Note 18 to the Listing Rules requires a clawback mechanism to be put in place, which would have the effect of increasing the number of Hong Kong Offer Shares to certain percentages of the total number of Offer Shares to be offered in the Global Offering if certain prescribed total demand levels in the Hong Kong Public Offering are reached as further described below:

- 2,380,000 Offer Shares are initially available under the Hong Kong Public Offering, representing approximately 10% of the Offer Shares initially available under the Global Offering;

in the event that the International Offer Shares are fully subscribed or over-subscribed:

- if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the number of Offer Shares initially available under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of Offer Shares available under the Hong Kong Public Offering will be 7,140,000 Offer Shares, representing approximately 30% of the Offer Shares initially available under the Global Offering;
- if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the number of Offer Shares initially available under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of Offer Shares available under the Hong Kong Public Offering will be 9,520,000 Offer Shares, representing approximately 40% of the Offer Shares initially available under the Global Offering; and

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- if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 100 times or more the number of Offer Shares initially available under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of Offer Shares available under the Hong Kong Public Offering will be 11,900,000 Offer Shares, representing approximately 50% of the Offer Shares initially available under the Global Offering.

The Offer Shares to be offered under the Hong Kong Public Offering and the International Offering may also, in certain circumstances, be reallocated as between these offerings at the discretion of the Overall Coordinators (for themselves and on behalf of the Underwriters). Subject to the following paragraph, the Overall Coordinators may at their discretion reallocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering. In addition, if the Hong Kong Offer Shares are not fully subscribed, the Overall Coordinators (for themselves and on behalf of the Underwriters) have the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering, in such proportions as the Overall Coordinators deem appropriate.

In the event that (i) the International Offer Shares are not fully subscribed and the Hong Kong Offer Shares are fully subscribed or oversubscribed irrespective of the number of times; or (ii) the International Offer Shares are fully subscribed or oversubscribed and the Hong Kong Offer Shares are fully subscribed or over-subscribed with the number of Offer Shares validly applied for under the Hong Kong Public Offering representing less than 15 times the number of Offer Shares initially available under the Hong Kong Public Offering, the Overall Coordinators have the authority to reallocate International Offer Shares originally included in the International Offering to the Hong Kong Public Offering in such number as they deem appropriate, provided that the total number of Offer Shares available under the Hong Kong Public Offering following such reallocation shall not exceed 4,760,000 Offer Shares, representing twice the Offer Shares initially available under the Hong Kong Public Offering, and the Offer Price shall be fixed at the low-end of the indicative Offer Price range (i.e. HK\$7.60 per Offer Share) stated in this prospectus.

Details of any reallocation of Offer Shares between the Hong Kong Public Offering and the International Offering will be disclosed in the results announcement of the Global Offering, which is expected to be published on **Monday, July 8, 2024**.

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## STRUCTURE OF THE GLOBAL OFFERING

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### **Applications**

Each applicant under the Hong Kong Public Offering will be required to give an undertaking and confirmation in the application submitted by him/her/it that he/she/it and any person(s) for whose benefit he/she/it is making the application has not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares under the International Offering. Such applicant's application is liable to be rejected if such undertaking and/or confirmation is/are breached and/or untrue (as the case may be) or if he/she/it has been or will be placed or allocated International Offer Shares under the International Offering.

Applicants under the Hong Kong Public Offering may (depending on application channels) be required to pay, on application, the maximum Offer Price of HK\$8.36 per Offer Share in addition to brokerage of 1%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and the Stock Exchange trading fee of 0.00565%, amounting to a total of HK\$4,222.16 for one board lot of 500 Shares. If an application is revoked, rejected, not accepted or accepted in part only, or if the Offer Price as finally determined in the manner described in “—Pricing and Allocation” below is less than the maximum Offer Price of HK\$8.36 per Offer Share, or if the conditions of the Global Offering as set out in “—Conditions of the Global Offering” are not satisfied, appropriate refund payments (including brokerage, SFC transaction levy, AFRC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) will be made to the relevant applicants, without interest. See the section headed “How to Apply for Hong Kong Offer Shares.”

### **THE INTERNATIONAL OFFERING**

#### **Number of Offer Shares initially offered**

Subject to reallocation as described above and the Over-allotment Option, the International Offering will consist of an offering of initially 21,420,000 Offer Shares, representing approximately 90% of the Offer Shares initially available under the Global Offering. The number of Offer Shares initially offered under the International Offering, subject to any reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, will represent approximately 1.60% of our enlarged issued share capital immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised).

#### **Allocation**

The International Offering will include selective marketing of Offer Shares to QIBs in the United States in accordance with Rule 144A as well as professional and institutional investors and other investors anticipated to have a sizeable demand for such Offer Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S. Professional investors generally include brokers, dealers, companies (including fund managers) whose

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ordinary business involves dealing in shares and other securities and corporate entities that regularly invest in shares and other securities. Allocation of Offer Shares pursuant to the International Offering will be effected in accordance with the “book-building” process described in the subsection headed “—Pricing and Allocation” below and based on a number of factors, including the level and timing of demand, the total size of the relevant investor’s invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Offer Shares, and/or hold or sell its Offer Shares, after the Listing. Such allocation is intended to result in a distribution of the Offer Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Group and the Shareholders as a whole.

The Overall Coordinators (for themselves and on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Offering and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Overall Coordinators so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that they are excluded from any allocation of Offer Shares under the Hong Kong Public Offering.

### **Reallocation**

The total number of Offer Shares to be issued or sold pursuant to the International Offering may change as a result of reallocation as described in “—The Hong Kong Public Offering—Reallocation” above and/or the exercise of the Over-allotment Option in whole or in part.

### **OVER-ALLOTMENT OPTION**

In connection with the Global Offering, our Company is expected to grant the Over-allotment Option to the International Underwriters, exercisable by the Overall Coordinators (for themselves and on behalf of the International Underwriters).

Pursuant to the Over-allotment Option, the International Underwriters will have the right, exercisable by the Overall Coordinators (for themselves and on behalf of the International Underwriters) at any time from the Listing Date until 30 days after the last day for lodging applications under the Hong Kong Public Offering, to require our Company to allot and issue up to an aggregate of 3,570,000 additional Shares, representing not more than 15% of the Offer Shares initially available under the Global Offering, at the Offer Price to, among other things, cover over-allocations in the International Offering, if any.

If the Over-allotment Option is exercised in full, the additional Offer Shares to be issued pursuant thereto will represent approximately 0.27% of the enlarged issued share capital immediately following the completion of the Global Offering and the full exercise of the Over-allotment Option. If the Over-allotment Option is exercised, an announcement will be made.



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## STRUCTURE OF THE GLOBAL OFFERING

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### STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the securities in the secondary market, during a specified period of time, to retard and, if possible, prevent a decline in the market price of the securities below the offer price. Such transactions may be effected in jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements. In Hong Kong, the price at which stabilization is effected is not permitted to exceed the offer price.

In connection with the Global Offering, the Stabilizing Manager or any person acting for it may make purchases, over-allocate or effect transactions in the market or otherwise take such stabilizing action(s) with a view to stabilizing or supporting the market price of the Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. Any such stabilizing action will be effected in compliance with all applicable laws and regulatory requirements, including the Securities and Futures (Price Stabilizing) Rules under the SFO. However, there is no obligation on the Stabilizing Manager or any person acting for it to conduct any such stabilizing action. Such stabilizing action, if taken, (i) will be conducted at the absolute discretion of the Stabilizing Manager or any person acting for it, (ii) may be discontinued at any time and (iii) is required to be brought to an end within 30 days after the last day for lodging applications under the Hong Kong Public Offering.

Stabilizing action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules of the SFO includes (i) over-allocating for the purpose of preventing or minimizing any reduction in the market price of the Shares, (ii) selling or agreeing to sell the Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of the Shares, (iii) purchasing or subscribing for or agreeing to purchase or subscribe for the Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above, (iv) purchasing or agreeing to purchase any of the Shares for the sole purpose of preventing or minimizing any reduction in the market price of the Shares, (v) selling or agreeing to sell any Shares in order to liquidate any position established as a result of those purchases and (vi) offering or attempting to do anything as described in (ii), (iii), (iv) or (v) above.

Specifically, prospective applicants for and investors in the Offer Shares should note that:

- the Stabilizing Manager or any person acting for it may, in connection with the stabilizing action, maintain a long position in the Shares;
- there is no certainty as to the extent to which and the time or period for which the Stabilizing Manager or any person acting for it will maintain such a long position;

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## STRUCTURE OF THE GLOBAL OFFERING

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- liquidation of any such long position by the Stabilizing Manager or any person acting for it and selling in the open market, may have an adverse impact on the market price of the Shares;
- no stabilizing action can be taken to support the price of the Shares for longer than the stabilization period, which will begin on the Listing Date, and is expected to expire on **Saturday, August 3, 2024**, being the 30th day after the last day for lodging applications under the Hong Kong Public Offering. After this date, when no further stabilizing action may be taken, demand for the Shares, and therefore the price of the Shares, could fall;
- the price of the Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilizing action; and
- stabilizing bids or transactions effected in the course of the stabilizing action may be made at any price at or below the Offer Price and can, therefore, be done at a price below the price paid by applicants for, or investors in, the Offer Shares.

Our Company will ensure or procure that an announcement in compliance with the Securities and Futures (Price Stabilizing) Rules of the SFO will be made within seven days of the expiration of the stabilization period.

### **Over-allocation**

Following any over-allocation of Shares in connection with the Global Offering, the Stabilizing Manager or any person acting for it may cover such over-allocations by exercising the Over-allotment Option in full or in part, by using Shares purchased by the Stabilizing Manager or any person acting for it in the secondary market at prices that do not exceed the Offer Price or through the Stock Borrowing Agreement or by a combination of these means.

### **STOCK BORROWING AGREEMENT**

In order to facilitate the settlement of over-allocations, if any, in connection with the Global Offering, the Stabilizing Manager or any person acting for it may choose to borrow up to 3,570,000 Shares (being the maximum number of Shares which may be issued pursuant to the exercise of the Over-allotment Option) from Celaeno Group Limited, pursuant to the Stock Borrowing Agreement, which is expected to be entered into between the Stabilizing Manager or any person acting for it and Celaeno Group Limited on or around the Price Determination Date.

If the Stock Borrowing Agreement is entered into, the borrowing of Shares will only be effected by the Stabilizing Manager or any person acting for it for the sole purpose of covering any short position prior to the exercise of the Over-allotment Option, in connection with over-allocations in the International Offering.

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## STRUCTURE OF THE GLOBAL OFFERING

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The same number of Shares so borrowed must be re-delivered to Celaeno Group Limited on or before the third business day following the earlier of (a) the last day on which the Over-allotment Option may be exercised, (b) the day on which the Over-allotment Option is exercised in full and all relevant Shares have been issued and allotted by the Company, or (c) such earlier time as the Stabilizing Manager or any person acting for it and Celaeno Group Limited may from time to time agree in writing.

The stock borrowing arrangement described above will be effected in compliance with all applicable laws, rules and regulatory requirements. No payment will be made to Celaeno Group Limited by the Stabilizing Manager or any person acting for it in relation to such stock borrowing arrangement.

### PRICING AND ALLOCATION

Pricing for the Offer Shares for the purpose of the various offerings under the Global Offering will be fixed on the Price Determination Date, which is expected to be on or about **Friday, July 5, 2024**, by agreement between the Overall Coordinators (for themselves and on behalf of the Underwriters) and our Company, and the number of Offer Shares to be allocated under the various offerings will be determined shortly thereafter.

The Offer Price will not be more than HK\$8.36 per Offer Share and is expected to be not less than HK\$7.60 per Offer Share, unless otherwise announced by our Company no later than the morning of the last day for lodging applications under the Hong Kong Public Offering, as further explained below.

The International Underwriters will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building,” is expected to continue up to, and to cease on or about, the last day for lodging applications under the Hong Kong Public Offering.

The Overall Coordinators (for themselves and on behalf of the Underwriters) may, where they deem appropriate, based on the level of interest expressed by prospective investors during the book-building process, and with the consent of our Company, reduce the number of Offer Shares and/or the indicative Offer Price range below that stated in this prospectus at any time in or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such case, our Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, cause to be published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and our website at [investors.jianke.com](http://investors.jianke.com) notices of the reduction in the number of Offer Shares and/or the indicative Offer Price range, the cancellation of the Global Offering and the relaunch of the offering at the revised number of Offer Shares and/or indicative Offer Price range. Our Company will also, as soon as practicable following the decision to make such reduction, issue a supplemental or new prospectus updating investors of the reduction in the number of Offer Shares and/or the indicative Offer Price range, and giving investors at least three business days to consider the new information.

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## STRUCTURE OF THE GLOBAL OFFERING

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The supplemental or new prospectus shall include at least the following: updated (a) indicative Offer Price range and market capitalization; (b) listing timetable and underwriting obligations; (c) price/earnings multiple (if applicable), unaudited pro forma and adjusted net tangible assets; and (d) use of proceeds and working capital adequacy confirmation based on revised estimated proceeds. In the event of a reduction in the number of Offer Shares, the Overall Coordinators may also at their discretion reallocate the number of Offer Shares to be offered under the Hong Kong Public Offering and the International Offering, provided that the number of Offer Shares offered under the Hong Kong Public Offering shall not be less than 10% of the Offer Shares available under the Global Offering (without taking into account any additional Shares that may be issued pursuant to the Over-allotment Option).

In the absence of any such supplemental or new prospectus so published, the number of Offer Shares will not be reduced and the Offer Price, if agreed upon by the Overall Coordinators (for themselves and on behalf of the Underwriters) and our Company, will under no circumstances be set outside the indicative Offer Price range as stated in this prospectus.

If there is any change to the offer size due to change in the number of Offer Shares initially offered under the Global Offering (other than pursuant to the exercise of the Over-allotment Option and/or the reallocation mechanism as disclosed in this prospectus), or if the Offer Price falls outside the indicative Offer Price range as stated in this prospectus, or if our Company becomes aware that there has been a significant change affecting any matter contained in this prospectus or a significant new matter has arisen, the inclusion of information in respect of which would have been required to be in this prospectus if it had arisen before this prospectus was issued, after the issue of this prospectus and before the commencement of dealings in our Shares as prescribed under Rule 11.13 of the Listing Rules, we are required to cancel the Global Offering, issue a supplemental or new prospectus, and relaunch the offering on FINI pursuant to the supplemental or new prospectus.

The final Offer Price, the level of applications in the Hong Kong Public Offering, the level of indications of interest in the International Offering and the basis of allocation of the Hong Kong Offer Shares are expected to be announced on **Monday, July 8, 2024** on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and our website at [investors.jianke.com](http://investors.jianke.com).

### UNDERWRITING

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms and conditions of the Hong Kong Underwriting Agreement and is conditional upon the International Underwriting Agreement being signed and becoming unconditional and is subject to, among other things, our Company and the Overall Coordinators (for themselves and on behalf of the Underwriters) agreeing on the Offer Price.

Our Company and the Controlling Shareholders expect to enter into the International Underwriting Agreement relating to the International Offering on or about the Price Determination Date. These underwriting arrangements, including the Underwriting Agreements, are summarized in the section headed “Underwriting.”

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## STRUCTURE OF THE GLOBAL OFFERING

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### CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for Offer Shares will be conditional on:

- (i) the Listing Committee granting approval for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including the additional Shares which may be issued pursuant to the exercise of the Over-allotment Option) on the Main Board of the Stock Exchange, and such approval and permission not subsequently having been withdrawn or revoked prior to the commencement of dealings in the Shares on the Stock Exchange;
- (ii) the Offer Price having been agreed between our Company and the Overall Coordinators (for themselves and on behalf of the Underwriters);
- (iii) the execution and delivery of the International Underwriting Agreement on or about the Price Determination Date; and
- (iv) the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement and the obligations of the International Underwriters under the International Underwriting Agreement becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements.

in each case on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and, in any event, not later than the date which is 30 days after the date of this prospectus.

If, for any reason, the Offer Price is not agreed between us and the Overall Coordinators (for themselves and on behalf of the Underwriters) by 12:00 noon on **Friday, July 5, 2024**, the Global Offering will not proceed and will lapse.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the dates and times specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published on the websites of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and our Company at [investors.jianke.com](http://investors.jianke.com) on the next day following such lapse. In such a situation, all application monies will be returned, without interest, on the terms set out in “How to Apply for Hong Kong Offer Shares—D.

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## STRUCTURE OF THE GLOBAL OFFERING

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Dispatch/Collection of Share Certificates and Refund of Application Monies.” In the meantime, all application monies will be held in separate bank account(s) with the receiving bank or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

Share certificates for the Offer Shares will only become valid evidence of title at 8:00 a.m. on the Listing Date, which is expected to be **Tuesday, July 9, 2024** (Hong Kong time), provided that the Global Offering has become unconditional in all respects and the right of termination described in “Underwriting—Underwriting Arrangements and Expenses—Hong Kong Public Offering—Grounds for Termination” has not been exercised. Investors who trade Shares prior to the receipt of Share certificates or prior to the Share certificates becoming valid evidence of title do so entirely at their own risk.

### DEALING

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. on **Tuesday, July 9, 2024** (Hong Kong time), dealings in the Shares on the Stock Exchange are expected to commence at 9:00 a.m. on **Tuesday, July 9, 2024** (Hong Kong time). The Shares will be traded in board lots of 500 Shares each. The stock code of the Shares will be 6086.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### IMPORTANT NOTICE TO INVESTORS OF HONG KONG OFFER SHARES

#### FULLY ELECTRONIC APPLICATION PROCESS

**We have adopted a fully electronic application process for the Hong Kong Public Offering and below are the procedures for application.**

This prospectus is available at the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) under “HKEXnews > New Listings > New Listing Information” and our website at [investors.jianke.com](http://investors.jianke.com).

The contents of this prospectus are identical to the prospectus as registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

#### A. APPLICATION FOR HONG KONG OFFER SHARES

##### 1. Who Can Apply

You can apply for Hong Kong Offer Shares if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address (for the **White Form eIPO** service only); and
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act).

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you or the person(s) for whose benefit you are applying:

- are an existing Shareholder or a Director;
- are a close associate of any of the above;
- are a core connected person (as defined in the Listing Rules) of the Company or will become a core connected person of the Company immediately upon completion of the Global Offering; or
- have been allocated or have applied for any International Offer Shares or otherwise participated in the International Offering.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### 2. Application Channels

The Hong Kong Public Offering period will begin at 9:00 a.m. on Friday, June 28, 2024 and end at 12:00 noon on Thursday, July 4, 2024 (Hong Kong time).

To apply for Hong Kong Offer Shares, you may use one of the following application channels:

<u>Application Channel</u>	<u>Platform</u>	<u>Target Investors</u>	<u>Application Time</u>
<b>White Form eIPO service</b>	<u><a href="http://www.eipo.com.hk">www.eipo.com.hk</a></u> Enquiries: +852 2862 8600 Friday, June 28, 2024 – 9:00 a.m. to 6:00 p.m. Tuesday, July 2, 2024 – 9:00 a.m. to 6:00 p.m. Wednesday, July 3, 2024 – 9:00 a.m. to 6:00 p.m. Thursday, July 4, 2024 – 9:00 a.m. to 12:00 noon	Investors who would like to receive a physical Share certificate. Hong Kong Offer Shares successfully applied for will be allotted and issued in your own name.	From 9:00 a.m. on <b>Friday, June 28, 2024</b> to 11:30 a.m. on <b>Thursday, July 4, 2024</b> (Hong Kong time). The latest time for completing full payment of application monies will be 12:00 noon on <b>Thursday, July 4, 2024</b> (Hong Kong time).
<b>HKSCC EIPO channel</b>	Your broker or custodian who is a HKSCC Participant will submit an EIPO application on your behalf through HKSCC's FINI system in accordance with your instructions.	Investors who would not like to receive a physical Share certificate. Hong Kong Offer Shares successfully applied for will be allotted and issued in the name of HKSCC Nominees, deposited directly into CCASS and credited to your designated HKSCC Participant's stock account.	Contact your broker or custodian for the earliest and latest time for giving such instructions, as this may vary by broker or custodian.

The **White Form eIPO** service and the **HKSCC EIPO** channel are facilities subject to capacity limitations and potential service interruptions, and you are advised not to wait until the last day for applications to apply for Hong Kong Offer Shares.



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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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For those applying through the **White Form eIPO** service, once you complete payment in respect of any application instruction given by you or for your benefit through the **White Form eIPO** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. If you are a person for whose benefit the application instructions are given, you shall be deemed to have declared that only one set of application instructions has been given for your benefit. If you are an agent for another person, you shall be deemed to have declared that you have only given one set of application instructions for the benefit of the person for whom you are an agent and that you are duly authorized to give those instructions as an agent.

For the avoidance of doubt, giving an application instruction under the **White Form eIPO** service more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you apply through the **White Form eIPO** service, you are deemed to have authorized the **White Form eIPO** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **White Form eIPO** service.

By instructing your broker or custodian to apply for Hong Kong Offer Shares on your behalf through the **HKSCC EIPO** channel, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant HKSCC Participants) to apply for Hong Kong Offer Shares on your behalf and to do on your behalf all the things stated in this prospectus and any supplement to it.

For those applying through the **HKSCC EIPO** channel, an actual application will be deemed to have been made for any application instruction given by you or for your benefit to HKSCC (in which case an application will be made by HKSCC Nominees on your behalf) provided such application instruction has not been withdrawn or otherwise invalidated before the closing time of the Hong Kong Public Offering.

HKSCC Nominees will only be acting as a nominee for you and neither HKSCC nor HKSCC Nominees shall be liable to you or any other person in respect of any actions taken by HKSCC or HKSCC Nominees on your behalf to apply for Hong Kong Offer Shares or for any breach of the terms and conditions of this prospectus.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### 3. Information Required to Apply

You must provide the following information with your application:

<u>For Individual/Joint Applicants</u>	<u>For Corporate Applicants</u>
<ul style="list-style-type: none"><li>• Full name(s)<sup>(2)</sup> as shown on your identity document</li><li>• Identity document's issuing country or jurisdiction</li><li>• Identity document type, with order of priority:<ul style="list-style-type: none"><li>i. Hong Kong identity card (“<b>HKID</b>”); or</li><li>ii. National identification document; or</li><li>iii. Passport</li></ul></li><li>• Identity document number</li></ul>	<ul style="list-style-type: none"><li>• Full name(s)<sup>(2)</sup> as shown on your identity document</li><li>• Identity document's issuing country or jurisdiction</li><li>• Identity document type, with order of priority:<ul style="list-style-type: none"><li>i. Legal Entity Identifier (“<b>LEI</b>”) registration document; or</li><li>ii. Certificate of incorporation; or</li><li>iii. Business registration certificate; or</li><li>iv. Other equivalent document</li></ul></li><li>• Identity document number</li></ul>

*Notes:*

- (1) If you are applying through the **White Form eIPO** service, you are required to provide a valid e-mail address, a contact telephone number and a Hong Kong address. You are also required to declare that the identity information provided by you follows the requirements as described in Note 2 below. In particular, where you cannot provide a HKID number, you must confirm that you do not hold a HKID.
- (2) The applicant's full name as shown on their identity document must be used. If an applicant's identity document contains both English and Chinese names, both English and Chinese names must be used. Otherwise, either English or Chinese name will be accepted. The order of priority of the applicant's identity document type must be strictly followed and where an individual applicant has a valid HKID, the HKID number must be used when making an application for Hong Kong Offer Shares. Similarly, for corporate applicants, a LEI number must be used if an entity has a LEI certificate.
- (3) If the applicant is a trustee, the client identification data (“**CID**”) of the trustee, as set out above, will be required. If the applicant is an investment fund (i.e. a collective investment scheme, or CIS), the CID of the asset management company or the individual fund, as appropriate, which has opened a trading account with the broker will be required, as above.
- (4) The maximum number of joint applicants holders on FINI is capped at 4 in accordance with market practice.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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- (5) If you are applying as a nominee, you must provide: (i) the full name (as shown on the identity document), the identity document's issuing country or jurisdiction, the identity document type; and (ii) the identity document number, for each of the beneficial owners or, in the case(s) of joint beneficial owners, for each of the joint beneficial owners. If you do not include this information, the application will be treated as being made for your benefit.
- (6) If an application is made by an unlisted company and (i) the principal business of that company is dealing in securities; and (ii) you exercise statutory control over that company, then the application will be treated as being for your benefit and you should provide the required information in your application as stated above.

“**Unlisted company**” means a company with no equity securities listed on the Stock Exchange or any other stock exchange.

“**Statutory control**” means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

For those applying through the **HKSCC EIPO** channel and making an application under a power of attorney, the Overall Coordinators may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

Failing to provide any required information may result in your application being rejected.

#### 4. Permitted Number of Hong Kong Offer Shares for Application

**Board lot size** : 500 Shares

**Permitted number of Hong Kong Offer Shares for application and amount payable on application/successful allotment** : Hong Kong Offer Shares are available for application in specified board lot sizes only. Please refer to the amount payable associated with each specified board lot size in the table below.

The maximum Offer Price is HK\$8.36 per Offer Share, plus brokerage of 1%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and the Stock Exchange trading fee of 0.00565%.

If you are applying through the **White Form eIPO** service, you may refer to the table below for the amount payable for the number of Shares you have selected. You must pay the respective maximum amount payable on application in full upon application for Hong Kong Offer Shares.

If you are applying through the **HKSCC EIPO** channel, you are required to pre-fund your application based on the amount specified by your broker or custodian, as determined based on the applicable laws and regulations in Hong Kong.

## HOW TO APPLY FOR HONG KONG OFFER SHARES

By instructing your broker or custodian to apply for Hong Kong Offer Shares on your behalf through the **HKSCC EIPO** channel, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant HKSCC Participants) to arrange payment of the final Offer Price, brokerage, SFC transaction levy, AFRC transaction levy and the Stock Exchange trading fee by debiting the relevant nominee bank account at the designated bank for your broker or custodian.

No. of Hong Kong Offer Shares applied for	Maximum amount payable <sup>(2)</sup> on application/successful allotment	No. of Hong Kong Offer Shares applied for	Maximum amount payable <sup>(2)</sup> on application/successful allotment	No. of Hong Kong Offer Shares applied for	Maximum amount payable <sup>(2)</sup> on application/successful allotment	No. of Hong Kong Offer Shares applied for	Maximum amount payable <sup>(2)</sup> on application/successful allotment
	HK\$		HK\$		HK\$		HK\$
500	4,222.16	6,000	50,665.86	40,000	337,772.42	400,000	3,377,724.25
1,000	8,444.31	7,000	59,110.18	45,000	379,993.98	500,000	4,222,155.30
1,500	12,666.47	8,000	67,554.49	50,000	422,215.54	600,000	5,066,586.35
2,000	16,888.62	9,000	75,998.79	60,000	506,658.63	700,000	5,911,017.42
2,500	21,110.77	10,000	84,443.11	70,000	591,101.74	800,000	6,755,448.48
3,000	25,332.94	15,000	126,664.67	80,000	675,544.85	900,000	7,599,879.55
3,500	29,555.08	20,000	168,886.21	90,000	759,987.95	1,000,000	8,444,310.60
4,000	33,777.24	25,000	211,107.76	100,000	844,431.05	1,190,000 <sup>(1)</sup>	10,048,729.61
4,500	37,999.41	30,000	253,329.32	200,000	1,688,862.12		
5,000	42,221.55	35,000	295,550.87	300,000	2,533,293.18		

*Notes:*

- (1) The maximum number of Hong Kong Offer Shares you may apply for, which is 50% of the Offer Shares initially available for subscription under the Hong Kong Public Offering.
- (2) The amount payable is inclusive of brokerage, SFC transaction levy, AFRC transaction levy and the Stock Exchange trading fee. If your application is successful, the brokerage will be paid to the Exchange Participants and the SFC transaction levy, the AFRC transaction levy and the Stock Exchange trading fee will be paid to the Stock Exchange (in the case of the SFC transaction levy and the AFRC transaction levy, collected by the Stock Exchange on behalf of the SFC and the AFRC, respectively).

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### 5. Multiple Applications Prohibited

You or your joint applicant(s) shall not make more than one application for your own benefit, except where you are a nominee and provide the information of the underlying investor in your application as required under “—A. Application for Hong Kong Offer Shares—3. Information Required to Apply” above. If you are suspected of submitting or causing to be submitted more than one application, all of your applications will be rejected.

Multiple applications made either through (i) the **White Form eIPO** service, (ii) the **HKSCC EIPO** channel or (iii) both channels concurrently are prohibited and will be rejected. If you have made an application through the **White Form eIPO** service or the **HKSCC EIPO** channel, you or the person(s) for whose benefit you have made the application shall not apply for any International Offer Shares.

### 6. Terms and Conditions of an Application

By applying for Hong Kong Offer Shares through the **White Form eIPO** service or the **HKSCC EIPO** channel, you (or as the case may be, HKSCC Nominees will do the following things on your behalf):

- (i) undertake to execute all relevant documents and instruct and authorize us and/or the Overall Coordinators (or their agents or nominees), as our agents, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association, and (if you are applying through the **HKSCC EIPO** channel) to deposit the allotted Hong Kong Offer Shares directly into CCASS for the credit of your designated HKSCC Participant’s stock account on your behalf;
- (ii) confirm that you have read and understood the terms and conditions and application procedures set out in this prospectus and the designated website of the **White Form eIPO** service (or as the case may be, the agreement you entered into with your broker or custodian), and agree to be bound by them;
- (iii) (if you are applying through the **HKSCC EIPO** channel) agree to the arrangements, undertakings and warranties under the participant agreement between your broker or custodian and HKSCC and observe the General Rules of HKSCC and the HKSCC Operational Procedures for giving application instructions to apply for Hong Kong Offer Shares;
- (iv) confirm that you are aware of the restrictions on the Hong Kong Public Offering set out in this prospectus and they do not apply to you or the person(s) for whose benefit you have made the application;

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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- (v) confirm that you have read this prospectus and any supplement to it, and have relied only on the information and representations contained therein in making your application (or as the case may be, causing your application to be made), and will not rely on any other information or representations;
- (vi) agree that we, the Joint Sponsors, the Sponsor-Overall Coordinators, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, the Capital Market Intermediaries, our and their respective directors, officers, employees, partners, agents, advisors and other parties involved in the Global Offering (the “**Relevant Persons**”), the Hong Kong Share Registrar, the **White Form eIPO** Service Provider and HKSCC will not be liable for any information and representations not in this prospectus and any supplement to it;
- (vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest in, and will not apply for or take up, or indicate an interest in, any International Offer Shares nor participated in the International Offering;
- (viii) agree to disclose the details of your application and your personal data and any other personal data which may be required about you and the person(s) for whose benefit you have made the application to us, the Relevant Persons, the Hong Kong Share Registrar, HKSCC, HKSCC Nominees, the Stock Exchange, the SFC and any other statutory regulatory or governmental bodies or otherwise as required by laws, rules or regulations, for the purposes specified under “—G. Personal Data” below;
- (ix) agree (without prejudice to any other rights which you may have once your application (or as the case may be, HKSCC Nominees’ application) has been accepted) that you will not rescind it because of an innocent misrepresentation;
- (x) agree that subject to Section 44A(6) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any application made by you or HKSCC Nominees on your behalf cannot be revoked once it is accepted, which will be evidenced by the notification of the result of the ballot by the Hong Kong Share Registrar by way of publication of the results at the time and in the manner as specified in “—B. Publication of Results” below;
- (xi) confirm that you are aware of the situations specified in “—C. Circumstances in Which You Will Not Be Allocated Hong Kong Offer Shares” below;
- (xii) agree that your application or HKSCC Nominees’ application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong;

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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- (xiii) agree and warrant that you have complied with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Cayman Companies Act, the Memorandum and Articles of Association, and laws of any place outside Hong Kong that apply to your application, and that neither we nor the Relevant Persons will breach any law inside and/or outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus;
- (xiv) represent, warrant and undertake that (a) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (b) you and the person(s) for whose benefit you have made the application are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (xv) confirm that (a) your application or HKSCC Nominees' application on your behalf is not financed directly or indirectly by the Company, any of the directors, chief executives, substantial shareholder(s) or existing shareholder(s) of the Company or any of its subsidiaries or any of their respective close associates; and (b) you are not accustomed or will not be accustomed to taking instructions from the Company, any of the directors, chief executives, substantial shareholder(s) or existing shareholder(s) of the Company or any of its subsidiaries or any of their respective close associates in relation to the acquisition, disposal, voting or other disposition of the Shares registered in your name or otherwise held by you;
- (xvi) warrant that the information you have provided is true and accurate;
- (xvii) confirm that you understand that we and the Overall Coordinators will rely on your declarations and representations in deciding whether or not to allocate any Hong Kong Offer Shares to you, and that you may be prosecuted for making a false declaration;
- (xviii) agree to accept Hong Kong Offer Shares applied for or any lesser number allocated to you under the application;
- (xix) authorize us to place your name(s) or the name of HKSCC Nominees on our register of members as the holder(s) of any Hong Kong Offer Shares allocated to you and such other registers as may be required under the Memorandum and Articles of Association, and we and/or our agents to send any Share certificate(s) and/or any **White Form** e-Refund payment instructions and/or any refund check(s) to you or the first-named applicant for joint application to the address specified in your application instructions by ordinary post at your own risk, unless you are eligible to collect the Share certificate(s) and/or refund check(s) in person;
- (xx) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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(xxi) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit by giving application instructions to HKSCC directly or indirectly or through the **White Form eIPO** service or by you or by anyone as your agent or by any other person; and

(xxii) (if you are making the application as an agent for the benefit of another person) warrant that (a) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person by giving application instructions to HKSCC and (b) you have due authority to give application instructions on behalf of that other person as its agent.

### B. PUBLICATION OF RESULTS

#### Results of Allocation

You can check whether you are successfully allocated any Hong Kong Offer Shares through:

<u>Platform</u>	<u>Date/Time</u>
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#### Applying through White Form eIPO service or HKSCC EIPO channel:

<b>Website</b>	The designated results of allocation website at <a href="http://www.iporesults.com.hk">www.iporesults.com.hk</a> (alternatively: <a href="http://www.eipo.com.hk/eIPOAllotment">www.eipo.com.hk/eIPOAllotment</a> ) with a “search by ID” function.	24 hours, from 11:00 p.m. on <b>Monday, July 8, 2024</b> to 12:00 midnight on <b>Sunday, July 14, 2024</b> (Hong Kong time).
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The full list of (i) wholly or partially successful applicants using the **White Form eIPO** service and **HKSCC EIPO** channel, and (ii) the number of Hong Kong Offer Shares conditionally allotted to them, among other things, will be displayed on the “Allotment Results” page of the **White Form eIPO** service at [www.iporesults.com.hk](http://www.iporesults.com.hk) (alternatively: [www.eipo.com.hk/eIPOAllotment](http://www.eipo.com.hk/eIPOAllotment)).

The website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and our website at [investors.jianke.com](http://investors.jianke.com), which will provide links to the above-mentioned websites of the Hong Kong Share Registrar.

By 11:00 p.m. on **Monday, July 8, 2024** (Hong Kong time).

**Telephone** +852 2862 8555

Between 9:00 a.m. and 6:00 p.m. on **Tuesday, July 9, 2024, Wednesday, July 10, 2024, Thursday, July 11, 2024** and **Friday, July 12, 2024** (Hong Kong time).



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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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For those applying through the **HKSCC EIPO** channel, you may also check with your broker or custodian from 6:00 p.m. on **Friday, July 5, 2024** (Hong Kong time).

HKSCC Participants can log into FINI and review the allotment result from 6:00 p.m. on **Friday, July 5, 2024** (Hong Kong time) on a 24-hour basis, and should report any discrepancies on allotments to HKSCC as soon as practicable.

### **Allocation Announcement**

We expect to announce the final Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and our website at [investors.jianke.com](http://investors.jianke.com) by no later than 11:00 p.m. on **Monday, July 8, 2024** (Hong Kong time).

### **C. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOCATED HONG KONG OFFER SHARES**

You should note the following situations in which Hong Kong Offer Shares will not be allocated to you or the person(s) for whose benefit you are applying:

#### **1. If your application is revoked:**

Your application or the application made by HKSCC Nominees on your behalf may be revoked pursuant to Section 44A(6) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

#### **2. If we or our agents exercise our discretion to reject your application:**

We, the Overall Coordinators, the Hong Kong Share Registrar and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

#### **3. If the allocation of Hong Kong Offer Shares is void:**

The allocation of Hong Kong Offer Shares will be void if the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Stock Exchange notifies us of that longer period within three weeks of the closing date of the application lists.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### 4. If:

- you make multiple applications or suspected multiple applications. You may refer to “—A. Application for Hong Kong Offer Shares—5. Multiple Applications Prohibited” above on what constitutes multiple applications;
- your application instruction is incomplete;
- your payment (or confirmation of funds, as the case may be) is not made correctly;
- the Underwriting Agreements do not become unconditional or are terminated; or
- the Company or the Overall Coordinators believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations.

### 5. If there is money settlement failure for allotted Shares:

Based on the arrangements between HKSCC Participants and HKSCC, HKSCC Participants will be required to hold sufficient application funds on deposit with their designated bank before balloting. After balloting of Hong Kong Offer Shares, the receiving bank will collect the portion of these funds required to settle each HKSCC Participant’s actual Hong Kong Offer Share allotment from their designated bank.

**There is a risk of money settlement failure.** In the extreme event of money settlement failure by a HKSCC Participant (or its designated bank), who is acting on your behalf in settling payment for your allotted shares, HKSCC will contact the defaulting HKSCC Participant and its designated bank to determine the cause of failure and request such defaulting HKSCC Participant to rectify or procure to rectify the failure.

However, if it is determined that such settlement obligation cannot be met, the affected Hong Kong Offer Shares will be reallocated to the International Offering. Hong Kong Offer Shares applied for by you through the broker or custodian may be affected to the extent of the settlement failure. In the extreme case, you will not be allocated any Hong Kong Offer Shares due to the money settlement failure by such HKSCC Participant. None of us, the Relevant Persons, the Hong Kong Share Registrar and HKSCC is or will be liable if Hong Kong Offer Shares are not allocated to you due to the money settlement failure.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### D. DISPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND OF APPLICATION MONIES

You will receive one Share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made through the **HKSCC EIPO** channel where the Share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application.

The Share certificates will only become valid evidence of title at 8:00 a.m. on the Listing Date, which is expected to be **Tuesday, July 9, 2024** (Hong Kong time), provided that the Global Offering has become unconditional in all respects and the right of termination described in “Underwriting—Underwriting Arrangements and Expenses—Hong Kong Public Offering—Grounds for Termination” has not been exercised. Investors who trade Shares prior to the receipt of Share certificates or prior to the Share certificates becoming valid evidence of title do so entirely at their own risk.

The right is reserved to retain any Share certificate(s) and (if applicable) any surplus application monies pending clearance of application monies.

The following sets out the relevant procedures and time:

	<u>White Form eIPO service</u>	<u>HKSCC EIPO channel</u>
<b>Dispatch/collection of Share certificate</b>		
<b>For physical Share certificate(s) of 1,000,000 Offer Shares or more issued under your own name</b>	Collection in person from the Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong.  <b>Time:</b> from 9:00 a.m. to 1:00 p.m. on <b>Tuesday, July 9, 2024</b> (Hong Kong time)	Share certificate(s) will be issued in the name of HKSCC Nominees, deposited into CCASS and credited to your designated HKSCC Participant’s stock account.  No action by you is required.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### White Form eIPO service

### HKSCC EIPO channel

If you are an individual, you must not authorize any other person to collect for you. If you are a corporate applicant, your authorized representative must bear a letter of authorization from your corporation stamped with your corporation's chop.

Both individuals and authorized representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.

**Note:** If you do not collect your Share certificate(s) personally within the time above, it/they will be sent to the address specified in your application instructions by ordinary post at your own risk.

**For physical Share certificate(s) of less than 1,000,000 Offer Shares issued under your own name**

Your Share certificate(s) will be sent to the address specified in your application instructions by ordinary post at your own risk.

**Time: Monday, July 8, 2024**

### **Refund mechanism for surplus application monies paid by you**

**Date**

**Tuesday, July 9, 2024**

Subject to the arrangement between you and your broker or custodian

**Responsible party**

Hong Kong Share Registrar

Your broker or custodian

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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	<u>White Form eIPO service</u>	<u>HKSCC EIPO channel</u>
<b>Application monies paid through single bank account</b>	<b>White Form</b> e-Refund payment instructions to your designated bank account.	Your broker or custodian will arrange refund to your designated bank account subject to the arrangement between you and it.
<b>Application monies paid through multiple bank accounts</b>	Refund check(s) will be dispatched to the address specified in your application instructions by ordinary post at your own risk.	

Except in the event of any Severe Weather Signals (as defined below) in force in Hong Kong on **Monday, July 8, 2024** rendering it impossible for the relevant Share certificates to be dispatched to HKSCC in a timely manner, the Company shall procure the Hong Kong Share Registrar to arrange for delivery of the supporting documents and Share certificates in accordance with the contingency arrangements as agreed between them. You may refer to “—E. Severe Weather Arrangements” in this section.

### **E. SEVERE WEATHER ARRANGEMENTS**

The application lists will not open or close on **Thursday, July 4, 2024** if there is/are:

- a tropical cyclone warning signal number 8 or above;
- a “black” rainstorm warning signal; and/or
- Extreme Conditions

(collectively, “**Severe Weather Signals**”)

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on **Thursday, July 4, 2024** (Hong Kong time).

Instead they will open at 11:45 a.m. and/or close at 12:00 noon on the next business day which does not have **Severe** Weather Signals in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon (Hong Kong time).

Prospective investors should be aware that a postponement of the opening/closing of the application lists may result in a delay in the Listing Date. Should there be any changes to the dates mentioned in “Expected Timetable,” an announcement will be made and published on the Stock Exchange’s website at [www.hkexnews.hk](http://www.hkexnews.hk) and our website at [investors.jianke.com](http://investors.jianke.com) of the revised timetable.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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If a **Severe** Weather Signal is hoisted on **Monday, July 8, 2024**:

- the Hong Kong Share Registrar will make appropriate arrangements for the delivery of the Share certificates to CCASS so that they would be available for trading on **Tuesday, July 9, 2024**; and
- for physical Share certificate(s) of less than 1,000,000 Hong Kong Offer Shares issued under your own name, dispatch will be made by ordinary post when the post office re-opens after the **Severe** Weather Signal is lowered or cancelled (e.g. in the afternoon of **Monday, July 8, 2024** or on **Tuesday, July 9, 2024**).

If a **Severe** Weather Signal is hoisted on **Tuesday, July 9, 2024**, for physical Share certificate(s) of 1,000,000 Hong Kong Offer Shares or more issued under your own name, you may pick it/them up from the Hong Kong Share Registrar's office after the **Severe** Weather Signal is lowered or cancelled (e.g. in the afternoon of **Tuesday, July 9, 2024** or on **Wednesday, July 10, 2024**).

**Prospective investors should be aware that if they choose to receive physical Share certificates issued in their own name, there may be a delay in receiving the Share certificates.**

### F. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares on the Stock Exchange and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between Exchange Participants is required to take place in CCASS on the second settlement day after any trading day.

All activities under CCASS are subject to the General Rules of HKSCC and HKSCC Operational Procedures in effect from time to time.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

You should seek the advice of your broker or other professional advisors for details of those settlement arrangements as such arrangements may affect your rights and interests.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### **G. PERSONAL DATA**

The following Personal Information Collection Statement applies to any personal data collected and held by the Company, the Hong Kong Share Registrar, the receiving bank and the Relevant Persons about you in the same way as it applies to personal data about applicants other than HKSCC Nominees. Such personal data may include client identifier(s) and your identification information. By giving application instructions to HKSCC, you acknowledge that you have read, understood and agree to all of the terms of the Personal Information Collection Statement below.

#### **1. Personal Information Collection Statement**

This Personal Information Collection Statement informs applicant for, and holder of, Hong Kong Offer Shares, of the policies and practices of the Company and the Hong Kong Share Registrar in relation to personal data and the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong).

#### **2. Reasons for the Collection of Your Personal Data**

It is necessary for applicants and registered holders of Hong Kong Offer Shares to ensure that personal data supplied to the Company or its agents and the Hong Kong Share Registrar is accurate and up-to-date when applying for Hong Kong Offer Shares or transferring Hong Kong Offer Shares into or out of their names or in procuring the services of the Hong Kong Share Registrar.

Failure to supply the requested data or supplying inaccurate data may result in your application for Hong Kong Offer Shares being rejected, or in delay or the inability of the Company or Hong Kong Share Registrar to effect transfers or otherwise render their services. It may also prevent or delay registration or transfers of Hong Kong Offer Shares which you have successfully applied for and/or the dispatch of Share certificate(s) to which you are entitled.

It is important that applicants for and holders of Hong Kong Offer Shares inform the Company and the Hong Kong Share Registrar immediately of any inaccuracies in the personal data supplied.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### 3. Purposes

Your personal data may be used, held, processed and/or stored (by whatever means) for the following purposes:

- processing your application and refund check and **White Form** e-Refund payment instruction(s), where applicable, verification of compliance with the terms and application procedures set out in this prospectus and announcing results of allocation of Hong Kong Offer Shares;
- compliance with applicable laws and regulations in Hong Kong and elsewhere;
- registering new issues or transfers into or out of the names of the holders of the Shares including, where applicable, HKSCC Nominees;
- maintaining or updating the Company's register of members;
- verifying identities of applicants for and holders of the Shares and identifying any duplicate applications for the Shares;
- facilitating Hong Kong Offer Shares balloting;
- establishing benefit entitlements of holders of the Shares, such as dividends, rights issues, bonus issues, etc.;
- distributing communications from the Company and its subsidiaries;
- compiling statistical information and profiles of the holder of the Shares;
- disclosing relevant information to facilitate claims on entitlements; and
- any other incidental or associated purposes relating to the above and/or to enable the Company and the Hong Kong Share Registrar to discharge their obligations to applicants for and holders of the Shares and/or regulators and/or any other purposes to which applicants for and holders of the Shares may from time to time agree.

### 4. Transfer of Personal Data

Personal data held by the Company and the Hong Kong Share Registrar relating to the applicants for and holders of Hong Kong Offer Shares will be kept confidential but the Company and the Hong Kong Share Registrar may, to the extent necessary for achieving any of the above purposes, disclose, obtain or transfer (whether within or outside Hong Kong) the personal data to, from or with any of the following:

- the Company's appointed agents such as financial advisors, receiving bank and overseas principal share registrar;



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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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- HKSCC or HKSCC Nominees, who will use the personal data and may transfer the personal data to the Hong Kong Share Registrar, in each case for the purposes of providing its services or facilities or performing its functions in accordance with its rules or procedures and operating FINI and CCASS (including where applicants for Hong Kong Offer Shares request a deposit into CCASS);
- any agents, contractors or third-party service providers who offer administrative, telecommunications, computer, payment or other services to the Company or the Hong Kong Share Registrar in connection with their respective business operations;
- the Stock Exchange, the SFC and any other statutory regulatory or governmental bodies or otherwise as required by laws, rules or regulations, including for the purposes of the Stock Exchange's administration of the Listing Rules and the SFC's performance of its statutory functions; and
- any persons or institutions with which the holders of Hong Kong Offer Shares have or propose to have dealings, such as their bankers, solicitors, accountants or brokers etc.

### **5. Retention of Personal Data**

The Company and the Hong Kong Share Registrar will keep the personal data of the applicants for and holders of Hong Kong Offer Shares for as long as necessary to fulfil the purposes for which the personal data were collected. Personal data which is no longer required will be destroyed or dealt with in accordance with the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong).

### **6. Access to and Correction of Personal Data**

Applicants for and holders of Hong Kong Offer Shares have the right to ascertain whether the Company or the Hong Kong Share Registrar hold their personal data, to obtain a copy of that data, and to correct any data that is inaccurate. The Company and the Hong Kong Share Registrar have the right to charge a reasonable fee for the processing of such requests. All requests for access to data or correction of data should be addressed to the Company, at the Company's registered address disclosed in "Corporate Information" or as notified from time to time, for the attention of the joint company secretaries, or the Hong Kong Share Registrar for the attention of the privacy compliance officer.

*The following is the text of a report set out on pages I-1 to I-65, received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.*



## **ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF FANGZHOU INC., CITIGROUP GLOBAL MARKETS ASIA LIMITED AND ABCI CAPITAL LIMITED**

### **Introduction**

We report on the historical financial information of Fangzhou Inc. (“the Company”) and its subsidiaries (together, the “Group”) set out on pages I-4 to I-65, which comprises the consolidated statements of financial position of the Group and the statements of financial position of the Company as at December 31, 2021, 2022 and 2023, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows, for each of the years ended December 31, 2021, 2022 and 2023 (the “Relevant Periods”), and a summary of material accounting policy information and other explanatory information (together, the “Historical Financial Information”). The Historical Financial Information set out on pages I-4 to I-65 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated June 28, 2024 (the “Prospectus”) in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

### **Directors' responsibility for the Historical Financial Information**

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in note 1 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

### **Reporting accountants' responsibility**

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 “Accountants' Reports on Historical Financial Information in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in note 1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Opinion**

In our opinion, the Historical Financial Information gives, for the purpose of the accountants' report, a true and fair view of the Company's and the Group's financial position as at December 31, 2021, 2022 and 2023 and of the Group's financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation and presentation set out in note 1 to the Historical Financial Information.

**Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Companies (Winding Up and Miscellaneous Provisions) Ordinance*****Adjustments***

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

***Dividends***

We refer to note 26(e) to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Relevant Periods.

***No statutory financial statements for the Company***

No statutory financial statements have been prepared for the Company since its incorporation.

**KPMG**

*Certified Public Accountants*

8th Floor, Prince's Building

10 Chater Road

Central, Hong Kong

June 28, 2024

**HISTORICAL FINANCIAL INFORMATION**

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by KPMG Huazhen LLP Guangzhou Branch under separate terms of engagement with the Company in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "Underlying Financial Statements").

**CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
*(Expressed in Renminbi (“RMB”))*

	Note	Year ended December 31,		
		2021	2022	2023
		RMB'000	RMB'000	RMB'000
<b>Revenue</b>	4	1,758,673	2,204,303	2,434,308
Cost of sales		(1,539,025)	(1,823,719)	(1,946,901)
<b>Gross profit</b>		219,648	380,584	487,407
Other net income/(loss)	5	33,005	(134,188)	(23,915)
Selling and distribution expenses		(309,291)	(330,248)	(343,770)
Administrative expenses		(138,967)	(177,483)	(171,477)
Recognition of impairment losses	6(c)	(310)	(173)	(140)
<b>Loss from operations</b>		(195,915)	(261,508)	(51,895)
Finance costs	6(a)	(108,035)	(121,781)	(144,816)
<b>Loss before taxation</b>	6	(303,950)	(383,289)	(196,711)
Income tax	7	(39)	(13)	(77)
<b>Loss and total comprehensive income for the year</b>		<u>(303,989)</u>	<u>(383,302)</u>	<u>(196,788)</u>
<b>Attributable to:</b>				
Equity shareholders of the Company		(303,964)	(383,302)	(196,788)
Non-controlling interests		(25)	–	–
<b>Loss and total comprehensive income for the year</b>		<u>(303,989)</u>	<u>(383,302)</u>	<u>(196,788)</u>
<b>Loss per share</b>				
Basic (in RMB)	10	N/A	N/A	N/A
Diluted (in RMB)		N/A	N/A	N/A

The accompanying notes form part of the Historical Financial Information.

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

*(Expressed in RMB)*

	Note	As at December 31,		
		2021	2022	2023
		RMB'000	RMB'000	RMB'000
<b>Non-current assets</b>				
Property, plant and equipment	11	23,376	31,260	51,639
Intangible assets	12	2,436	2,451	2,275
Other non-current assets	13	10,767	10,000	100
		<u>36,579</u>	<u>43,711</u>	<u>54,014</u>
<b>Current assets</b>				
Inventories	14	111,528	126,464	136,045
Trade and other receivables	15	48,321	86,411	101,142
Other current assets	16	23,808	26,357	34,761
Prepayments		10,167	63,999	18,474
Amounts due from related parties	28(c)	33,628	12,032	–
Restricted bank deposits	17	–	25,000	30,615
Cash and cash equivalents	18(a)	84,658	134,907	146,317
		<u>312,110</u>	<u>475,170</u>	<u>467,354</u>
<b>Current liabilities</b>				
Trade and other payables	19	282,049	356,217	440,451
Contract liabilities	20	18,055	89,368	19,873
Bank loans	21	–	10,154	5,005
Lease liabilities	22	9,958	12,796	15,346
Other current liabilities		1,799	8,502	1,252
Current taxation	24(a)	–	12	15
		<u>311,861</u>	<u>477,049</u>	<u>481,942</u>
<b>Net current assets/(liabilities)</b>		<u>249</u>	<u>(1,879)</u>	<u>(14,588)</u>
<b>Total assets less current liabilities</b>		<u>36,828</u>	<u>41,832</u>	<u>39,426</u>
<b>Non-current liabilities</b>				
Lease liabilities	22	8,315	13,858	29,368
Convertible redeemable preferred shares	25	1,368,767	1,737,882	1,911,521
		<u>1,377,082</u>	<u>1,751,740</u>	<u>1,940,889</u>
<b>NET LIABILITIES</b>		<u>(1,340,254)</u>	<u>(1,709,908)</u>	<u>(1,901,463)</u>
<b>CAPITAL AND RESERVES</b>				
Share capital	26	86	86	86
Reserves	26(c)	(1,340,340)	(1,709,994)	(1,901,549)
<b>TOTAL DEFICIT</b>		<u>(1,340,254)</u>	<u>(1,709,908)</u>	<u>(1,901,463)</u>

The accompanying notes form part of the Historical Financial Information.

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY  
(Expressed in RMB)

	Note	As at December 31,		
		2021	2022	2023
		RMB'000	RMB'000	RMB'000
<b>Non-current assets</b>				
Property, plant and equipment		–	662	331
Investment in a subsidiary	30(a)	664,140	675,623	680,094
		664,140	676,285	680,425
<b>Current assets</b>				
Amount due from a subsidiary	30(b)	267,135	333,597	364,737
Amounts due from related parties		71	71	–
Other current assets	16	2,340	5,397	3,983
Prepayments		4,474	–	29
Cash and cash equivalents	18(a)	1,076	59,439	1,021
		275,096	398,504	369,770
<b>Current liabilities</b>				
Other payables	19	2,498	9,878	10,149
Lease liabilities		–	324	336
		2,498	10,202	10,485
<b>Net current assets</b>				
		272,598	388,302	359,285
<b>Total assets less current liabilities</b>				
		936,738	1,064,587	1,039,710
<b>Non-current liabilities</b>				
Lease liabilities		–	336	–
Convertible redeemable preferred shares	25	1,368,767	1,737,882	1,911,521
		1,368,767	1,738,218	1,911,521
<b>NET LIABILITIES</b>				
		(432,029)	(673,631)	(871,811)
<b>CAPITAL AND RESERVES</b>				
Share capital	26	86	86	86
Reserves	26(c)	(432,115)	(673,717)	(871,897)
<b>TOTAL DEFICIT</b>				
		(432,029)	(673,631)	(871,811)

The accompanying notes form part of the Historical Financial Information.



**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
*(Expressed in RMB)*

Note	Attributable to equity shareholders of the Company								
	Share capital	Share premium	Other reserves	Shares held for the RSU Incentive Plan	Share-based payments reserve	Accumulated losses	Total	Non-controlling interest	Total deficit
	RMB'000	RMB'000	RMB'000	RMB'000 Note 26(d)	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at January 1, 2021	86	18,130	(783,509)	(11)	-	(276,865)	(1,042,169)	-	(1,042,169)
Changes in equity for 2021:									
Loss and total comprehensive income for the year	-	-	-	-	-	(303,964)	(303,964)	(25)	(303,989)
Capital injection by the non-controlling interest of a subsidiary	-	-	-	-	-	-	-	303	303
Acquisition of additional interest in a subsidiary from its non-controlling interest	-	-	303	-	-	(25)	278	(278)	-
Deemed distribution	26(f)(ii)	-	(2,303)	-	-	-	(2,303)	-	(2,303)
Equity settled share-based transactions	26(f)(iii)	-	-	-	7,904	-	7,904	-	7,904
Shares vested under the RSU Incentive Plan	26(f)(i)	-	4,554	-	2	(4,556)	-	-	-
Balance at December 31, 2021	86	22,684	(785,509)	(9)	3,348	(580,854)	(1,340,254)	-	(1,340,254)

Note	Attributable to equity shareholders of the Company								
	Share capital	Share premium	Other reserves	Shares held for the RSU Incentive Plan	Share-based payments reserve	Accumulated losses	Total	Non-controlling interest	Total deficit
	RMB'000	RMB'000	RMB'000	RMB'000 Note 26(d)	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at January 1, 2022	86	22,684	(785,509)	(9)	3,348	(580,854)	(1,340,254)	-	(1,340,254)
Changes in equity for 2022									
Loss and total comprehensive income for the year	-	-	-	-	-	-	-	(383,302)	(383,302)
Equity settled share-based transactions	26(f)(iii)	-	-	-	-	13,648	-	-	13,648
Shares vested under the RSU Incentive Plan	26(f)(i)	-	7,391	-	1	(7,392)	-	-	-
Balance at December 31, 2022	86	30,075	(785,509)	(8)	9,604	(964,156)	(1,709,908)	-	(1,709,908)

The accompanying notes form part of the Historical Financial Information.

				Shares held for the RSU Incentive Plan	Share-based payments reserve	Accumulated losses	Total deficit
<i>Note</i>	Share capital	Share premium	Other reserves	RMB'000 <i>Note 26(d)</i>	RMB'000	RMB'000	RMB'000
<b>Balance at January 1, 2023</b>	86	30,075	(785,509)	(8)	9,604	(964,156)	(1,709,908)
<b>Changes in equity for 2023</b>							
Loss and total comprehensive income for the year	-	-	-	-	-	(196,788)	(196,788)
Equity settled share-based transactions	26(f)(iii)	-	-	-	5,233	-	5,233
Shares vested under the RSU Incentive Plan	26(f)(i)	6,918	-	-	(6,918)	-	-
<b>Balance at December 31, 2023</b>	<b>86</b>	<b>36,993</b>	<b>(785,509)</b>	<b>(8)</b>	<b>7,919</b>	<b>(1,160,944)</b>	<b>(1,901,463)</b>

The accompanying notes form part of the Historical Financial Information.

**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Expressed in RMB)

	Note	Year ended December 31,		
		2021	2022	2023
		RMB'000	RMB'000	RMB'000
<b>Operating activities</b>				
Cash (used in)/generated from operations	18(b)	(203,613)	(49,964)	22,356
Income tax paid	24(a)	(42)	(1)	(74)
<b>Net cash (used in)/generated from operating activities</b>		<b>(203,655)</b>	<b>(49,965)</b>	<b>22,282</b>
<b>Investing activities</b>				
Repayments of borrowings by related parties	28(b)	46,006	21,596	12,032
Payment for purchases of property, plant and equipment and intangible assets		(5,515)	(5,281)	(5,648)
Payment for other non-current assets	13	(8,000)	–	–
Advance of borrowings to related parties	28(b)	(36,814)	–	–
Deemed distribution		–	(2,000)	–
Proceeds from disposal of other non-current assets	13	–	–	10,000
Proceeds from sale of property, plant and equipment		–	–	34
<b>Net cash (used in)/generated from investing activities</b>		<b>(4,323)</b>	<b>14,315</b>	<b>16,418</b>
<b>Financing activities</b>				
Proceed from the issuance of convertible redeemable preferred shares	18(c)	–	110,175	–
Proceed from bank loans	18(c)	–	24,790	25,601
Capital injection by the non-controlling interest of a subsidiary		303	–	–
Payment for acquisition of additional interest in a subsidiary from its non-controlling interest		(303)	–	–
Payment of restricted bank deposits		–	(25,000)	(60,615)
Proceeds from maturity of restricted bank deposits		–	–	55,000
Repayment of bank loans	18(c)	–	(14,790)	(30,601)
Capital element of lease rentals paid	18(c)	(10,592)	(11,929)	(16,904)
Interest element of lease rentals paid	18(c)	(815)	(752)	(1,377)
Interest paid	18(c)	–	(261)	(412)
<b>Net cash (used in)/generated from financing activities</b>		<b>(11,407)</b>	<b>82,233</b>	<b>(29,308)</b>

The accompanying notes form part of the Historical Financial Information.

	<i>Note</i>	Year ended December 31,		
		2021	2022	2023
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Net (decrease)/increase in cash and cash equivalents		(219,385)	46,583	9,392
Cash and cash equivalents at the beginning of the year		307,817	84,658	134,907
Effect of foreign exchange rate changes		(3,774)	3,666	2,018
Cash and cash equivalents at the end of the year	18(a)	<u>84,658</u>	<u>134,907</u>	<u>146,317</u>

The accompanying notes form part of the Historical Financial Information.

**NOTES TO THE HISTORICAL FINANCIAL INFORMATION**

*(Expressed in RMB unless otherwise indicated)*

**1 BASIS OF PREPARATION AND PRESENTATION OF THE HISTORICAL FINANCIAL INFORMATION****1.1 General information**

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on September 26, 2019. The Company is an investment holding company and has not carried on any business since the date of its incorporation save for the Group Reorganization (as defined below). The Company and its subsidiaries (collectively the “Group”), are principally engaged in online chronic disease management services (the “Listing Business”) in the People’s Republic of China (the “PRC”). The Group’s principal operations and geographic markets are in the PRC.

Mr. Xie Fangmin and Mr. Zhou Feng (collectively the “Controlling Shareholders”) collectively controlled the Company by entering into an acting-in-concert arrangement since the incorporation of the Company.

**1.2 History, reorganization and basis of preparation and presentation of the Historical Financial Information**

To rationalize the corporate structure in preparation of the listing of the Company’s shares on The Stock Exchange of Hong Kong Limited (“The Stock Exchange”), the Group underwent certain reorganization (the “Reorganization”) in two distinct phases as following. Details of the Reorganization were set out in the section headed “History, Reorganization and Corporate Structure” in the Prospectus.

***1.2.1 Acquisition of Fangzhan Technology and rationalization of shareholding structure***

Prior to the incorporation of the Company, the Listing Business was principally carried out by Guangdong Fangzhan Technology Co., Ltd. (廣東方展科技有限公司) (“Fangzhan Technology”) and its subsidiary. Through the first phase of the Reorganization, the Listing Business was transferred to the Company and certain shareholding arrangements were rationalized.

The first phase of the Reorganization involved neither any business combination nor any substantive change in the ultimate control over the business and operations of the Group, and with a continuation of risks and benefits to the equity shareholders of the Group. As such, the related Historical Financial Information has been presented by applying a principle similar to that for a reverse acquisition, and the assets and liabilities of the relevant entities recognized and measured at their historical carrying amounts prior to the first phase of the Reorganization.

***1.2.1.1 Acquisition of Fangzhan Technology***

On December 14, 2020, the Company issued shares to the holders of Series A, Series A-1 and Series B Preferred Shares (all of them are preferred shares holders of Yunyi Inc.) at a par value of USD0.0001, the present value of which was amounted to RMB988,261,000 (see note 25).

On December 30, 2020, Fangzhou Limited, a wholly-owned subsidiary of the Company, acquired Fangzhan Technology at a consideration of USD94,700,000 (equivalent to RMB658,722,000) from the then equity owner, Yunyi Limited.

***1.2.1.2 Contractual Arrangements of Fangzhou Yunkang***

On April 28, 2020, Guangzhou Fangzhou Yunkang Information Technology Group Co., Ltd. (廣州方舟雲康信息科技集團有限公司) (“Fangzhou Yunkang”) was incorporated. On the same date, Guangdong Fangfeng Technology Co., Ltd. (廣東方峰科技有限公司) (“Fangfeng Technology”), a wholly-owned subsidiary of the Company, entered into a series of contractual arrangements (the “Contractual Arrangements”) with Fangzhou Yunkang and its nominee equity holders such that, Fangfeng Technology obtained the ability to exercise effective control over Fangzhou Yunkang and obtain substantially all of the economic benefits of Fangzhou Yunkang. Fangzhou Yunkang has not carried out any substantial business operations (including the Listing Business) since the date of incorporation.

### 1.2.1.3 Acquisition of subsidiaries under nominee agreement arrangements

To rationalize the shareholding structure, during April to June 2021, Fangzhou Yunkang acquired Guangzhou Fangzhou Medicine Co., Ltd. (廣州方舟醫藥有限公司) (“Fangzhou Medicine”) from Mr. Xie Fangmin at nil consideration and Fangzhou Yunkang acquired other five insignificant subsidiaries from related parties, all of which were previously held on the Company’s behalf under certain nominee arrangements.

Similarly, during April 2021, Guangzhou Fangzhou Information Technology Co., Ltd. (廣州方舟信息科技有限公司) (“Fangzhou Information”) acquired Guangzhou Fangzhou Pharmaceutical Co., Ltd. (廣州方舟藥業有限公司) (“Fangzhou Pharmaceutical”) from Guangzhou Fangming Investment Enterprise (Limited Partnership) (廣州市方明投資企業(有限合夥)) (“Fangming Investment”) and Ms. Liu Xiukui at nil consideration and Fangzhou Information acquired another insignificant subsidiary from related parties, both of which were previously held on the Company’s behalf under certain nominee arrangements:

### 1.2.2 Acquisition of Jingtai Hospital

As the second phase of the Reorganization, on April 19, 2021, Fangfeng Technology and Fangzhou Yunkang acquired 70% and 30% of nominee shares of Jingtai Hospital (景泰醫院) from the Controlling Shareholders, respectively. Jingtai Hospital was previously acquired by Ms. Liu Xiukui on behalf of the Controlling Shareholders on March 1, 2017 by way of a nominee arrangement.

The acquisition of Jingtai Hospital was a business combination under the common control of the Controlling Shareholders and, has therefore been accounted for using the pooling of interest method as if the acquisition had been completed since the date the entities came under the common control of the Controlling Shareholders. The assets and liabilities of Jingtai Hospital have been included using the existing book values from the Controlling Shareholders’ perspective. No adjustments were made to reflect fair values, or recognize any new assets or liabilities as a result of such acquisition.

The consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for the Relevant Periods as set out in this report include the financial performance and cash flows of the companies now comprising the Group as if the current group structure had been in existence throughout the Relevant Periods. The consolidated statements of financial position of the Group as at December 31, 2021 as set out in this report have been prepared to present the financial position of the entities now comprising the Group as at those dates as if the current group structure had been in existence as at the respective dates, taking into account the respective dates of incorporation or establishment, where applicable. Intra-group balances, transactions and unrealized gains/losses on intra-group transactions are eliminated in full in preparing the Historical Financial Information.

Upon completion of the Reorganization, Fangzhou Inc. became the holding company of the entities now comprising the Group. Details of the Group’s principal subsidiaries are set out below.

## 1.3 Subsidiaries

As at the date of this report, no statutory financial statements have been prepared for the Company, as it is an investment holding company which is not subject to statutory audit requirements under the relevant rules and regulations in the Cayman Islands.

Upon completion of the Reorganization and as at the date of this report, the Company has direct and indirect interests in the following principal subsidiaries:

Company name	Place and date of incorporation/ establishment	Registered capital	Issued capital	Proportion of ownership interest			Name of auditor
				Equity interest	Held through Contractual arrangements	Principal activities	
<i>Indirectly</i>							
<i>(iii)</i>							
<i>Direct held by the Company</i>							
Fangzhou Limited	Hong Kong, October 24, 2019	Hong Kong Dollar (“HKD”) 10,000	HKD 10,000	100.00%	-	Investment holding	(ii)

Company name	Place and date of incorporation/ establishment	Registered capital	Issued capital	Proportion of ownership interest			Name of auditor
				Equity interest	Held through Contractual arrangements	Principal activities	
<i>Indirectly</i> (iii)							
<i>Indirect held by the Company</i>							
Fangzhou Pharmaceutical (i)	Mainland China, March 23, 2004	RMB5,000,000	RMB580,000	100.00%	-	Wholesale and supply chain	(ii)
Fangzhan Technology (i)	Mainland China, November 2, 2015	USD100,000,000	USD94,700,000	100.00%	-	Provision of internet and e-commerce services	(ii)(b)
Fangfeng Technology (i)	Mainland China, February 12, 2020	USD100,000,000	USD47,000,000	100.00%	-	Provision of internet and e-commerce services	(ii)(b)
Jingtai Hospital (i)	Mainland China, July 20, 2011	RMB500,000	RMB500,000	70.00%	30.00%	Medical Service	(ii)
Fangzhou Medicine (i)(iii)	Mainland China, August 20, 2019	RMB20,000,000	RMB70,000	-	100.00%	Retail	(ii)
Guangdong Qishi Hospital Management Co., Ltd. (廣東啟石醫院管理有限公司) (i)(iii)	Mainland China, September 30, 2020	RMB10,000,000	RMB5,000,000	-	100.00%	Medical Service	(ii)(b)

*Notes:*

- (i) The English translation of these companies' names are for reference only. The official names of these companies are in Chinese. Except for Jingtai Hospital, which is a private non-enterprise hospital, other companies incorporated in Mainland China are registered as limited liability companies under PRC laws.
- (ii) The financial statements of the following companies now comprising the Group for each of the years ended December 31, 2021, 2022 and 2023 were prepared in accordance with either HKFRSs issued by the HKICPA or the relevant accounting rules and regulations applicable to enterprises in the PRC and were audited by the respective auditors as indicated below:

Name of company	Financial period	Auditors
Jingtai Hospital	Years ended December 31, 2021, 2022 and 2023	Dongguan Tiho Certified Public Accountants LLP 東莞市泰合會計師事務所 (普通合夥)
Fangzhou Limited	Years ended December 31, 2021 and 2022	Aston CPA And Associates Certified Public Accountants
Fangzhou Pharmaceutical	Year ended December 31, 2021	Guangdong Zhongguangrun Certified Public Accountants LLP 廣東中廣潤會計師事務所 (普通合夥)
Fangzhou Pharmaceutical	Year ended December 31, 2022	Guangzhou Suihe Accounting Firm (General Partnership) 廣州穗禾會計師事務所(普通合夥)
Fangzhou Medicine	Year ended December 31, 2021	Guangdong Zhongguangrun Certified Public Accountants LLP 廣東中廣潤會計師事務所 (普通合夥)
Fangzhou Medicine	Year ended December 31, 2022	Guangzhou Suihe Accounting Firm (General Partnership) 廣州穗禾會計師事務所(普通合夥)

- (a) All companies now comprising the Group have adopted December 31 as their financial year end date.
- (b) During the Relevant Periods, no audited financial statements have been prepared for these companies.
- (c) As at the date of this report, no audited financial statements for the year ended 31 December 2023 have been issued for the companies listed above except for Jingtai Hospital.

- (iii) Upon completion of the Reorganization disclosed in note 1.2, the equity interest of these entities was held directly by Fangzhou Yunkang, respectively.

The Historical Financial Information has been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). Further details of the material accounting policy information adopted are set out in note 2.

The HKICPA has issued a number of new and revised HKFRSs. For the purpose of preparing this Historical Financial Information, the Group has consistently adopted all applicable new and revised HKFRSs that are effective during the Relevant Periods, except for any new standards or interpretations that are not yet effective for the Relevant Periods. The revised and new accounting standards and interpretations issued but not yet effective for the Relevant Periods are set out in note 32.

The Historical Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The accounting policies set out below have been applied consistently to all periods presented in the Historical Financial Information.

#### **1.4 Going concern assessment**

The Group recorded net current liabilities of RMB14,588,000 and net liabilities of RMB1,901,463,000 as at December 31, 2023. The net liabilities position was primarily caused by the convertible redeemable preferred shares (see note 25) totaling RMB1,911,521,000 as at December 31, 2023. The Directors of the Company are of the opinion that no material uncertainty exists related to events or conditions which, individually or collectively, may cast significant doubt on the Group’s ability to continue as a going concern, taking into account the following factors:

- the Group have unutilized banking facilities of RMB48,899,500 as at December 31, 2023, which can be utilized by the Group to fulfil its liquidity requirements when necessary;
- the Directors of the Company, based on the contract terms with the convertible redeemable preferred shares holders, do not expect the convertible redeemable preferred shares would be redeemed within the next twelve months from December 31, 2023; and
- the Directors have reviewed the Group’s cash flow projections, which cover a period of at least twelve months from December 31, 2023 and are of the opinion that the Group will have sufficient working capital to meet its liabilities and obligations as and when they fall due and to sustain its operations for at least the next twelve months from December 31, 2023.

## **2 MATERIAL ACCOUNTING POLICY INFORMATION**

### **(a) Basis of measurement**

Item included in the Historical Financial Information of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to the entity (the “Functional Currency”). The Historical Financial Information is presented in RMB, rounded to the nearest thousand unless otherwise indicated.

The measurement basis used in the preparation of the Historical Financial Information is the historical cost basis.

### **(b) Use of estimates and judgements**

The preparation of the Historical Financial Information in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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



Judgements made by management in the application of HKFRSs that have significant effect on the Historical Financial Information and major sources of estimation uncertainty are discussed in note 3.

(c) **Consolidation**

(i) ***Business combination involving entities under common control***

A business combination involving entities under common control is a business combination in which all of the combining entities are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. The assets acquired and liabilities assumed are measured based on their carrying amounts in the financial statements of the ultimate controlling party at the combination date. The difference between the carrying amounts of the net assets acquired and the consideration paid for the combination is adjusted to equity. Any costs directly attributable to the combination are recognized in profit or loss when incurred. The combination date is the date on which one combining entity obtains control of other combining entities.

(ii) ***Business combination involving entities not under common control***

A business combination involving entities not under common control is a business combination in which all of the combining entities are not ultimately controlled by the same party or parties both before and after the business combination. Acquisition related costs are expensed when incurred. The acquiree's identifiable assets, liabilities and contingent liabilities, if the recognition criteria are met, are recognized by the Group at their acquisition date fair value. The acquisition date is the date on which the acquirer obtains control of the acquiree.

(iii) ***Subsidiaries and non-controlling interests***

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the Historical Financial Information from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealized profits arising from intra-group transactions are eliminated in full in preparing the Historical Financial Information. Unrealized losses resulting from intra-group transactions are eliminated in the same way as unrealized gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the period between non-controlling interests and the equity shareholders of the Company.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognized.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognized in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognized at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture.

In the Company's statements of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2(i)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

**(iv) Subsidiaries controlled through Contractual Arrangements**

In order to comply with the PRC laws and regulations which prohibit or restrict foreign control of companies involved in provision of internet content and other restricted businesses, the Group operates its online consultation and e-prescription services, online retail pharmacy services and online academic community services in the PRC through certain PRC operating entities, whose equity interests are held by certain nominee shareholders (together "Nominee Shareholders"). The Group signed Contractual Arrangements with the PRC operating entities and the Nominee Shareholders. The Contractual Arrangements include exclusive consulting services agreements, exclusive purchase option agreement, equity pledge agreement and voting proxy agreements, which enable the Group to:

- govern the financial and operating policies of the PRC operating entities;
- exercise equity holder voting rights of the PRC operating entities;
- receive substantially all of the economic interest returns generated by the PRC operating entities in consideration for the technical support, consulting and other services provided exclusively by Fangzhan Technology and Fangfeng Technology, at the discretion of Fangzhan Technology and Fangfeng Technology;
- obtain an irrevocable and exclusive right to purchase part or all of the equity interests in the PRC operating entities at any time and from time to time, at the minimum consideration permitted by the relevant law in China at the time of transfer; and
- obtain a pledge over all of its equity interests from its respective Nominee Shareholders as collateral for all of the PRC entity's payments due to the Group to secure performance of entities' obligation under the Contractual Arrangements.

Accordingly, the Group has rights to control these PRC operating entities and accordingly account for them as entities controlled by the Group.

**(d) Joint ventures**

A joint venture is an arrangement whereby the Group and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in a joint venture is accounted for in the Historical Financial Information under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition date fair values of the investee's identifiable net assets over the cost of the investment (if any). The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the joint venture that forms part of the Group's equity investment. Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment. At each reporting date, the Group assesses whether there is any objective evidence that the investment is impaired. Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the period are recognized in the Group's profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognized in the Group's other comprehensive income.

When the Group's share of losses exceeds its interest in the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method, together with any other long-term interests that in substance form part of the Group's net investment in the joint venture, after applying the ECL model to such other long-term interests where applicable (see note 2(i)).

Unrealized profits and losses resulting from transactions between the Group and its joint venture are eliminated to the extent of the Group's interest in the investee, except where unrealized losses provide evidence of an impairment of the asset transferred, in which case they are recognized immediately in profit or loss.

In all other cases, when the Group ceases to have significant influence over a joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognized in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognized at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

**(e) Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 2(i)).

Cost includes expenditures that are directly attributable to the acquisition of an asset.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognized in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

	<u>Useful life</u>
Machinery and equipment	3 - 10 years
Motor vehicles	4 years
Furniture, fixtures and other equipment	3 - 5 years
Leasehold improvement	Shorter of the lease term and estimated useful lives

Where parts of an item of property, plant and equipment have different useful lives, the cost is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

**(f) Research and development costs**

Research and development costs comprise all costs that are directly attributable to research and development activities or that can be allocated on a reasonable basis to such activities. Because of the nature of the Group's research and development activities, the criteria for the recognition of such costs as an asset are generally not met until late in the development stage of the project when the remaining development costs are immaterial. Hence both research costs and development costs are generally recognized as expenses in the period in which they are incurred.

**(g) Intangible assets**

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortization and any accumulated impairment losses (see note 2(i)).

Amortization of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortized from the date they are available for use and their estimated useful lives are as follows:

	<u>Useful life</u>
Computer software	5 years
License	5 years
Trademark	10 years

Both the period and method of amortization are reviewed annually.

**(h) Leased assets**

At inception of a contract, the Group assesses whether the 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. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

*As a lessee*

At the lease commencement date, the Group recognizes a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalize the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalized are recognized as an expense on a systematic basis over the lease term.

Where the lease is capitalized, the lease liability is initially recognized at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate.

After initial recognition, the lease liability is measured at amortized cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognized when a lease is capitalized is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see note 2(i)).

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are rent concessions that occurred as a direct consequence of the COVID-19 pandemic and met the conditions set out in paragraph 46B of HKFRS 16 *Leases*. In such cases, the Group has taken advantage of the practical expedient not to assess whether the rent concessions are lease modifications, and recognized the change in consideration as negative variable lease payments in profit or loss in the period in which the event or condition that triggers the rent concessions occurred.

In the consolidated statements of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

The Group presents right-of-use assets and presents lease liabilities separately in the consolidated statements of financial position.

**(i) Credit losses and impairment of assets****(i) Credit losses from financial instruments**

The Group recognizes a loss allowance for expected credit losses (“ECLs”) on financial assets measured at amortized cost (including cash and cash equivalents, restricted bank deposits, trade and other receivables and amounts due from related parties).

Financial assets measured at fair value are not subject to the ECLs assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

- trade and other receivables and amounts due from related parties: effective interest rate determined at initial recognition or an approximation thereof.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group’s historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognizes a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

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

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognized as an impairment gain or loss in profit or loss. The Group recognizes an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

#### Basis of calculation of interest income

Interest income recognized in accordance with note 2(s)(vi) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortized cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or past due event;
- it becoming probable that the borrower will enter into bankruptcy or other financial reorganization;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or
- the disappearance of an active market for a security because of financial difficulties of the issuer.

#### Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognized as a reversal of impairment in profit or loss in the period in which the recovery occurs.

*(ii) Credit losses from financial guarantees issued*

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees issued are initially recognized within "trade and other payables" at fair value, which is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognized in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognized in profit or loss.

The Group monitors the risk that the specified debtor will default on the contract and recognizes a provision when ECLs on the financial guarantees are determined to be higher than the amount carried in "trade and other payables" in respect of the guarantees (i.e. the amount initially recognized, less accumulated amortization).

To determine ECLs, the Group considers changes in the risk of default of the specified debtor since the issuance of the guarantee. A 12-month ECL is measured unless the risk that the specified debtor will default has increased significantly since the guarantee is issued, in which case a lifetime ECL is measured. The same definition of default and the same assessment of significant increase in credit risk as described in note 2(i)(i) apply.

*(iii) Impairment of other non-current assets*

Internal and external sources of information are reviewed at the end of reporting period to identify indications that the following assets may be impaired or an impairment loss previously recognized no longer exists or may have decreased:

- property, plant and equipment;
- right-of-use assets;
- intangible assets;
- other non-current assets; and
- investment in a subsidiary in the Company's statements of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

- Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit ("CGU")).

- Recognition of impairment losses

An impairment loss is recognized in profit or loss if the carrying amount of an asset, or the CGU to which it belongs, exceeds its recoverable amount. Impairment losses recognized in respect of CGU are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognized in prior periods. Reversals of impairment losses are credited to profit or loss in the period in which the reversals are recognized.

**(j) Inventories**

Inventories are assets which are held for sale in the ordinary course of business.

Inventories are carried at the lower of cost and net realizable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognized as an expense in the period in which the related revenue is recognized.

The amount of any write-down of inventories to net realizable value and all losses of inventories are recognized as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

A right to recover returned goods is recognized for the right to recover products from customers sold with a right of return.

**(k) Contract liabilities**

A contract liability is recognized when the customer pays non-refundable consideration before the Group recognizes the related revenue (see note 2(s)). A contract liability would also be recognized if the Group has an unconditional right to receive non-refundable consideration before the Group recognizes the related revenue. In such cases, a corresponding receivable would also be recognized (see note 2(1)).

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see note 2(s)).

**(l) Trade and other receivables**

A receivable is recognized when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognized before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset.

Receivables are stated at amortized cost, using the effective interest method less allowance for credit losses (see note 2(i)).

**(m) Cash and cash equivalents**

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for ECLs in accordance with the policy set out in note 2(i).



**(n) Trade and other payables**

Trade and other payables are initially recognized at fair value. Subsequent to initial recognition, trade and other payables are stated at amortized cost unless the effect of discounting would be immaterial, in which case they are stated at invoice amounts.

**(o) Convertible redeemable preferred shares**

Convertible redeemable preferred shares give rise to financial liabilities if they are redeemable in case of occurrence of triggering events which are beyond the control of both the Group and the preferred shareholders. The conversion feature is recognized as a derivative liability if it will or may be settled other than by the Group exchanging a fixed amount of cash or another financial asset for a fixed number of the Group's own equity instruments.

At initial recognition, the redemption liabilities resulting from the convertible redeemable preferred shares are measured at the present value of the redemption amount. Subsequent changes in the carrying amount of the redemption liabilities are recognized in profit or loss.

If the preferred shares are converted into ordinary shares, the carrying amount of the financial liabilities is transferred to share capital and capital reserve.

**(p) Employee benefits*****(i) Short-term employee benefits and contributions to defined contribution retirement plans***

Salaries, annual bonuses, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the period in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

***(ii) Share-based payments***

The fair value of shares granted to directors, employees, advisers and other persons (collectively, "eligible persons") is recognized as an expense with a corresponding increase in share-based payments reserve within equity. The fair value is measured at grant date using the equity allocation method or discounted cash flow method, taking into account the terms and conditions upon which the shares were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the shares, the total estimated fair value of the shares is spread over the vesting period, taking into account the probability that the shares will vest.

During the vesting period, the number of shares that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognized in prior periods is charged/credited to the profit or loss for the period of the review, with a corresponding adjustment to the share-based payments reserve. On vesting date, the amount recognized as an expense is adjusted to reflect the actual number of shares that vest (with a corresponding adjustment to the share-based payments reserve). The equity amount is recognized in the share-based payments reserve until the shares are vested (when it is included in the amount recognized in share premium).

***(iii) Termination benefits***

Termination benefits are recognized at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognizes restructuring costs involving the payment of termination benefits.

**(q) Income tax**

Income tax for the period comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognized in profit or loss except to the extent that they relate to items recognized in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognized in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the end of each reporting period during the Relevant Periods, and any adjustment to tax payable in respect of previous periods.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilized, are recognized. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilized.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognized is measured based on the expected manner of realization or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of reporting period during the Relevant Periods. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of reporting period during the Relevant Periods and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilized. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognized when the liability to pay the related dividends is recognized.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
  - the same taxable entity; or
  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realize the current tax assets and settle the current tax liabilities on a net basis or realize and settle simultaneously.

**(r) Provisions and contingent liabilities**

Provisions are recognized when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

**(s) Revenue and other income**

Income is classified by the Group as revenue when it arises from the sale of goods and provision of services in the ordinary course of the Group's business.

The Group is the principal for its revenue transactions and recognizes revenue on a gross basis. In determining whether the Group acts as a principal or as an agent, it considers whether it obtains control of the products or services before they are transferred to the customers. Control refers to the Group's ability to direct the use of and obtain substantially all of the remaining benefits from the products or services.

The Group's revenue and other income recognition policies are as follows:

**(i) Online retail pharmacy services**

Revenue from online retail pharmacy services is principally sales of pharmaceutical and healthcare products to individual customers on the Group's online retail pharmacy service platform, third party platforms and retail pharmacies, along which the Group provides online consulting services and after-sales consulting services.

The revenue from online retail pharmacy services is recognized at the point in time when control of pharmaceutical and healthcare products is transferred to the customers.

**(ii) Comprehensive medical services**

Revenue from comprehensive medical services is principally comprised 1) online consultation services, e-prescription services and sales of pharmaceutical and other products on the Group's comprehensive medical service platform to individual customers; and 2) physician consultation services, physical examination services, surgery services and sales of pharmaceutical products by the Group's hospital to individual patients.

The revenue from the sales of pharmaceutical and healthcare products through comprehensive medical service platform and hospital is recognized at the point in time when control of pharmaceutical and healthcare products is transferred to the customers.

Online consultation services, e-prescription services, physician consultation services, physical examination services and surgery service are generally rendered in a short period of time and revenue is recognized at a point in time on completion of the related services when the services are rendered and completed.

**(iii) Customized content and marketing solutions**

Revenue from customized content and marketing solutions is principally comprised content and marketing solutions to pharmaceutical and healthcare products suppliers and third parties. The Group performs the services stipulated in the contracts during the continuous transfer of control of the services to the customers and recognizes revenue over time.

**(iv) Pharmaceutical distribution**

Revenue from pharmaceutical distribution is recognized at the point in time when control of pharmaceutical and healthcare products is transferred to the customers.

(v) **Discount vouchers**

From time to time, the Group offers its customers discount vouchers for free of charge through various promotional and advertising activities, and the discount vouchers can only be utilized when future purchases are made by the customers on certain specified pharmaceutical and healthcare products of the Group. The Group recognizes the discount vouchers as a reduction in revenue when the customers apply the discount vouchers in future purchases.

(vi) **Interest income**

Interest income is recognized as it accrues using the effective interest method. For financial assets measured at amortized cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortized cost (i.e. gross carrying amount net of loss allowance) of the asset.

(vii) **Government grants**

Government grants are recognized in the consolidated statements of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognized as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred.

(t) **Translation of foreign currencies**

Foreign currency transactions during the period are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of each reporting period during the Relevant Periods. Exchange gains and losses are recognized in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the Group initially recognizes such non-monetary assets or liabilities. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

(u) **Related parties**

- (a) A person, or a close member of that person's family, is related to the Group if that person:
- (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Group or the Group's parent.
- (b) An entity is related to the Group if any of the following conditions applies:
- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - (iii) Both entities are joint ventures of the same third party.
  - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
  - (vi) The entity is controlled or jointly controlled by a person identified in (a).
  - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

**(v) Segment reporting**

Operating segments, and the amounts of each segment item reported in the Historical Financial Information, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

**(w) Borrowing costs**

Borrowing costs are expensed in the period in which they are incurred.

### 3 ACCOUNTING JUDGEMENT AND ESTIMATES

#### Key sources of estimation uncertainty

Note 23(a) contains information about the assumptions and their risk factors relating to fair value of shares granted. Other key sources of estimation uncertainty in the process of applying the Group's accounting policies are as follows:

**(a) *Recognition of deferred tax assets***

Deferred tax assets in respect of tax losses carried forward and deductible temporary differences are recognized and measured based on the expected manner of realization or settlement of the carrying amount of the relevant assets and liabilities, using tax rates enacted or substantively enacted at the end of each reporting date. In determining a number of assumptions relating to the operating environment of the Group and require a significant level of judgement exercised by the directors. Any change in such assumptions and judgement would affect the carrying amounts of deferred tax assets to be recognized and hence the net profit or loss in future years.

**(b) *Provision for diminution in value of inventories***

Management reviews the ageing and expiry dates of inventories of the Group at the end of each reporting period, and makes provision on obsolete and slow-moving inventory items identified that are no longer suitable for sale. Management estimates the net realizable value for such inventories based primarily current market condition and historical experience on similar inventories. Any change in the assumptions would increase or decrease the amount of inventories write-down or the related reversals of write-down and affect the Group's consolidated financial position.

**(c) *Assessment on control over a private non-enterprise hospital***

As set out in note 1.3, the Group operated a private non-enterprise hospital during the Relevant Periods. The Group has entered into agreements with the hospital, pursuant to which the Group obtains contractual rights to provide management services to the hospital and is entitled to receive income-based management fees. All the three directors of the council of the private non-enterprise hospital are appointed by the Group.

The Group has exercised significant judgements in determining whether the Group has control over the hospital. In exercising such judgement, the Group considers:

- (i) the purpose and plan of the hospital;
- (ii) what the relevant activities are and how decisions about those activities are made;
- (iii) whether the rights of the Group give the current ability to direct the relevant activities;
- (iv) whether rights exercisable by other parties as internal governance body members are substantive;
- (v) whether the Group is exposed, or has rights, to variable returns from its involvement with the hospital, and
- (vi) whether the Group has the ability to use its power over the hospital to affect the amount of returns.

Based on the assessment, the Group concluded that the Group has the decision-making power over the internal governance body of the hospital to direct the relevant activities of the hospital, so the Group has control over and thus has consolidated the hospital during the Relevant Periods.

**(d) Provision for expected credit losses on trade receivables**

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on aging of trade receivables. The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information.

The assessment of the correlation among historical observed default rates and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

#### 4 REVENUE AND SEGMENT REPORTING

**(a) Revenue**

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

***Disaggregation of revenue***

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

	Year ended December 31,		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Revenue from contracts with customers within the scope of HKFRS 15</b>			
Online retail pharmacy services	1,011,427	1,252,123	1,297,106
Comprehensive medical services	719,693	868,171	983,654
Customized content and marketing solutions	27,553	60,254	87,046
Others	–	23,755	66,502
	<u>1,758,673</u>	<u>2,204,303</u>	<u>2,434,308</u>

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

	Year ended December 31,		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Disaggregated by timing of revenue recognition</b>			
- Point in time	1,731,120	2,144,049	2,312,533
- Over time	27,553	60,254	121,775
	<u>1,758,673</u>	<u>2,204,303</u>	<u>2,434,308</u>

No revenue from individual customer contributes over 10% of total revenue of the Group for the Relevant Periods.

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

**(b) Segment Reporting**

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

**(i) Segment results**

	Year ended December 31,		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Disaggregated by segment</b>			
<b>Online retail pharmacy services</b>			
Revenue	1,011,427	1,252,123	1,297,106
Gross profit	155,000	206,693	263,191
<b>Comprehensive medical services</b>			
Revenue	719,693	868,171	983,654
Gross profit	40,543	122,078	149,738
<b>Customized content and marketing solutions</b>			
Revenue	27,553	60,254	87,046
Gross profit	24,105	51,483	72,277
<b>Others</b>			
Revenue	–	23,755	66,502
Gross profit	–	330	2,201
<b>Reportable segment gross profit derived from the Group's external customers</b>	<u>219,648</u>	<u>380,584</u>	<u>487,407</u>

(ii) *Reconciliations of reportable segment profit*

	Year ended December 31,		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Disaggregated by segment</b>			
Reportable segment profit derived from the Group's external customers	219,648	380,584	487,407
Other net income/(loss)	33,005	(134,188)	(23,915)
Selling and distribution expenses	(309,291)	(330,248)	(343,770)
Administrative expenses	(138,967)	(177,483)	(171,477)
Recognition of impairment losses	(310)	(173)	(140)
Finance costs	(108,035)	(121,781)	(144,816)
Loss before taxation	<u>(303,950)</u>	<u>(383,289)</u>	<u>(196,711)</u>

(iii) *Geographic information*

Analysis of the Group's revenue and results as well as analysis of the Group's carrying amount of segment assets and additions to property, plant and equipment by geographical market has not been presented as over 99% of the Group's loss from operations for the years ended December 31, 2021, 2022 and 2023 are generated from the PRC market.

## 5 OTHER NET INCOME/(LOSS)

	Year ended December 31,		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Government grants (i)	4,442	526	1,026
Foreign exchange gain/(loss) (ii)	27,635	(134,660)	(28,444)
Other gain/(loss)	928	(54)	3,503
	<u>33,005</u>	<u>(134,188)</u>	<u>(23,915)</u>

*Notes:*

- (i) Government grants represent various forms of incentives and subsidies granted to the Group by the local government authorities in the PRC.
- (ii) The foreign exchange gain or loss primarily resulted from the translation of the preferred shares which denominated in USD as disclosed in note 25.



## 6 LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

	Year ended December 31,		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>(a) Finance costs</b>			
Interest on lease liabilities (note 11(b))	815	752	1,377
Interest on bank loans	–	415	263
Changes in the carrying amount of preferred shares liability (note 25)	107,220	120,614	143,176
	<u>108,035</u>	<u>121,781</u>	<u>144,816</u>
<b>(b) Staff costs (including directors' emoluments)</b>			
Salaries, wages and other benefits	102,038	136,459	132,169
Equity settled share-based transactions (note 23)	7,904	13,648	5,233
Contributions to defined contribution retirement plan (i)	10,411	14,810	9,643
	<u>120,353</u>	<u>164,917</u>	<u>147,045</u>

## Notes:

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

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

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

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

(ii) Staff costs includes remuneration of directors and senior management (notes 8 and 28(a)).

	Year ended December 31,		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
<b>(c) Other items</b>			
Amortization			
– intangible assets (note 12)	656	722	795
Depreciation (note 11)			
– property, plant and equipment	2,270	3,224	3,591
– right-of-use assets	10,210	13,490	15,929
	12,480	16,714	19,520
Recognition of impairment losses			
– trade debtors (note 27(a))	310	173	140
Research and development costs	45,950	61,783	41,532
Listing expense	13,453	21,273	25,081
Cost of inventories (note 14(b))	1,517,478	1,796,427	1,955,804

During the years ended December 31, 2021, 2022 and 2023, research and development costs includes staff costs, depreciation and amortization of RMB44,065,000, RMB60,485,000 and RMB41,180,000 respectively, which amounts are also included in the respective total amounts disclosed separately above or in note 6(b) for each of these types of expenses.

## 7 Income tax in the consolidated statements of profit or loss and other comprehensive income

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

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

	Year ended December 31,		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
<b>Current tax</b>			
Provision for the year	39	13	77

*(i) The Cayman Islands income tax*

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

*(ii) Hong Kong income tax*

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

*(iii) The PRC corporate income tax*

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

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

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

	Year ended December 31,		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Loss before taxation	(303,950)	(383,289)	(196,711)
Notional tax on loss before taxation, calculated at the rates applicable to loss in the jurisdictions concerned	(51,477)	(26,688)	2,617
Tax concessions	–	415	(770)
Tax effect of non-deductible expenses	1,133	1,720	1,026
Tax effect of temporary differences and tax losses not recognized in current year (net)	50,383	27,041	(930)
Additional deduction of qualified research and development costs <i>(i)</i>	–	(2,475)	(1,866)
Actual tax expenses	39	13	77

*(i)* According to the relevant laws and regulations promulgated by the State Administration of Taxation of the PRC, an additional 75% of qualified research and development costs incurred is allowed to be deducted from taxable income.

## 8 DIRECTORS' EMOLUMENTS

Details of directors' emoluments during the Relevant Periods are as follows:

Year ended December 31, 2021							
Note	Directors' fees	Salaries, allowances and other benefits	Discretionary bonuses	Retirement scheme contributions	Equity settled share-based transactions	Total	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
<b>Executive directors</b>							
Mr. Xie Fangmin (chief executive)	(a)	–	1,894	653	36	–	2,583
Mr. Zhou Feng	(a)	–	1,120	653	–	–	1,773
Mr. Zou Yuming	(d)	–	–	–	–	1,312	1,312
<b>Non-executive directors</b>							
Mr. David Mckee Hand	(b)	–	–	–	–	–	–
Mr. Kong Qingrong	(c)	–	–	–	–	–	–
Mr. Wang Lei	(c)	–	–	–	–	–	–
Ms. Liu Xiukui	(c)	–	81	–	11	–	92
Total		–	3,095	1,306	47	1,312	5,760
<b>Year ended December 31, 2022</b>							
Note	Directors' fees	Salaries, allowances and other benefits	Discretionary bonuses	Retirement scheme contributions	Equity settled share-based transactions	Total	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
<b>Executive directors</b>							
Mr. Xie Fangmin (chief executive)	(a)	–	4,528	–	40	–	4,568
Mr. Zhou Feng	(a)	–	2,626	–	–	–	2,626
Mr. Zou Yuming	(d)	–	1,244	44	13	182	1,483
<b>Non-executive directors</b>							
Mr. David Mckee Hand	(b)	–	–	–	–	–	–
Total		–	8,398	44	53	182	8,677

## Year ended December 31, 2023

Note	Salaries, allowances and other benefits		Discretionary bonuses	Retirement scheme contributions	Equity settled share-based transactions	Total	
	Directors' fees						
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
<b>Executive directors</b>							
Mr. Xie Fangmin (chief executive)	(a)	–	5,569	1,057	69	–	6,695
Mr. Zhou Feng	(a)	–	3,096	1,057	–	–	4,153
Mr. Zou Yuming	(d)	–	1,760	46	32	–	1,838
<b>Non-executive director</b>							
Mr. David Mckee Hand	(b)	–	–	–	–	–	–
Total		–	10,425	2,160	101	–	12,686

## Notes:

- (a) Mr. Xie Fangmin and Mr. Zhou Feng were appointed as executive directors of the Company on September 26, 2019.
- (b) Mr. David Mckee Hand was appointed as a non-executive director of the Company on December 14, 2020. No remuneration was paid to him by the Group during the Relevant Periods.
- (c) Mr. Kong Qingrong, Mr. Wang Lei and Ms. Liu Xiukui were appointed as non-executive directors of the Company on December 14, 2020 and all of them resigned on August 9, 2021. No remuneration was paid to Mr. Kong Qingrong and Mr. Wang Lei by the Group during the Relevant Periods.
- (d) Mr. Zou Yuming was appointed as an executive director of the Company on August 9, 2021.

## 9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

During the years ended December 31, 2021, 2022 and 2023, of the five individuals with the highest emoluments, three, three and three are directors whose emoluments are disclosed in note 8. The aggregate of the emoluments in respect of the other two, two and two individuals are as follows:

	Year ended December 31,		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Salaries and other benefits	1,923	2,185	2,016
Discretionary bonuses	181	76	1,156
Retirement scheme contributions	15	80	86
Equity settled share-based transactions	402	1,099	434
	2,521	3,440	3,692

The emoluments of the two, two and two individuals with the highest emoluments are within the following bands:

	Year ended December 31,		
	2021	2022	2023
	<i>Number of individuals</i>	<i>Number of individuals</i>	<i>Number of individuals</i>
HKD1,000,001 – HKD1,500,000	2	1	1
HKD1,500,001 – HKD2,000,000	–	–	–
HKD2,000,001 – HKD2,500,000	–	1	–
HKD2,500,001 – HKD3,000,000	–	–	1
	<u>2</u>	<u>2</u>	<u>2</u>

## 10 LOSS PER SHARE

Loss per share information is not presented as its inclusion, for the purpose of the Historical Financial Information, is not considered meaningful due to the basis of preparation and presentation of Historical Financial Information of the Group as disclosed in note 1.

## 11 PROPERTY, PLANT AND EQUIPMENT

### (a) Reconciliation of carrying amount of property, plant and equipment

	Machinery and equipment	Motor vehicles	Furniture, fixtures and other equipment	Leasehold improvement	Right-of-use assets	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Cost:</b>						
At January 1, 2021	2,263	294	2,582	5,573	31,874	42,586
Additions	209	1,108	1,228	2,444	8,783	13,772
Disposals	–	–	–	(272)	(2,625)	(2,897)
At December 31, 2021 and January 1, 2022	2,472	1,402	3,810	7,745	38,032	53,461
Additions	276	–	2,357	1,669	21,974	26,276
Disposals	–	–	(26)	(60)	(12,677)	(12,763)
At December 31, 2022 and January 1, 2023	2,748	1,402	6,141	9,354	47,329	66,974
Additions	1,412	–	1,856	1,677	35,325	40,270
Disposals	(4)	–	(689)	(1,638)	(17,618)	(19,949)
At December 31, 2023	4,156	1,402	7,308	9,393	65,036	87,295
<b>Accumulated depreciation:</b>						
At January 1, 2021	(1,900)	(49)	(1,772)	(3,557)	(13,063)	(20,341)
Charge for the year (note 6(c))	(114)	(210)	(529)	(1,417)	(10,210)	(12,480)
Written back on disposals	–	–	–	111	2,625	2,736

	Machinery and equipment	Motor vehicles	Furniture, fixtures and other equipment	Leasehold improvement	Right-of-use assets	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At December 31, 2021 and January 1, 2022	(2,014)	(259)	(2,301)	(4,863)	(20,648)	(30,085)
Charge for the year (note 6(c))	(88)	(351)	(960)	(1,825)	(13,490)	(16,714)
Written back on disposals	–	–	23	41	11,021	11,085
At December 31, 2022 and January 1, 2023	(2,102)	(610)	(3,238)	(6,647)	(23,117)	(35,714)
Charge for the year (note 6(c))	(167)	(347)	(1,394)	(1,683)	(15,929)	(19,520)
Written back on disposals	4	–	684	1,633	17,257	19,578
At December 31, 2023	(2,265)	(957)	(3,948)	(6,697)	(21,789)	(35,656)
<b>Net book value:</b>						
At December 31, 2023	1,891	445	3,360	2,696	43,247	51,639
At December 31, 2022	646	792	2,903	2,707	24,212	31,260
At December 31, 2021	458	1,143	1,509	2,882	17,384	23,376

**(b) Right-of-use assets**

The analysis of expense items in relation to leases recognized in profit or loss is as follows:

	Year ended December 31,		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Depreciation charge of right-of-use assets by class of underlying asset:			
– Pharmacies	1,275	1,575	1,452
– Warehouses	4,131	6,335	6,574
– Offices	4,643	5,443	7,533
– Dormitories	161	137	370
	10,210	13,490	15,929
Expense relating to short-term leases	804	545	426
Interest on lease liabilities (note 6(a))	815	752	1,377

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in notes 18(c) and 22, respectively.

The Group has obtained the right to use other properties as its pharmacies, warehouses, offices and dormitories through tenancy agreements. The leases typically run for an initial period of 14 to 72 months. Lease payments are usually increased by each year to reflect market rentals.

## 12 INTANGIBLE ASSETS

	<b>Computer software</b>	<b>License</b>	<b>Trademark</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Cost:</b>				
At January 1, 2021	102	2,720	–	2,822
Additions	579	–	–	579
At December 31, 2021 and January 1, 2022				
Additions	681	2,720	–	3,401
	606	–	131	737
At December 31, 2022 and January 1, 2023				
Additions	1,287	2,720	131	4,138
Disposals	608	15	–	623
	(14)	–	–	(14)
At December 31, 2023	1,881	2,735	131	4,747
<b>Accumulated amortization:</b>				
Balance at January 1, 2021	(27)	(282)	–	(309)
Charge for the year ( <i>note 6(c)</i> )	(40)	(616)	–	(656)
Balance at December 31, 2021 and January 1, 2022				
Charge for the year ( <i>note 6(c)</i> )	(67)	(898)	–	(965)
	(98)	(616)	(8)	(722)
Balance at December 31, 2022 and January 1, 2023				
Charge for the year ( <i>note 6(c)</i> )	(165)	(1,514)	(8)	(1,687)
Written back on disposals	(165)	(620)	(10)	(795)
	10	–	–	10
Balance at December 31, 2023	(320)	(2,134)	(18)	(2,472)
<b>Carrying amounts:</b>				
At December 31, 2023	1,561	601	113	2,275
At December 31, 2022	1,122	1,206	123	2,451
At December 31, 2021	614	1,822	–	2,436



## 13 OTHER NON-CURRENT ASSETS

	As at December 31,		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Interest in an investment vehicle (i)	10,000	10,000	–
Others	767	–	100
	<u>10,767</u>	<u>10,000</u>	<u>100</u>

Note:

- (i) The balance mainly represented an investment in a limited partnership investment vehicle, which intends to invest in the healthcare industry. The Group made investment of RMB2 million and RMB8 million in 2020 and 2021, respectively. The carrying amount of such investment amounted to RMB10 million, RMB10 million as at December 31, 2021 and 2022, respectively. The Group disposed the investment at a consideration of RMB10 million in June 2023.

## 14 INVENTORIES

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

	As at December 31,		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Pharmaceutical and healthcare products	<u>111,528</u>	<u>126,464</u>	<u>136,045</u>

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

	Year ended December 31,		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Carrying amount of inventories sold	1,516,288	1,796,376	1,912,293
Write-down of inventories	1,190	51	43,511
	<u>1,517,478</u>	<u>1,796,427</u>	<u>1,955,804</u>

All of the inventories are expected to be recovered within one year.

## 15 TRADE AND OTHER RECEIVABLES

	As at December 31,		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Trade debtors	7,599	28,534	24,299
Bills receivable	–	1,000	–
Less: loss allowance	(30)	(146)	(203)
	<u>7,569</u>	<u>29,388</u>	<u>24,096</u>
Purchase rebates with suppliers	32,914	42,426	60,944
Deposits	5,849	7,596	10,487
Other receivables	1,989	7,001	5,615
	<u>40,752</u>	<u>57,023</u>	<u>77,046</u>
	<u><u>48,321</u></u>	<u><u>86,411</u></u>	<u><u>101,142</u></u>

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

**Ageing analysis:**

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

	As at December 31,		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Within 3 months	7,183	24,904	17,012
Over 3 months but within 6 months	378	2,833	5,160
Over 6 months but within 1 year	8	1,651	1,336
Over 1 year	–	–	588
	<u>7,569</u>	<u>29,388</u>	<u>24,096</u>

Trade debtors and bills receivable are generally due within 180 days from the date of billing. Further details on the Group's credit policy are set out in note 2(i).

**16 OTHER CURRENT ASSETS***The Group:*

	As at December 31,		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Input value-added tax to be verified or credited	21,118	18,910	30,778
Others (i)	2,690	7,447	3,983
	<u>23,808</u>	<u>26,357</u>	<u>34,761</u>

*Note:*

- (i) The balance mainly represented the listing expenses to be deducted from equity upon the Listing.

*The Company:*

	As at December 31,		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Listing expenses to be deducted from equity upon the Listing	<u>2,340</u>	<u>5,397</u>	<u>3,983</u>

**17 RESTRICTED BANK DEPOSITS**

As at December 31, 2021, 2022 and 2023, deposits with bank of nil, RMB25,000,000 and RMB30,615,000 were pledged as securities for bills payable. As at December 31, 2022 and 2023, a subsidiary of the Group utilized the banking facilities to issue bills of RMB50,000,000 and RMB68,715,000 respectively, to settle the inter-group purchase transactions. The balance of bills payable was eliminated in the Historical Financial Information.

**18 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION****(a) Cash and cash equivalents comprise***The Group:*

	As at December 31,		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cash on hand	21	24	52
Cash at bank	77,646	123,284	129,436
Cash equivalents placed at payment platforms	6,991	11,599	16,829
	<u>84,658</u>	<u>134,907</u>	<u>146,317</u>

*The Company:*

	As at December 31,		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cash at bank	1,076	59,439	1,021

As at December 31, 2021, 2022 and 2023, the Group's cash and cash equivalents situated in Mainland China amounted to RMB50,416,000, RMB62,901,000 and RMB105,756,228 respectively. Remittance of funds out of Mainland China is subject to relevant rules and regulations of foreign exchange control.

**(b) Reconciliation of loss before taxation to cash generated from/(used in) operations**

	<i>Note</i>	Year ended December 31,		
		2021	2022	2023
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Loss before taxation		(303,950)	(383,289)	(196,711)
Adjustments for:				
Recognition of impairment losses	<i>6(c)</i>	310	173	140
Expense of equity settled				
share-based transactions	<i>23(b)</i>	7,904	13,648	5,233
Finance costs	<i>6(a)</i>	108,035	121,781	144,816
Foreign exchange (gain)/loss	<i>5</i>	(27,635)	134,660	28,444
Net loss/(gain) on disposal of property,				
plant and equipment		161	14	(21)
Depreciation	<i>6(c)</i>	12,480	16,714	19,520
Amortization of intangible assets	<i>12</i>	656	722	795
Changes in working capital:				
Increase in inventories		(42,557)	(14,936)	(9,581)
(Increase)/decrease in prepayments		(5,453)	(53,832)	45,525
Increase in trade and other receivables		(32,231)	(38,263)	(14,871)
Decrease in amounts due from related parties		43,450	–	–
Increase in other current assets		(10,542)	(2,549)	(8,404)
Increase in trade and other payables		92,017	77,177	84,216
Decrease in amounts due to related parties		(52,737)	–	–
Increase/(decrease) in contract liabilities		5,942	71,313	(69,495)
Increase/(decrease) in other current liabilities		537	6,703	(7,250)
Cash (used in)/generated from operations		(203,613)	(49,964)	22,356

## (c) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated statements of cash flows as cash flows from financing activities.

	<b>Convertible redeemable preferred shares</b>	<b>Lease liabilities</b>	<b>Total</b>
	<i>RMB'000</i> <i>(note 25)</i>	<i>RMB'000</i> <i>(note 22)</i>	<i>RMB'000</i>
<b>At January 1, 2021</b>	1,292,956	20,082	1,313,038
<b>Changes from financing cash flows:</b>			
Capital element of lease rentals paid	–	(10,592)	(10,592)
Interest element of lease rentals paid	–	(815)	(815)
	<u>–</u>	<u>(11,407)</u>	<u>(11,407)</u>
Total changes from financing cash flows	–	(11,407)	(11,407)
<b>Other changes:</b>			
Changes in the carrying amount of preferred shares liability <i>(note 6(a))</i>	107,220	–	107,220
Foreign exchange gain	(31,409)	–	(31,409)
Interest expenses <i>(note 6(a))</i>	–	815	815
Additions on lease liabilities <i>(note 11(a))</i>	–	8,783	8,783
	<u>75,811</u>	<u>9,598</u>	<u>85,409</u>
Total other changes	75,811	9,598	85,409
<b>At December 31, 2021</b>	<u>1,368,767</u>	<u>18,273</u>	<u>1,387,040</u>

	<b>Convertible redeemable preferred shares</b>	<b>Lease liabilities</b>	<b>Bank loans</b>	<b>Total</b>
	<i>RMB'000</i> <i>(note 25)</i>	<i>RMB'000</i> <i>(note 22)</i>	<i>RMB'000</i> <i>(note 21)</i>	<i>RMB'000</i>
<b>At January 1, 2022</b>	1,368,767	18,273	–	1,387,040
<b>Changes from financing cash flows:</b>				
Issuance of convertible redeemable preferred shares <i>(note 25)</i>	110,175	–	–	110,175
Proceed from bank loans	–	–	24,790	24,790
Repayment of bank loans	–	–	(14,790)	(14,790)
Interest paid	–	–	(261)	(261)
Capital element of lease rentals paid	–	(11,929)	–	(11,929)
Interest element of lease rentals paid	–	(752)	–	(752)
	<u>110,175</u>	<u>(12,681)</u>	<u>9,739</u>	<u>107,233</u>
Total changes from financing cash flows	110,175	(12,681)	9,739	107,233

	<b>Convertible redeemable preferred shares</b>	<b>Lease liabilities</b>	<b>Bank loans</b>	<b>Total</b>
	<i>RMB'000</i> <i>(note 25)</i>	<i>RMB'000</i> <i>(note 22)</i>	<i>RMB'000</i> <i>(note 21)</i>	<i>RMB'000</i>
<b>Other changes:</b>				
Foreign exchange loss	138,326	–	–	138,326
Changes in the carrying amount of preferred shares liability <i>(note 6(a))</i>	120,614	–	–	120,614
Interest expenses <i>(note 6(a))</i>	–	752	415	1,167
Additions on lease liabilities <i>(note 11(a))</i>	–	21,974	–	21,974
Disposal on lease liabilities	–	(1,664)	–	(1,664)
Total other changes	<u>258,940</u>	<u>21,062</u>	<u>415</u>	<u>280,417</u>
<b>At December 31, 2022</b>	<u>1,737,882</u>	<u>26,654</u>	<u>10,154</u>	<u>1,774,690</u>
	<b>Convertible redeemable preferred shares</b>	<b>Lease liabilities</b>	<b>Bank loans</b>	<b>Total</b>
	<i>RMB'000</i> <i>(note 25)</i>	<i>RMB'000</i> <i>(note 22)</i>	<i>RMB'000</i> <i>(note 21)</i>	<i>RMB'000</i>
<b>At January 1, 2023</b>	<u>1,737,882</u>	<u>26,654</u>	<u>10,154</u>	<u>1,774,690</u>
<b>Changes from financing cash flows:</b>				
Proceed from bank loans	–	–	25,601	25,601
Repayment of bank loans	–	–	(30,601)	(30,601)
Interest paid	–	–	(412)	(412)
Capital element of lease rentals paid	–	(16,904)	–	(16,904)
Interest element of lease rentals paid	–	(1,377)	–	(1,377)
Total changes from financing cash flows	<u>–</u>	<u>(18,281)</u>	<u>(5,412)</u>	<u>(23,693)</u>
<b>Other changes:</b>				
Foreign exchange loss	30,463	–	–	30,463
Changes in the carrying amount of preferred shares liability <i>(note 6(a))</i>	143,176	–	–	143,176
Interest expenses <i>(note 6(a))</i>	–	1,377	263	1,640
Additions on lease liabilities <i>(note 11(a))</i>	–	35,325	–	35,325
Disposal on lease liabilities	–	(361)	–	(361)
Total other changes	<u>173,639</u>	<u>36,341</u>	<u>263</u>	<u>210,243</u>
<b>At December 31, 2023</b>	<u>1,911,521</u>	<u>44,714</u>	<u>5,005</u>	<u>1,961,240</u>

## 19 TRADE AND OTHER PAYABLES

*The Group:*

	As at December 31,		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables (ii)	191,500	220,083	292,944
Staff cost payables	33,688	52,253	53,829
Other tax payables	2,825	13,555	20,480
Deposits	1,395	1,132	1,444
Other payables and accrued charges	52,641	69,194	71,754
	<u>282,049</u>	<u>356,217</u>	<u>440,451</u>

*The Company:*

	As at December 31,		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Listing expense payables	1,936	8,817	7,153
Staff cost payables	–	850	2,996
Other payables and accrued charges	562	211	–
	<u>2,498</u>	<u>9,878</u>	<u>10,149</u>

*Notes:*

- (i) All of the trade and other payables are expected to be settled or recognized as income within one year or are repayable on demand.
- (ii) As at the end of each reporting period during the Relevant Periods, the ageing analysis of trade payables (which are included in trade and other payables), based on the invoice date, is as follows:

	As at December 31,		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 month	137,328	118,582	181,163
1 to 3 months	52,747	99,781	110,683
Over 3 months but within 6 months	1,253	1,471	842
Over 6 months but within 1 year	145	88	169
Over 1 year but within 2 years	27	161	87
	<u>191,500</u>	<u>220,083</u>	<u>292,944</u>

## 20 CONTRACT LIABILITIES

	As at December 31,		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Advances from customers	13,841	83,448	15,254
Customers' loyalty points program	4,214	5,920	4,619
Total	<u>18,055</u>	<u>89,368</u>	<u>19,873</u>

Movements in contract liabilities:

	<b>Contract liabilities</b>
	<i>RMB'000</i>
Balance at January 1, 2021	12,113
Decrease in contract liabilities as a result of recognizing revenue during the year that was included in the contract liabilities at the beginning of the year	(12,113)
Increase in contract liabilities as a result of billing in advance	13,841
Increase in contract liabilities as a result of customers' loyalty points program	<u>4,214</u>
Balance at December 31, 2021 and January 1, 2022	18,055
Decrease in contract liabilities as a result of recognizing revenue during the year that was included in the contract liabilities at the beginning of the year	(18,055)
Increase in contract liabilities as a result of billing in advance	83,448
Increase in contract liabilities as a result of customers' loyalty points program	<u>5,920</u>
Balance at December 31, 2022 and January 1, 2023	89,368
Decrease in contract liabilities as a result of recognizing revenue during the year that was included in the contract liabilities at the beginning of the year	(89,368)
Increase in contract liabilities as a result of billing in advance	9,639
Increase in contract liabilities as a result of customers' loyalty points program	<u>10,234</u>
Balance at December 31, 2023	<u><u>19,873</u></u>

As at December 31, 2021, 2022 and 2023, no receipts in advance from customers of the Group are expected to be recognized as income after more than one year.

## 21 BANK LOANS

As at December 31, 2022 and 2023, all the Group's bank loans are unsecured and repayable within 1 year.

As at December 31, 2021, 2022 and 2023, the unutilized banking facilities of the Group amounted to RMB120,000,000, RMB60,000,000 and RMB48,899,500 respectively. The Group was not subject to the fulfilment of covenants for the banking facilities.



**22 LEASE LIABILITIES**

The following table shows the remaining contractual maturities of the Group's lease liabilities at the end of each reporting period during the Relevant Periods:

	As at December 31,					
	2021		2022		2023	
	Present value of the minimum lease payments	Total minimum lease payments	Present value of the minimum lease payments	Total minimum lease payments	Present value of the minimum lease payments	Total minimum lease payments
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	9,958	10,703	12,796	13,858	15,346	16,770
After 1 year but within 2 years	6,682	6,861	7,011	7,483	10,194	11,136
After 2 years but within 5 years	1,633	1,665	6,847	7,266	19,174	20,057
	8,315	8,526	13,858	14,749	29,368	31,193
	<u>18,273</u>	<u>19,229</u>	<u>26,654</u>	<u>28,607</u>	<u>44,714</u>	<u>47,963</u>
Less: total future interest expenses		(956)		(1,953)		(3,249)
Present value of lease liabilities		<u>18,273</u>		<u>26,654</u>		<u>44,714</u>

**23 EQUITY SETTLED SHARE-BASED TRANSACTIONS****(a) RSU Incentive Plan**

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

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

*(i) Movements in RSUs granted are as follows:*

	<i>Number of shares</i>
<b>Outstanding as of January 1, 2021</b>	4,204,000
Granted on March 1, 2021	100,000
Shares vested before the date of shares split	(1,240,235)
Effect of shares split	12,255,060
Granted on December 31, 2021	9,875,000
Shares vested after the date of shares split	<u>(2,945,013)</u>
<b>Outstanding as of December 31, 2021</b>	22,248,812
Shares vested during the year	<u>(7,898,800)</u>
<b>Outstanding as of December 31, 2022</b>	14,350,012
Shares vested during the year	<u>(6,948,763)</u>
<b>Outstanding as of December 31, 2023</b>	<u><u>7,401,249</u></u>

During the years ended December 31, 2020 and 2021, the Group had granted RSUs to certain eligible persons under the RSU Incentive Plan, which would be vested within 3.75 years since the date of grant.

As at December 31, 2021, 2022 and 2023, the weighted average remaining vesting periods for the shares granted was 3.3 years, 2.3 years and 1.3 years respectively.

*(ii) Fair value of shares and assumptions*

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

<b>Grant date</b>	<b>December 31, 2020</b>	<b>March 1, 2021</b>	<b>December 31, 2021</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Fair value at measurement date (USD)	0.08	0.08	0.30
Expected volatility	42%	44%	46%
Expected dividend yield	–	–	–
Risk-free interest rate	0.26%	0.43%	0.95%

On August 9, 2021, the Company conducted a shares split pursuant to which each share in then issued and unissued shares was subdivided into five shares of the corresponding class. In order to make the data comparable during the Relevant Periods, the fair value at measurement date before the shares split are adjusted to the caliber after the shares split. The fair value of shares at measurement date of December 31, 2020 and March 1, 2021 above are adjusted after shares split from USD0.38 per share to USD0.08 per share.

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

- (b) Equity settled share-based transactions expenses recognized in the consolidated statements of profit or loss and other comprehensive income during the Relevant Periods:

	Year ended December 31,		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Administrative expenses	4,457	8,395	3,207
Selling and distribution expenses	3,447	5,253	2,026
	<u>7,904</u>	<u>13,648</u>	<u>5,233</u>

## 24 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

- (a) Current taxation in the consolidated statements of financial position represents:

	Year ended December 31,		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
At the beginning of the year	3	–	12
Provisions for PRC corporate income tax (note 7(a))	39	13	77
Income tax paid	(42)	(1)	(74)
At the end of the year	<u>–</u>	<u>12</u>	<u>15</u>

- (b) Deferred tax assets not recognized

In accordance with the accounting policy set out in note 2(q), the Group has not recognized deferred tax assets in respect of temporary differences and cumulative tax losses of certain subsidiaries located in the PRC as it is not probable that future taxable profits against which the losses or temporary differences can be utilized will be available in the relevant tax jurisdiction and entity.

The following table presents the Group's deductible temporary differences and cumulative tax losses for which deferred tax assets were not recognized at the reporting dates:

	As at December 31,		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Cumulative tax losses	402,429	525,314	262,827
Deductible temporary differences	36,588	13,615	65,314
Total	<u>439,017</u>	<u>538,929</u>	<u>328,141</u>

The expiration information of the Group's unrecognized deferred tax assets in respect of cumulative tax losses is set out below:

	As at December 31,		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
2022	13,937	–	–
2023	35,025	35,025	–
2024	91,681	91,681	5,569
2025	61,842	61,842	22,837
2026	199,944	199,944	120,720
2027	–	136,822	76,433
2028	–	–	37,268
Total	<u>402,429</u>	<u>525,314</u>	<u>262,827</u>

## 25 CONVERTIBLE REDEEMABLE PREFERRED SHARES

Since the date of incorporation, the Company has completed several rounds of financing arrangements by issuing convertible redeemable preferred shares ("Preferred Shares"), details of which are as follows:

	<i>Notes</i>	As at December 31, 2021		As at December 31, 2022		As at December 31, 2023	
		Number of shares	original issue price	Number of shares	original issue price	Number of shares	Original issue price
		<i>USD'000</i>		<i>USD'000</i>		<i>USD'000</i>	
Series A convertible redeemable preferred shares of par value at USD0.0001 each	<i>(i)(ii)</i>	115,165,045	20,000	115,165,045	20,000	115,165,045	20,000
Series A-1 convertible redeemable preferred shares of par value at USD0.0001 each	<i>(i)(ii)</i>	86,828,195	30,994	86,828,195	30,994	86,828,195	30,994
Series B convertible redeemable preferred shares of par value at USD0.0001 each	<i>(i)(ii)</i>	197,737,720	70,583	197,737,720	70,583	197,737,720	70,583
Series C convertible redeemable preferred shares of par value at USD0.0001 each	<i>(ii)</i>	155,180,335	45,000	155,180,335	45,000	155,180,335	45,000
Series D convertible redeemable preferred shares of par value at USD0.00002 each		–	–	8,664,773	8,000	8,664,773	8,000
Series D+ convertible redeemable preferred shares of par value at USD0.00002 each		–	–	8,086,871	8,600	8,086,871	8,600

*Notes:*

- (i) Pursuant to the Company's resolution passed on December 14, 2020, in the best interests of the Company and its shareholders, the Company approved to issue Series A, Series A-1 and Series B preferred shares to certain investors at a par value of USD0.0001. When the Series A, Series A-1 and Series B Preferred Shareholders are entitled to an annualized return of 10% based on the original issue price to Yunyi Inc. ("deemed original issue price"), calculating from the original issue date ("deemed original issue date"), respectively.

The Group recognizes the difference between the consideration received and present value of the redemption amount of Series A, Series A-1 and Series B Preferred Shares totalling RMB988,261,000 in other reserves in the Historical Financial Information as disclosed in note 1.2.1.

- (ii) On August 9, 2021, the Company conducted a shares split pursuant to which each share in then issued and unissued share capital was subdivided into five shares of the corresponding class as disclosed in note 26(b).

The movements of the financial liabilities arising from the Preferred Shares during the Relevant Periods are as follows:

	<b>Present value of redemption amount</b>
	<i>RMB'000</i>
At January 1, 2021	1,292,956
Changes in the carrying amount of preferred shares liability ( <i>note 6(a)</i> ):	
– Changes in present value of redemption amount	107,220
Exchange differences	(31,409)
At December 31, 2021 and January 1, 2022	1,368,767
Issue of Series D Preferred Shares ( <i>note 18(c)</i> )	50,723
Issue of Series D+ Preferred Shares ( <i>note 18(c)</i> )	59,452
Changes in the carrying amount of preferred shares liability ( <i>note 6(a)</i> ):	
– Changes in present value of redemption amount	120,614
Exchange differences	138,326
At December 31, 2022 and January 1, 2023	1,737,882
Changes in the carrying amount of preferred shares liability ( <i>note 6(a)</i> ):	
– Changes in present value of redemption amount	143,176
Exchange differences	30,463
At December 31, 2023	<u>1,911,521</u>

The key terms of all series of the Preferred Shares are summarized as follows:

**Conversion rights**

The Preferred Shares shall be convertible, at the option of the holder thereof, at any time after the issue date of Preferred Shares into such number of fully-paid and non-assessable ordinary shares or automatically be converted into ordinary shares upon the closing of a qualified initial public offering ("IPO"), based on the then-effective conversion price.

**Redemption rights**

The holders of Series D and D+ Preferred Shares shall have the right (but not be obliged) to require the Company to redeem the Preferred Shares at any time beginning on the date that is four years following the issue date of the Series D Preferred Shares, or at any time that holders of any other series of Preferred Shares require the Company to redeem all or any part of the then outstanding Preferred Shares.

The holders of Series A, A-1, B and C Preferred Shares shall have the right (but not be obliged) to require the Company to redeem the Preferred Shares at any time beginning on the date that is four years following the issue date of the Series D Preferred Shares, or at any time that holders of any other series of Preferred Shares require the Company to redeem all or any part of the then outstanding Preferred Shares.

The redemption price shall be:

- (a) Series A, A-1 and B Preferred Shares: a price which entitles such Preferred Shares to a simple annualized return of 10% based on the deemed original issue price calculating from the deemed original issue date, minus all paid dividends thereon up until the date of redemption;
- (b) Series C Preferred Shares: a price which entitles such Preferred Shares to an internal rate of return of 10% per annum based on the original issue price calculating from the original issue date, minus all paid dividends thereon up until the date of redemption;
- (c) Series D and D+ Preferred Shares: a price which entitles such Preferred Shares to a simple annualized return of 8% based on the original issue price calculating from the original issue date, minus all paid dividends thereon up until the date of redemption.

#### **Dividend rights**

No dividends (other than those payable solely in ordinary shares) shall be declared or paid on the ordinary shares or any future series of Preferred Shares, unless and until a dividend in like amount is declared and paid on each outstanding Preferred Share (on an as-if-converted basis). The holders of Preferred Shares shall be entitled to receive on a pari passu basis, when, as and if declared at the sole discretion of the board of directors, but only out of funds that are legally available therefore, cash dividends at the rate or in the amount as the board of directors considers appropriate.

#### **Liquidation preferences**

1. Upon any liquidation, dissolution, or winding up of the Company, whether voluntary or involuntary, all assets available for distribution shall be allocated to its shareholders in the following sequence:
  - a) Series D+ Preferred Shares: 100% of the original issue price, plus a simple annualized return of 8% based on the original issue price calculating from the original issue date, plus all dividends accrued and unpaid.
  - b) Series D Preferred Shares: 100% of the original issue price, plus a simple annualized return of 8% based on the original issue price calculating from the original issue date, plus all dividends accrued and unpaid.
  - c) Series C Preferred Shares: 100% of the original issue price, plus a simple annualized return of 10% based on the original issue price calculating from the original issue date, plus all dividends accrued and unpaid.
  - d) Series B Preferred Shares: 100% of the original issue price, plus a simple annualized return of 10% based on the deemed original issue price calculating from the deemed original issue date, plus all dividends accrued and unpaid.
  - e) Series A-1 Preferred Shares: 100% of the deemed original issue price, plus all dividends accrued and unpaid.
  - f) Series A Preferred Shares: 100% of the deemed original issue price, plus all dividends accrued and unpaid.
  - g) Remaining assets of the Company available for distribution to shareholders shall be distributed ratably among the holders of outstanding ordinary shares and holders of Preferred Shares on an as-if-converted basis.

## 26 CAPITAL AND RESERVES

## (a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statements of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

	Share capital	Share premium	Other reserves	Shares held for the RSU Incentive Plan	Share-based payments reserve	Accumulated losses	Total deficit
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Balance at January 1, 2021</b>	86	18,130	(329,539)	(11)	–	(30,041)	(341,375)
<b>Changes in equity for 2021:</b>							
Loss and total comprehensive income for the year	–	–	–	–	–	(98,558)	(98,558)
Equity settled share-based transactions	–	–	–	–	7,904	–	7,904
Shares vested under the RSU Incentive Plan	–	4,554	–	2	(4,556)	–	–
<b>Balance at December 31, 2021 and January 1, 2022</b>	86	22,684	(329,539)	(9)	3,348	(128,599)	(432,029)
<b>Changes in equity for 2022:</b>							
Loss and total comprehensive income for the year	–	–	–	–	–	(255,250)	(255,250)
Equity settled share-based transactions	–	–	–	–	13,648	–	13,648
Shares vested under the RSU Incentive Plan	–	7,391	–	1	(7,392)	–	–
<b>Balance at December 31, 2022 and January 1, 2023</b>	86	30,075	(329,539)	(8)	9,604	(383,849)	(673,631)
<b>Changes in equity for 2023:</b>							
Loss and total comprehensive income for the year	–	–	–	–	–	(203,413)	(203,413)
Equity settled share-based transactions	–	–	–	–	5,233	–	5,233
Shares vested under the RSU Incentive Plan	–	6,918	–	*	(6,918)	–	*
<b>Balance at December 31, 2023</b>	86	36,993	(329,539)	(8)	7,919	(587,262)	(871,811)

\* Less than RMB1,000

**(b) Authorized share capital**

The authorized share capital of the Company was USD50,000 divided into 500,000,000 shares of a nominal value of USD0.0001 each.

On August 9, 2021, the Company conducted a shares split pursuant to which each share in then issued and unissued share capital was subdivided into five shares of the corresponding class with nominal value of USD0.00002 each.

At the end of each reporting period during the Relevant Periods, the Company's authorized shares including shares held for RSU Incentive Plan, was as follows:

	As at December 31, 2021		As at December 31, 2022		As at December 31, 2023	
	<i>Number of shares</i>	<i>Nominal value USD</i>	<i>Number of shares</i>	<i>Nominal value USD</i>	<i>Number of shares</i>	<i>Nominal value USD</i>
Class A Ordinary Shares	1,494,896,580	29,897	1,478,144,936	29,562	1,478,144,936	29,562
Class B Ordinary Shares ( <i>Note 26(c)</i> )	450,192,125	9,004	450,192,125	9,004	450,192,125	9,004
Series A Preferred Shares ( <i>Note 25</i> )	115,165,045	2,303	115,165,045	2,303	115,165,045	2,303
Series A-1 Preferred Shares ( <i>Note 25</i> )	86,828,195	1,737	86,828,195	1,737	86,828,195	1,737
Series B Preferred Shares ( <i>Note 25</i> )	197,737,720	3,955	197,737,720	3,955	197,737,720	3,955
Series C Preferred Shares ( <i>Note 25</i> )	155,180,335	3,104	155,180,335	3,104	155,180,335	3,104
Series D Preferred Shares ( <i>Note 25</i> )	–	–	8,664,773	173	8,664,773	173
Series D+ Preferred Shares ( <i>Note 25</i> )	–	–	8,086,871	162	8,086,871	162
Total	<u>2,500,000,000</u>	<u>50,000</u>	<u>2,500,000,000</u>	<u>50,000</u>	<u>2,500,000,000</u>	<u>50,000</u>

**(c) Issued share**

On September 26, 2019, the Company allotted and issued 60,000,000 ordinary shares to Fangrong Management Limited and 40,000,000 ordinary shares to Celaeno Group Limited on the same day.

On December 14, 2020, the Company repurchased 7,042,781 and 2,918,794 ordinary shares from Fangrong Management Limited and Celaeno Group Limited, respectively, and the balance of the ordinary shares registered in the names of Fangrong Management Limited and Celaeno Group Limited were re-designated as Class B Ordinary Shares.

On December 14, 2020, the Company allotted and issued an aggregate of 33,474,043 Class A Ordinary Shares of nominal value of USD0.0001 each.

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



At the end of each reporting period during the Relevant Periods, the number of issued ordinary shares of the Company was as follows:

	As at December 31,		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Class A Ordinary Shares</b>	167,370,215	167,370,215	167,370,215
<b>Class B Ordinary Shares</b>	450,192,125	450,192,125	450,192,125
	<u>617,562,340</u>	<u>617,562,340</u>	<u>617,562,340</u>

Details of the changes in the Company's issued ordinary shares:

	Number of ordinary shares	Nominal value of ordinary shares	Nominal of ordinary shares
		<i>USD'000</i>	<i>RMB'000</i>
<b>Ordinary shares, Issued</b>			
At January 1, 2021	123,512,468	12	86
Effect of shares split	<u>494,049,872</u>	—	—
At December 31, 2021, January 1, 2022, December 31, 2022, January 1, 2023 and December 31, 2023	<u>617,562,340</u>	<u>12</u>	<u>86</u>

In addition, the Preferred Shares disclosed in note 26(b) above were fully issued and accounted for as financial liabilities at the respective balance sheet dates (see note 25).

**(d) Shares held for the RSU Incentive Plan**

As at December 14, 2020, the Company issued 22,284,494 ordinary shares to Arkasia (S) Pte. Ltd., Televest Singapore Pte. Ltd. and Asia Tech Investments Ltd., (the "Special Purpose Vehicles") in total. The Special Purpose Vehicles are platforms for RSU Incentive Plan. The Company entered into nominee agreement arrangements with the Special Purpose Vehicles, respectively.

The Company has power to govern the relevant activities of the Special Purpose Vehicles and can derive benefits from the contributions of the eligible employees who are awarded with the shares under RSU Incentive Plan, the Directors of the Company consider that it is appropriate to regard the Special Purpose Vehicles as branches of the Company. The 22,284,494 ordinary shares of the Company issued to the Special Purpose Vehicles in 2020 was presented as shares held for the RSU Incentive Plan in equity until such time as they are vested.

As at December 31, 2021, 2022 and 2023, 72,276,282 shares, 64,377,482 shares and 57,428,719 shares were held by the Special Purpose Vehicles on behalf of the Company, which was equivalent to RMB9,000, RMB8,400 and RMB7,500 respectively.

**(e) Dividends**

During the Relevant Periods, the entities comprising the Group did not declare nor pay dividends to the equity shareholders.

**(f) Nature and purposes of reserves****(i) Share premium**

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

**(ii) Other reserves**

The balance of other reserves mainly represent the reserve of deemed distribution.

The amount of deemed distribution of RMB2,303,000 represented the consideration paid by the Company for acquiring the subsidiaries now comprising the Group from the Controlling Shareholder upon the Reorganization as disclosed in note 1.2.1.

**(iii) Share-based payments reserve**

The share-based payments reserve represents the portion of the grant date fair value of shares granted to the eligible persons of the Group that has been recognized in accordance with the accounting policy adopted for share-based payments in note 2(p)(ii).

**(g) Capital management**

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for equity shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

**27 FINANCIAL RISK MANAGEMENT AND FAIR VALUES**

Exposure to credit, liquidity, interest rate and currency risks arise in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below:

**(a) Credit risk**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade and other receivables, guarantees and amounts due from related parties. The Group's exposure to credit risk arising from cash and cash equivalents, restricted bank deposits and bills receivable is limited because the counterparties are banks and financial institutions or enterprises with high-credit-quality, for which the Group considers to have low credit risk.

*Trade receivables*

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. As at December 31, 2021, 2022 and 2023, 84%, 39% and 41% of the total trade debtors was due from the Group's top five largest customers respectively.

Individual credit evaluations are performed focusing on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade debtors are due within 120 days from the date of billing. Debtors with balances that over the credit terms granted are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables as at December 31, 2021, 2022 and 2023:

	<u>Expected loss rate</u>	<u>As at December 31, 2021</u>	
		<u>Gross carrying amount</u>	<u>Loss allowance</u>
		<i>RMB'000</i>	<i>RMB'000</i>
	<i>%</i>		
Within 6 months (inclusive)	0.38%	7,591	(30)
Over 6 months but within 1 year (inclusive)	0.45%	8	—*
		<u>7,599</u>	<u>(30)</u>
	<u>Expected loss rate</u>	<u>As at December 31, 2022</u>	
		<u>Gross carrying amount</u>	<u>Loss allowance</u>
		<i>RMB'000</i>	<i>RMB'000</i>
	<i>%</i>		
Within 6 months (inclusive)	0.50%	26,871	(134)
Over 6 months but within 1 year (inclusive)	0.70%	1,663	(12)
		<u>28,534</u>	<u>(146)</u>
	<u>Expected loss rate</u>	<u>As at December 31, 2023</u>	
		<u>Gross carrying amount</u>	<u>Loss allowance</u>
		<i>RMB'000</i>	<i>RMB'000</i>
	<i>%</i>		
Within 6 months (inclusive)	0.57%	22,299	(127)
Over 6 months but within 1 year (inclusive)	0.80%	1,347	(11)
Over 1 year (inclusive)	10.00%	653	(65)
		<u>24,299</u>	<u>(203)</u>

\* Less than RMB1,000

ECL rates are based on actual loss experience over the past 12 months. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Movement in the loss allowance account in respect of trade debtors during the Relevant Periods is as follows:

	Year ended December 31,		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Balance at January 1	5	30	146
Amounts recognized during the year ( <i>note 6(c)</i> )	310	173	140
Amounts written-off during the year	(285)	(57)	(83)
Balance at December 31	<u>30</u>	<u>146</u>	<u>203</u>

#### *Other receivables*

Other receivables mainly included deposits and rebate from suppliers. As at December 31, 2021, 2022 and 2023 there were neither significant increase of credit risk nor credit impaired for the balance of other receivables. The Group considered the receivables to be low credit risk since the counterparties have strong financial capacity to meet their contractual cash flow obligations in the near term. The expected credit losses on other receivables are not significant.

#### *Amount due from related parties*

We have concentration of credit risk on amounts due from related parties as of December 31, 2021 and 2022 with details set out in note 28(c). The Directors have made periodic assessments as well as individual assessment on recoverability based on historical settlement records and adjust for forward-looking information. In view of the financial capability of these related parties, our Directors consider risk of default was low, and accordingly, the expected credit losses on the amounts due from related parties are not significant.

#### **(b) Liquidity risk**

Management of the Group reviews the liquidity position of the Group on an ongoing basis, including review of the expected cash inflows and outflows in order to monitor the Group's liquidity requirements in the short and longer terms. The Group's policy is to regularly monitor its liquidity position and its compliance with loan covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the end of each reporting period during Relevant Periods of the Group's financial liabilities (excluding contract liabilities), which are based on contractual undiscounted cash flows and the earliest date the Group can be required to pay.

	<b>Within 1 year or on demand</b>	<b>More than 1 year but less than 2 years</b>	<b>More than 2 years but less than 5 years</b>	<b>Total</b>	<b>Carrying amount at December 31, 2021</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade and other payables	282,049	–	–	282,049	282,049
Lease liabilities	10,703	6,861	1,665	19,229	18,273
	<u>292,752</u>	<u>6,861</u>	<u>1,665</u>	<u>301,278</u>	<u>300,322</u>
	<b>Within 1 year or on demand</b>	<b>More than 1 year but less than 2 years</b>	<b>More than 2 years but less than 5 years</b>	<b>Total</b>	<b>Carrying amount at December 31, 2022</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade and other payables	356,217	–	–	356,217	356,217
Bank loans	10,221	–	–	10,221	10,154
Lease liabilities	13,858	7,483	7,266	28,607	26,654
	<u>380,296</u>	<u>7,483</u>	<u>7,266</u>	<u>395,045</u>	<u>393,025</u>
	<b>Within 1 year or on demand</b>	<b>More than 1 year but less than 2 years</b>	<b>More than 2 years but less than 5 years</b>	<b>Total</b>	<b>Carrying amount at December 31, 2023</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade and other payables	440,451	–	–	440,451	440,451
Bank loans	5,006	–	–	5,006	5,005
Lease liabilities	16,770	11,136	20,057	47,963	44,714
	<u>462,227</u>	<u>11,136</u>	<u>20,057</u>	<u>493,420</u>	<u>490,170</u>

In addition to the above, the Group was also exposed to liquidity risk arising from the redemption feature of convertible redeemable preferred shares at December 31, 2021, 2022 and 2023, which are further disclosed in note 25.

**(c) Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest-bearing financial assets and financial liabilities are at fixed interest rates at the end of the Relevant Periods, including restricted bank deposits, bank loans, lease liabilities and convertible redeemable preferred shares, and the change of market interest rate does not expose the Group to interest rate risk. Overall, the Group's exposure to interest rate risk is not significant.

**(d) Currency risk**

The Group is exposed to currency risk primarily give rise to cash balances and financial liabilities that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily United States Dollars ("USD").

*(i) Exposure to currency risk*

The following table details the Group's exposure at the end of each reporting period during the Relevant Periods to currency risk arising from recognized assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in RMB translated using the spot rate at the end of each reporting period during the Relevant Periods.

	<b>Exposure to foreign currencies</b>		
	<b>As at December 31,</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<b>USD</b>	<b>USD</b>	<b>USD</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cash and cash equivalents	34,940	86,662	55,918
Convertible redeemable preferred shares	(1,368,767)	(1,737,882)	(1,911,521)
Net exposure arising from recognized assets and liabilities	<u>(1,333,827)</u>	<u>(1,651,220)</u>	<u>(1,855,603)</u>

*(ii) Sensitivity analysis*

As at December 31, 2021, it is estimated that a general increase/decrease of 100 basis points in foreign exchange rates, with all other variables held constant, would have increased/decreased the Group's loss after tax and accumulated losses of RMB13,338,000.

As at December 31, 2022 and 2023, it is estimated that a general increase/decrease of 500 basis points in foreign exchange rates, with all other variables held constant, would have increased/decreased the Group's loss after tax and accumulated losses of RMB82,561,000 and RMB92,780,000 respectively.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments which expose the Group to foreign currency risk at the end of each reporting period. The analysis is performed on the same basis during the Relevant Periods.

**(e) Fair value measurement**

The carrying amounts of the Group's financial instruments carried at amortized cost are not materially different from their fair values as at December 31, 2021, 2022 and 2023.

**28 MATERIAL RELATED PARTY TRANSACTIONS**

Names and relationships of the related parties that had other material transactions with the Group during the Relevant Periods:

**Name of related parties**

**(i) Entities over which Mr. Xie Fangmin has significant influence**

Guangdong Jianke Medicine Co., Ltd. (廣東健客醫藥有限公司)\*  
Guangzhou Jianke Pharmaceutical Co., Ltd. (廣州健客藥業有限公司)\*  
Guangzhou Starfields Information Technology Co., Ltd. (廣州星域信息科技有限有限公司)\*  
Dongguan Xingyu Information Technology Co., Ltd. (東莞市星域信息技術有限公司)\*  
Beijing Yunyihuiyao Information Technology Co., Ltd. (北京雲醫惠藥信息科技有限有限公司)\*  
Wuhan Yunyihuiyao Pharmaceuticals Co., Ltd. (武漢雲醫惠藥醫藥有限有限公司)\*  
Wuhan Jianke Pharmaceuticals Co., Ltd. (武漢市健客醫藥有限有限公司)\*

**(ii) Entities controlled by Mr. Xie Fangmin**

Shanghai Zhouzhi Pharmaceuticals Technology Co., Ltd. (上海舟致醫藥科技有限有限公司)\*

**(iii) Entities controlled by the Controlling Shareholders**

Yunyi Limited

**(iv) Directors of the Company**

Mr. Xie Fangmin  
Mr. Zhou Feng  
Mr. Zou Yuming

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\* The English translation of these companies' names are for reference only. The official names of these companies are in Chinese.

(a) *Key management personnel remuneration*

Remuneration for key management personnel of the Group, including amounts paid to the Company's Directors as disclosed in note 8 and certain of the highest paid employees as disclosed in note 9, is as follows:

	Year ended December 31,		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Salaries, wages and other benefits	5,018	10,583	12,441
Discretionary bonuses	1,487	120	3,316
Retirement scheme contributions	62	133	187
Equity settled share-based transactions	1,714	1,281	434
	<u>8,281</u>	<u>12,117</u>	<u>16,378</u>

Total remuneration is included in "staff costs" (see note 6(b)).

(b) *Related parties transactions*

During the Relevant Periods, the Group entered into the following material related party transactions:

	Year ended December 31,		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Purchase of goods	4,659	–	–
Advance of borrowings to related parties	36,814	–	–
Repayments of borrowings by related parties	46,006	21,596	12,032

(c) *Balance with related parties*

	As at December 31,		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Amounts due from related parties:</b>			
<b>Current:</b>			
<i>Non-trade related:</i>			
– Other receivables	<u>33,628</u>	<u>12,032</u>	<u>–</u>

**29 SUBSEQUENT EVENTS AFTER DECEMBER 31, 2023**

In May 2024, the Company allotted and issued 5,453,428, 33,268,750, 32,900,000, 32,120,000, 3,500,000 and 20,000,000 Class A Ordinary Shares of par value of US\$0.00002 each to Asia Tech Investments Ltd., Endeavor Cloud Limited, Gaoxin Thrive Limited, FAST GOAL INTERNATIONAL LIMITED, Mr. ZOU Yuming and Torano Investments Limited, respectively.



### 30 INVESTMENT IN A SUBSIDIARY AND AMOUNT DUE FROM A SUBSIDIARY IN THE COMPANY'S STATEMENT OF FINANCIAL POSITION

#### (a) Investment in a subsidiary

	As at December 31,		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Investment in a subsidiary	658,722	658,722	658,722
Deemed investments arising from share-based transactions	5,418	16,901	21,372
Total	<u>664,140</u>	<u>675,623</u>	<u>680,094</u>

#### (b) Amount due from a subsidiary

The balance of amount due from a subsidiary mainly represented the borrowings to Fangzhou Limited, which was unsecured, interest free and have no fixed repayment terms.

### 31 CONTINGENT LIABILITIES

During the Relevant Periods, the Group paid service fees to physicians who are engaged by the Group to provide medical consultation services. According to the relevant tax rules and regulations, the Group might be responsible to withhold and report individual income tax for the engaged physicians in relation to their services rendered in the Group's platform. Should the relevant tax authority finds the engaged physicians' relevant individual income tax paid is improper or insufficient, the Group may be required to procure the engaged physicians to file and pay up the underpaid tax liabilities and be subject to penalties calculated at 50% ~ 300% of the underpaid tax. The Directors assessed and considered that no provision is required to be made in the Historical Financial Information in this regard.

### 32 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE RELEVANT PERIODS

Up to the date of this report, the HKICPA has issued a number of amendments, and a new standard, which have not been adopted in the Historical Financial Information. These include the following:

	<b>Effective for accounting periods beginning on or after</b>
Amendments to HKAS 1, <i>Classification of Liabilities as Current or Non-current</i>	January 1, 2024
Amendments to HKAS 1, <i>Non-current Liabilities with Covenants</i>	January 1, 2024
Amendments to HKAS 7 and HKFRS 7, <i>Supplier Finance Arrangements</i>	January 1, 2024
Amendments to HKFRS 16, <i>Lease Liability in a Sale and Leaseback</i>	January 1, 2024
Amendments to HKAS 21, <i>Lack of exchangeability</i>	January 1, 2025
Amendments to HKFRS 10 and HKAS 28, <i>Sale or contribution of assets between an investor and its associate or joint venture</i>	Will be determined at a future date

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far the Group has concluded that the adoption of them is unlikely to have a significant impact on the Historical Financial Information.

**Subsequent financial statements**

No audited financial statements have been prepared by the Company and its subsidiaries comprising the Group in respect of any period subsequent to December 31, 2023.

The information set forth in this appendix does not form part of the Accountants' Report from the reporting accountants of our Company, KPMG, Certified Public Accountants, Hong Kong, as set out in Appendix I to this prospectus, and is included herein for illustrative purpose only.

The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and our historical financial information included in the Accountants' Report set forth in Appendix I to this prospectus.

#### A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets of the Group prepared in accordance with Rule 4.29 of the Listing Rules is to illustrate the effect of the Global Offering on the net tangible liabilities of the Group as if the Global Offering had been completed on December 31, 2023. The unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purpose only and because of its hypothetical nature, it may not give a true picture of the net tangible assets of the Group had the Global Offering been completed as at December 31, 2023 or any future date.

	Consolidated net tangible liabilities of the Group as of December 31, 2023	Estimated net proceeds from the Global Offering	Automatic conversion of convertible redeemable preferred shares into ordinary shares upon the completion of the Global Offering as of December 31, 2023	Unaudited pro forma adjusted net tangible assets of the Group	Unaudited pro forma adjusted net tangible assets of the Group per Share as of December 31, 2023	
	RMB'000 <sup>(1)</sup>	RMB'000 <sup>(2)(5)</sup>	RMB'000 <sup>(3)</sup>	RMB'000	RMB <sup>(4)</sup>	HK\$ <sup>(5)</sup>
Based on an Offer Price of HK\$7.60 per Share	(1,903,738)	111,360	1,911,521	119,143	0.10	0.11
Based on an Offer Price of HK\$8.36 per Share	(1,903,738)	125,314	1,911,521	133,097	0.11	0.12

*Notes:*

- (1) The consolidated net tangible liabilities of the Group as at December 31, 2023 is arrived at after deducting intangible assets of RMB2,275,000 from the consolidated total deficit of the Group of RMB1,901,463,000 as at December 31, 2023, as extracted from the financial information included in the Accountants' Report set out in Appendix I to the prospectus.

- (2) The estimated net proceeds from the Global Offering are based on the estimated Offer Prices of HK\$7.6 per Share and HK\$8.36 per Share, being the lower end price and higher end price of the estimated Offer Price range respectively, and the expected issuance of 23,800,000 Shares, after deduction of the estimated underwriting fees and other related listing expenses related to the Global Offering paid or payable by the Group (excluding RMB60,821,000.00 of the listing expense that have been charged to profit or loss up to December 31, 2023), and does not take into account of any Shares which may be issued upon the exercise of the Over-allotment Option.
- (3) As at December 31, 2023, the aggregate carrying amount of convertible redeemable preferred shares was RMB1,911,521,000. Upon the completion of the Global Offering, the convertible redeemable preferred shares will be automatically converted into ordinary shares of the Company and will be reclassified from liabilities to equity. Accordingly, for the purpose of the unaudited pro forma financial information, these liabilities are assumed to have been reclassified to equity on December 31, 2023.
- (4) The unaudited pro forma adjusted net tangible assets of the Group per Share is arrived at after the adjustments as described in the preceding paragraphs and on the basis that a total of 1,213,025,279 Shares (which is calculated based on 1,189,225,279 Shares at December 31, 2023 and adjusted for 23,800,000 Shares newly issued upon the Global Offering but exclude 127,242,178 Class A Ordinary Shares issued to Asia Tech Investments Ltd., Endeavor Cloud Limited, FAST GOAL INTERNATIONAL LIMITED, Gaoxin Thrive Limited, Mr. ZOU Yuming and Torano Investments Limited in May 2024) were in issue immediately following the completion of the Global Offering assuming the Over-allotment Option is not exercised.
- (5) The estimated net proceeds from the Global Offering and the unaudited pro forma adjusted net tangible assets of the Group per Share are converted from or into Hong Kong dollars at an exchange rate of RMB1.00 to HK\$1.0965 being the exchange rate set by PBOC prevailing on June 20, 2024. No representation is made that Hong Kong dollars amounts have been, could have been or may be converted into RMB, or vice versa, at that rate or at any other rate.
- (6) No adjustment has been made to the unaudited pro forma adjusted net tangible assets of the Group to reflect any trading results or other transactions of the Group entered into subsequent to December 31, 2023, including 127,242,178 Shares that were issued to Asia Tech Investments Ltd., Endeavor Cloud Limited, FAST GOAL INTERNATIONAL LIMITED, Gaoxin Thrive Limited, Mr. ZOU Yuming and Torano Investments Limited in May 2024.

**B. REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION**

*The following is the text of a report received from the reporting accountants, KPMG, Certified Public Accountants, Hong Kong, in respect of the Group's pro forma financial information for the purpose of incorporation in this prospectus.*

**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE  
COMPILATION OF PRO FORMA FINANCIAL INFORMATION****TO THE DIRECTORS OF FANGZHOU INC.**

We have completed our assurance engagement to report on the compilation of pro forma financial information of Fangzhou Inc. (the "Company") and its subsidiaries (collectively the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets as at December 31, 2023 and related notes as set out in Part A of Appendix II to the prospectus dated June 28, 2024 (the "Prospectus") issued by the Company. The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described in Part A of Appendix II to the Prospectus.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed offering of the ordinary shares of the Company (the "Global Offering") on the Group's financial position as at December 31, 2023 as if the Global Offering had taken place at December 31, 2023. As part of this process, information about the Group's financial position as at December 31, 2023 has been extracted by the Directors from the Group's historical financial information included in the Accountants' Report as set out in Appendix I to the Prospectus.

**Directors' Responsibilities for the Pro Forma Financial Information**

The Directors are responsible for compiling the pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

**Our Independence and Quality Control Management**

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Hong Kong Standard on Quality Management 1 “Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements”, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### **Reporting Accountants’ Responsibilities**

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements (“HKSAE”) 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules, and with reference to AG 7 issued by the HKICPA.

For purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of events or transactions as at December 31, 2023 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our procedures on the pro forma financial information have not been carried out in accordance with attestation standards or other standards and practices generally accepted in the United States of America, auditing standards of the Public Company Accounting Oversight Board (United States) or any overseas standards and accordingly should not be relied upon as if they had been carried out in accordance with those standards and practices.

We make no comments regarding the reasonableness of the amount of net proceeds from the issuance of the Company's shares, the application of those net proceeds, or whether such use will actually take place as described in the section headed "Future Plans and Use of Proceeds" in the Prospectus.

### **Opinion**

In our opinion:

- (a) the pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group, and
- (c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

**KPMG**

*Certified Public Accountants*

Hong Kong

June 28, 2024

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 26 September 2019 under the Companies Act (As Revised) of the Cayman Islands (the “Companies Act”). The Company’s constitutional documents consist of its Memorandum and Articles of Association.

## 1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Act and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

## 2. ARTICLES OF ASSOCIATION

The Memorandum and Articles of Association were conditionally adopted on June 14, 2024 with effect from the Listing Date. The following is a summary of certain provisions of the Articles:

### (a) Shares

#### (i) *Classes of shares*

The share capital of the Company consists of ordinary shares.

#### (ii) *Variation of rights of existing shares or classes of shares*

Subject to the Companies Act, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the



necessary quorum (including at an adjourned or postponed meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

***(iii) Alteration of capital***

The Company may by ordinary resolution of its members:

- (i) increase its share capital by the creation of new shares;
- (ii) consolidate all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;
- (iv) subdivide its shares or any of them into shares of smaller amount than is fixed by the Memorandum; or
- (v) cancel any shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

***(iv) Transfer of shares***

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time.

Notwithstanding the foregoing, for so long as any shares are listed on the Stock Exchange, titles to such listed shares may be evidenced and transferred in accordance with the laws applicable to and the rules and regulations of the Stock Exchange that are or shall be applicable to such listed shares. The register of members in respect of its listed shares (whether the principal register or a branch register) may be kept by recording the particulars required by Section 40 of the Companies Act in a form otherwise than legible if such recording otherwise complies with the laws applicable to and the rules and regulations of the Stock Exchange that are or shall be applicable to such listed shares.

The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of that share.

The board may, in its absolute discretion, at any time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

The board may decline to recognise any instrument of transfer unless a fee (not exceeding the maximum sum as the Stock Exchange may determine to be payable) determined by the Directors is paid to the Company, the instrument of transfer is properly stamped (if applicable), it is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by announcement or by electronic communication or by advertisement in any newspaper or by any other means in accordance with the requirements of the Stock Exchange, at such times and for such periods as the board may determine. The register of members must not be closed for periods exceeding in the whole thirty (30) days in any year. The period of thirty (30) days may be extended for a further period or periods not exceeding thirty (30) days in respect of any year if approved by members by ordinary resolution.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favour of the Company.

*(v) Power of the Company to purchase its own shares*

The Company is empowered by the Companies Act and the Articles to purchase its own shares subject to certain restrictions and the board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by the Stock Exchange.

The board may accept the surrender for no consideration of any fully paid share.

*(vi) Power of any subsidiary of the Company to own shares in the Company*

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

*(vii) Calls on shares and forfeiture of shares*

The board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

**(b) Directors**

*(i) Appointment, retirement and removal*

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

The Directors have the power to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director so appointed shall hold office only until the first annual general meeting of the Company after his appointment and shall then be eligible for re-election.

A Director (including a managing or other executive Director) may be removed by an ordinary resolution of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and members of the Company may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated if:

(aa) he resigns by notice in writing delivered to the Company;

(bb) he becomes of unsound mind or dies;

- (cc) without special leave, he is absent from meetings of the board for six (6) consecutive months, and the board resolves that his office is vacated;
- (dd) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (ee) he is prohibited from being a director by law; or
- (ff) he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed must, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

***(ii) Power to allot and issue shares and warrants***

Subject to the provisions of the Companies Act and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued (a) with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Directors may determine, or (b) on terms that, at the option of the Company or the holder thereof, it is liable to be redeemed.

The board may issue warrants or convertible securities or securities of similar nature conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may determine.

Subject to the provisions of the Companies Act and the Articles and, where applicable, the rules of the Stock Exchange and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company are at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount to their nominal value.

Neither the Company nor the board is obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

*(iii) Power to dispose of the assets of the Company or any of its subsidiaries*

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Act to be exercised or done by the Company in general meeting.

*(iv) Borrowing powers*

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets and uncalled capital of the Company and, subject to the Companies Act, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

*(v) Remuneration*

The ordinary remuneration of the Directors is to be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors are also entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing

director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or past Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

The board may resolve to capitalise all or any part of any amount for the time being standing to the credit of any reserve or fund (including a share premium account and the profit and loss account) whether or not the same is available for distribution by applying such sum in paying up unissued shares to be allotted to (i) employees (including directors) of the Company and/or its affiliates (meaning any individual, corporation, partnership, association, joint-stock company, trust, unincorporated association or other entity (other than the Company) that directly, or indirectly through one or more intermediaries, controls, is controlled by or is under common control with, the Company) upon exercise or vesting of any options or awards granted under any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting, or (ii) any trustee of any trust to whom shares are to be allotted and issued by the Company in connection with the operation of any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting.

*(vi) Compensation or payments for loss of office*

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

*(vii) Loans and provision of security for loans to Directors*

The Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance (Chapter 622 of the laws of Hong Kong) as if the Company were a company incorporated in Hong Kong.

*(viii) Disclosure of interests in contracts with the Company or any of its subsidiaries*

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and upon such terms as the board may determine, and may be paid such extra remuneration therefor in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. The board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

No Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company must declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.



A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested, but this prohibition does not apply to any of the following matters, namely:

- (aa) the giving of any security or indemnity either:
  - (aaa) to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries; or
  - (bbb) to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (bb) any proposal concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (cc) any proposal or arrangement concerning the benefit of employees of the Company or its subsidiaries including:
  - (aaa) the adoption, modification or operation of any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or
  - (bbb) the adoption, modification or operation of a pension fund or retirement, death or disability benefits scheme which relates to the Directors, his close associate(s) and employee(s) of the Company or any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates;
- (dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company.

**(c) Proceedings of the Board**

The board may meet for the despatch of business, adjourn or postpone and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

**(d) Alterations to constitutional documents and the Company's name**

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

**(e) Meetings of members*****(i) Special and ordinary resolutions***

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

Under the Companies Act, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

***(ii) Voting rights and right to demand a poll***

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that in the case of a physical meeting the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorised representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands. Votes (whether on a show of hands or by way of poll) may be cast by such means, electronic or otherwise, as the Directors or the chairman of the meeting may determine.

Any corporation which is a member may by resolution of its directors or other governing body authorise such person as it thinks fit to act as its representative at any general meeting of the Company or at any meeting of any class of members.

The person so authorised shall be entitled to exercise the same powers on behalf of such corporation as the corporation could exercise if it were an individual member and such corporation shall for the purposes of the Articles be deemed to be present in person at any such meeting if a person so authorised is present thereat.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, the right to speak and to vote, and where a show of hands is allowed, the right to vote individually on a show of hands.

All members have the right to speak and vote at a general meeting except where a member is required, by the rules of the Stock Exchange, to abstain from voting to approve the matter under consideration.

Where the Company has any knowledge that any member is, under the rules of the Stock Exchange, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

*(iii) Annual general meetings and extraordinary general meetings*

The Company must hold an annual general meeting of the Company for each financial year and such general meeting must be held within six (6) months after the end of the Company's financial year unless a longer period would not infringe the rules of the Stock Exchange.

Extraordinary general meetings may be convened on the requisition of one or more members holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings, on a one vote per share basis. Such requisition shall be made in writing to the board or the secretary for the purpose of requiring an extraordinary general meeting to be called by the board for the transaction of any business or resolution specified in such requisition. Such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit, the board fails to proceed to convene such meeting, the requisitionist(s) himself/herself (themselves) may convene a physical meeting at only one location which will be the Principal Meeting Place (as defined below) and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the board shall be reimbursed to the requisitionist(s) by the Company.

Notwithstanding any provisions in the Articles, any general meeting or any class meeting may be held by means of such telephone, electronic or other communication facilities as to permit all persons participating in the meeting to communicate with each other, and participation in such a meeting shall constitute presence at such meeting.

*(iv) Notices of meetings and business to be conducted*

An annual general meeting must be called by notice of not less than twenty-one (21) clear days. All other general meetings must be called by notice of at least fourteen (14) clear days. The notice is exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify (a) the time and date of the meeting, (b) save for an electronic meeting, the place of the meeting and if there is more than one meeting location as determined by the Board pursuant to the Articles, the principal place of the meeting (the "Principal Meeting Place"), (c) if the general meeting is to be a hybrid meeting or an electronic meeting, the notice shall include a statement to that effect and with details of the electronic facilities for attendance and participation by electronic means at the meeting or where such details will be made available by the Company prior to the meeting, and (d) particulars of resolutions to be considered at the meeting.

In addition, notice of every general meeting must be given to all members of the Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to, among others, the auditors for the time being of the Company.

Any notice to be given to or by any person pursuant to the Articles may be served on or delivered to any member of the Company personally, by post to such member's registered address or by advertisement in newspapers in accordance with the requirements of the Stock Exchange. Subject to compliance with Cayman Islands law and the rules of the Stock Exchange, notice may also be served or delivered by the Company to any member by electronic means.

All business that is transacted at an extraordinary general meeting and at an annual general meeting is deemed special, save that in the case of an annual general meeting, each of the following business is deemed an ordinary business:

- (aa) the declaration and sanctioning of dividends;
  - (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
  - (cc) the election of directors in place of those retiring;
  - (dd) the appointment of auditors and other officers; and
  - (ee) the fixing of the remuneration of the directors and of the auditors.
- (v) *Quorum for meetings and separate class meetings*

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

The quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy or, for quorum purposes only, two persons appointed by the clearing house as authorized representative or proxy, and entitled to vote. In respect of a separate class meeting (including an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vi) *Proxies*

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and is entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy

as such member could exercise. In addition, a proxy is entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise as if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

**(f) Accounts and audit**

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Act or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records must be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting. However, an exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Stock Exchange, the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall by ordinary resolution appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the next annual general meeting. Moreover, the members may, at any general meeting, by ordinary resolution remove the auditor at any time before the expiration of his terms of office and shall by ordinary resolution at that meeting appoint another auditor for the remainder of his term. The remuneration of the auditors shall be fixed and approved by the Company by an ordinary resolution passed at a general meeting or in such manner as the members may by ordinary resolution determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards which may be those of a country or jurisdiction other than the Cayman Islands. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor must be submitted to the members in general meeting.

**(g) Dividends and other methods of distribution**

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Act.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit.

The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed

to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

**(h) Inspection of corporate records**

Pursuant to the Articles, the register and branch register of members maintained in Hong Kong shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Act or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the board, at the office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

**(i) Rights of minorities in relation to fraud or oppression**

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to member of the Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

**(j) Procedures on liquidation**

Unless otherwise provided by the Companies Act, a resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.



Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (i) if the Company is wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and
- (ii) if the Company is wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company is wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Act divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

**(k) Subscription rights reserve**

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Act, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

### 3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Act and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

#### (a) Company operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

#### (b) Share capital

The Companies Act provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium.

The Companies Act provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Act); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Act provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "**Court**"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

**(c) Financial assistance to purchase shares of a company or its holding company**

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

**(d) Purchase of shares and warrants by a company and its subsidiaries**

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Act expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company is to be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company is not to be treated as a member for any purpose and must not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share must not be voted, directly or indirectly, at any meeting of the company and must not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Act.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum

or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

**(e) Dividends and distributions**

The Companies Act permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account. With the exception of the foregoing, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits.

No dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

**(f) Protection of minorities and shareholders' suits**

The Courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder

petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

**(g) Disposal of assets**

The Companies Act contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

**(h) Accounting and auditing requirements**

A company must cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act of the Cayman Islands.

**(i) Exchange control**

There are no exchange control regulations or currency restrictions in the Cayman Islands.

**(j) Taxation**

Pursuant to the Tax Concessions Act of the Cayman Islands, the Company has obtained an undertaking:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and
- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from March 20, 2023.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

**(k) Stamp duty on transfers**

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

**(l) Loans to directors**

There is no express provision in the Companies Act prohibiting the making of loans by a company to any of its directors.

**(m) Inspection of corporate records**

The notice of registered office is a matter of public record. A list of the names of the current directors and alternate directors (if applicable) is made available by the Registrar of Companies for inspection by any person on payment of a fee. The register of mortgages is open to inspection by creditors and members.

Members of the Company have no general right under the Companies Act to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

**(n) Register of members**

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. The register of members shall contain such particulars as required by Section 40 of the Companies Act. A branch register must be kept in the same manner in which a principal register is by the Companies Act required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time.

There is no requirement under the Companies Act for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act of the Cayman Islands.

**(o) Register of Directors and Officers**

The Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such directors or officers.

**(p) Beneficial Ownership Register**

An exempted company is required to maintain a beneficial ownership register at its registered office that records details of the persons who ultimately own or control, directly or indirectly, 25% or more of the equity interests or voting rights of the company or have rights to appoint or remove a majority of the directors of the company. The beneficial ownership register is not a public document and is only accessible by a designated competent authority of the Cayman Islands. Such requirement does not, however, apply to an exempted company with its shares listed on an approved stock exchange, which includes the Stock Exchange. Accordingly, for so long as the shares of the Company are listed on the Stock Exchange, the Company is not required to maintain a beneficial ownership register.

**(q) Winding up**

A company may be wound up (a) compulsorily by order of the Court, (b) voluntarily, or (c) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the Court, or where the company is unable to pay its debts, or where it is, in the opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company's affairs in the future, making an order authorising civil proceedings to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

A company (save with respect to a limited duration company) may be wound up voluntarily when the company so resolves by special resolution or when the company in general meeting resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court therein, there may be appointed an official liquidator or official liquidators; and the court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court must declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court.

As soon as the affairs of the company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and how the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting must be called by at least 21 days' notice to each contributory in any manner authorised by the company's articles of association and published in the Gazette.



**(r) Reconstructions**

There are statutory provisions which facilitate reconstructions and amalgamations approved by (i) a majority in number representing seventy-five per cent. (75%) in value of creditors, or (ii) seventy-five per cent. (75%) in value of shareholders or class of shareholders, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

The Companies Act also contains statutory provisions which provide that a company may present a petition to the Court for the appointment of a restructuring officer on the grounds that the company (a) is or is likely to become unable to pay its debts within the meaning of section 93 of the Companies Act; and (b) intends to present a compromise or arrangement to its creditors (or classes thereof) either, pursuant to the Companies Act, the law of a foreign country or by way of a consensual restructuring. The petition may be presented by a company acting by its directors, without a resolution of its shareholders or an express power in its articles of association. On hearing such a petition, the Court may, among other things, make an order appointing a restructuring officer or make any other order as the Court thinks fit.

**(s) Take-overs**

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

**(t) Indemnification**

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

**(u) Economic Substance Requirements**

Pursuant to the International Tax Cooperation (Economic Substance) Act of the Cayman Islands (“ES Act”) that came into force on 1 January 2019, a “relevant entity” is required to satisfy the economic substance test set out in the ES Act. A “relevant entity” includes an exempted company incorporated in the Cayman Islands as is the Company; however, it does not include an entity that is tax resident outside the Cayman Islands. Accordingly, for so long as the Company is a tax resident outside the Cayman Islands, including in Hong Kong, it is not required to satisfy the economic substance test set out in the ES Act.

**4. GENERAL**

Conyers Dill & Pearman, the Company’s special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Act, is available for inspection as referred to in the paragraph headed “Documents Available on Display” in Appendix V to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

**A. FURTHER INFORMATION ABOUT OUR COMPANY AND OUR SUBSIDIARIES AND CONSOLIDATED AFFILIATED ENTITIES****1. Incorporation**

Our Company was incorporated in the Cayman Islands on September 26, 2019 as an exempted company with limited liability. Our registered office address is at the offices of Conyers Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands. Accordingly, our Company's corporate structure and Memorandum and Articles of Association are subject to the relevant laws of the Cayman Islands. A summary of our Memorandum and Articles of Association is set out in Appendix IV.

Our registered place of business in Hong Kong is at 31/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong. We were registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on June 7, 2021 with the Registrar of Companies in Hong Kong. FUNG Po Ting has been appointed as the authorized representative of our Company in Hong Kong under Part 16 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) to accept service of process and any notices on behalf of the Company. The address for service of process is 31/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong.

As at the date of this prospectus, our Company's head office was located at Floor 1-2, 4th Street, Building S, Kehui Jingu, No. 99, Science Avenue, Luogang Science City, Huangpu District, Guangzhou, Guangdong Province, China.

**2. Changes in share capital of our Company**

Our Company was incorporated with an authorized share capital of US\$50,000 divided into 500,000,000 shares of par value US\$0.0001 each.

The following sets out the changes in the Company's issued share capital during the two years immediately preceding the date of this prospectus:

- (1) On May 1, 2022, the Company allotted and issued 5,415,483 and 3,249,290 Series D Preferred Shares of par value of US\$0.00002 each to CTCB Holdings Limited and ATI Opportunities (Nevis) Ltd, respectively.
- (2) On December 30, 2022, the Company allotted and issued 6,582,337, 752,267 and 752,267 Series D+ Preferred Shares of par value of US\$0.00002 each to Prime Orient Holdings Ltd., Fangrong Management Limited and Celaeno Group Limited, respectively.

- (3) In May 2024, the Company allotted and issued 5,453,428, 33,268,750, 32,900,000, 32,120,000, 3,500,000 and 20,000,000 Class A Ordinary Shares of par value of US\$0.00002 each to Asia Tech Investments Ltd., Endeavor Cloud Limited, Gaoxin Thrive Limited, FAST GOAL INTERNATIONAL LIMITED, Mr. ZOU Yuming and Torano Investments Limited, respectively.

Save as disclosed above, there has been no alteration in the share capital of our Company during the two years immediately preceding the date of this prospectus.

### **3. Changes in the share capital of our subsidiaries and Consolidated Affiliated Entities**

A summary of the corporate information and the particulars of our subsidiaries are set out in note 1 to the Accountants' Report as set out in Appendix I.

The following sets out the changes in the share capital of our subsidiaries and Consolidated Affiliated Entities during the two years immediately preceding the date of this prospectus. For details of our major subsidiary and Consolidated Affiliated Entity, please see the section headed "History, Reorganization and Corporate Structure—Major Subsidiary and Consolidated Affiliated Entity."

#### ***Chengdu Fangyixing Information Technology Co., Ltd. (成都方易行信息科技有限公司)***

On April 17, 2023, Chengdu Fangyixing Information Technology Co., Ltd. was established as a limited liability company in the PRC with a registered capital of RMB10.0 million.

#### ***Ruishi Hospital***

On June 7, 2023, Ruishi Hospital was established as a limited liability company in the PRC with a registered capital of RMB10.0 million.

Save as disclosed above, there has been no alteration in the share capital of any of the subsidiaries or Consolidated Affiliated Entities of our Company within the two years immediately preceding the date of this prospectus.

### **4. Reorganization**

The companies comprising our Group underwent restructuring in preparation for the Listing. See "History, Reorganization and Corporate Structure" for details.

**5. Resolutions of the Shareholders of Our Company dated June 14, 2024**

Written resolutions of our Shareholders were passed on June 14, 2024, pursuant to which, among others:

- (1) conditional on (i) the Listing Committee granting listing of, and permission to deal in, the Shares in issue and to be issued as to be stated in this prospectus and such listing and permission not subsequently having been revoked prior to the commencement of dealing in the Shares on the Stock Exchange; (ii) the Offer Price having been determined; (iii) the obligations of the Underwriters and the Capital Market Intermediaries under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise, in each case on or before such dates as may be specified in the Underwriting Agreements; and (iv) the Underwriting Agreements having been duly executed by the Underwriters and the Company:
  - (a) all the issued and unissued Class A Ordinary Shares and all the issued and unissued Class B Ordinary Shares be re-designated and reclassified as Ordinary Shares of par value of US\$0.00002 each on a one to one basis, each having the rights and restrictions as set out in the Memorandum and the Articles;
  - (b) all the issued and unissued Preferred Shares be re-designated and re-classified as Ordinary Shares of par value of US\$0.00002 each on a one to one basis, each having the rights and restrictions as set out in the Memorandum and the Articles;
  - (c) the Global Offering (including the Over-allotment Option) was approved, and the proposed allotment and issue of the Offer Shares under the Global Offering were approved, and the Directors were authorized to determine the Offer Price for, and to allot and issue the Offer Shares;
  - (d) a general unconditional mandate was given to our Directors to exercise all powers of our Company to allot, issue and deal with Shares or securities convertible into Shares and to make or grant offers, agreements or options (including any warrants, bonds, notes and debentures conferring any rights to subscribe for or otherwise receive Shares) which might require Shares to be allotted and issued or dealt with subject to the requirement that the aggregate nominal value of the Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued, otherwise than by way of the Global Offering, rights issue or pursuant to the exercise of any subscription rights attaching to any warrants which may be allotted and issued by the Company from time to time or, pursuant to the exercise of any options which may be granted or the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles of Association on a specific

authority granted by our Shareholders in general meeting, shall not exceed (i) 20% of the aggregate nominal value of the Shares in issue immediately following the completion of the Global Offering excluding any Shares to be issued pursuant to the exercise of the Over-allotment Option; and (ii) the aggregate nominal amount of the share capital of the Company purchased by the Company pursuant to the authority granted to the Directors as referred to in (1)(e) below;

- (e) a general unconditional mandate (the “**Repurchase Mandate**”) was given to our Directors to exercise all powers of our Company to repurchase our own shares on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, such number of Shares as will represent up to 10% of the aggregate nominal value of the Shares in issue immediately following the completion of the Global Offering, excluding any Shares to be issued pursuant to the exercise of the Over-allotment Option; and
  - (f) the general unconditional mandate as mentioned in paragraph (d) above was extended by the addition to the aggregate nominal value of the Shares which may be allotted and issued or agreed to be allotted and issued by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the Shares purchased by our Company pursuant to the mandate to purchase Shares referred to in paragraph (e) above (up to 10% of the aggregate nominal value of the Shares in issue immediately following the completion of the Global Offering, excluding any Shares to be issued pursuant to the exercise of the Over-allotment Option; and
- (2) our Company conditionally approved and adopted the Memorandum and Articles of Association with effect from the Listing Date.

Each of the general mandates referred to in paragraphs (1)(d), (1)(e) and (1)(f) above will remain in effect until whichever is the earliest of (i) the conclusion of the next annual general meeting of our Company; (ii) the expiration of the period within which the next annual general meeting of our Company is required to be held by any applicable law or the Articles of Association; or (iii) the time when such mandate is revoked or varied by an ordinary resolution of the Shareholders in general meeting.

## 6. Repurchase of our own securities

The following paragraphs include, among others, certain information required by the Stock Exchange to be included in this prospectus concerning the repurchase of our own securities.

### *(a) Provision of the Listing Rules*

The Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their own securities on the Stock Exchange subject to certain restrictions, the most important of which are summarized below:

#### *(i) Shareholders' Approval*

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders in general meeting, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to a resolution passed by our Shareholders on June 14, 2024, the Repurchase Mandate was given to our Directors authorizing them to exercise all powers of our Company to repurchase Shares on the Stock Exchange, or on any other stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, with a total nominal value up to 10% of the aggregate nominal value of our Shares in issue immediately following the completion of the Global Offering (excluding any Shares to be issued pursuant to the exercise of the Over-allotment Option), with such mandate to expire at the earliest of (i) the conclusion of the next annual general meeting of our Company (unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions), (ii) the expiration of the period within which our Company's next annual general meeting is required by the Articles of Association or any other applicable laws to be held, and (iii) the date when it is varied or revoked by an ordinary resolution of our Shareholders in general meeting.

#### *(ii) Source of Funds*

Purchases must be funded out of funds legally available for the purpose in accordance with the Memorandum and Articles of Association and the applicable laws and regulations of Hong Kong and the Cayman Islands. A listed company may not purchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time. As a matter of Cayman Islands law, any purchases by the Company may be made out of profits or out of the proceeds of a

new issue of shares made for the purpose of the purchase or from sums standing to the credit of our share premium account or, if so authorized by the Articles of Association and subject to the Cayman Companies Act, out of capital. Any premium payable on the purchase over the par value of the shares to be purchased must be provided for out of profits or from sums standing to the credit of our share premium account or, if so authorized by the Articles of Association and subject to the Cayman Companies Act, out of capital.

*(iii) Trading Restrictions*

The total number of shares which a listed company may repurchase on the Stock Exchange is the number of shares representing up to a maximum of 10% of the aggregate number of shares in issue. A company may not issue or announce a proposed issue of new securities for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange. In addition, a listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange.

The Listing Rules also prohibit a listed company from repurchasing its securities if the repurchase would result in the number of listed securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange. A company is required to procure that the broker appointed by it to effect a repurchase of securities discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require.

*(iv) Status of Repurchased Shares*

The listing of all purchased securities (whether on the Stock Exchange or, otherwise) is automatically cancelled and the relative certificates must be canceled and destroyed. Under the laws of the Cayman Islands, unless, prior to the purchase the directors of the Company resolve to hold the shares purchased by the Company as treasury shares, shares purchased by the Company shall be treated as canceled and the amount of the Company's issued share capital shall be diminished by the nominal value of those shares. However, the purchase of shares will not be taken as reducing the amount of the authorized share capital under Cayman Islands law.



(v) *Suspension of Repurchase*

A listed company may not make any repurchase of securities after a price sensitive development has occurred or has been the subject of a decision until such time as the price sensitive information has been made publicly available. In particular, during the period of one month immediately preceding the earlier of (a) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of a listed company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules) and (b) the deadline for publication of an announcement of a listed company's results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), the listed company may not repurchase its shares on the Stock Exchange other than in exceptional circumstances. In addition, the Stock Exchange may prohibit a repurchase of securities on the Stock Exchange if a listed company has breached the Listing Rules.

(vi) *Reporting Requirements*

Certain information relating to repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following business day. In addition, a listed company's annual report is required to disclose details regarding repurchases of securities made during the year, including a monthly analysis of the number of securities repurchased, the purchase price per share or the highest and lowest price paid for all such repurchases, where relevant, and the aggregate prices paid.

(vii) *Core Connected Persons*

The Listing Rules prohibit a company from knowingly purchasing securities on the Stock Exchange from a "core connected person", that is, a director, chief executive or substantial shareholder of the company or any of its subsidiaries or a close associate of any of them (as defined in the Listing Rules) and a core connected person shall not knowingly sell his securities to the company.

**(b) *Reasons for Repurchases***

Our Directors believe that it is in the best interests of our Company and Shareholders for our Directors to have a general authority from the Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made where our Directors believe that such repurchases will benefit our Company and Shareholders.

(c) *Funding of Repurchases*

Repurchase of the Shares must be funded out of funds legally available for such purpose in accordance with the Articles of Association and the applicable laws of the Cayman Islands. Our Directors may not repurchase the Shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange. Subject to the foregoing, our Directors may make repurchases with profits of the Company or out of the proceed of a new issuance of shares made for the purpose of the repurchase or from sums standing to the credit in the share premium account of the Company or, if authorized by the Articles of Association and subject to the Cayman Companies Act, out of capital and, in the case of any premium payable on the repurchase, out of profits of the Company or from sums standing to the credit of the share premium account of the Company or, if authorized by the Articles of Association and subject to the Cayman Companies Act, out of capital.

However, our Directors do not propose to exercise the general mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or its gearing levels which, in the opinion of the Directors, are from time to time appropriate for the Company.

(d) *General*

The exercise in full of the Repurchase Mandate, on the basis of 1,340,267,457 Shares in issue immediately following the completion of the Global Offering, but excluding any Shares to be issued pursuant to the exercise of the Over-allotment Option, could accordingly result in up to approximately 134,026,500 Shares being repurchased by our Company during the period prior to the earliest of: (i) the conclusion of the next annual general meeting of our Company unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions; (ii) the expiration of the period within which our Company's next annual general meeting is required by the Articles of Association or any other applicable laws to be held; or (iii) the date when it is varied or revoked by an ordinary resolution of our Shareholders in general meeting.

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates currently intends to sell any Shares to our Company.

Our Directors will exercise the powers of our Company to make purchases pursuant to the Repurchase Mandate in accordance with the Listing Rules and the applicable laws in the Cayman Islands. Our Directors confirm that neither the above nor the proposed share repurchase contemplated hereunder has any unusual features.

If, as a result of any repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

Any repurchase of Shares that results in the number of Shares held by the public being reduced to less than 25% of the Shares then in issue could only be implemented if the Stock Exchange agreed to waive the Listing Rules requirements regarding the public shareholding referred to above. It is believed that a waiver of this provision would not normally be given other than in exceptional circumstances.

No core connected person of our Company has notified our Company that he or she has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

## **B. FURTHER INFORMATION ABOUT OUR BUSINESS**

### **1. Summary of Material Contracts**

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of our Group within two years preceding the date of this Prospectus and are or may be material, as well as contracts required to be disclosed pursuant to paragraph 17 of Chapter 4.1 of the Guide For New Listing Applicants issued by the Stock Exchange:



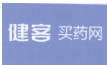
- (1) the exclusive consultancy and service agreement (獨家諮詢與服務協議) dated June 19, 2020, entered into between New WFOE and Guangzhou Guanghuikang;
- (2) the exclusive option agreement (獨家購買權協議) dated June 19, 2020, entered into among New WFOE, Fangzhou Yunkang Registered Shareholders and Guangzhou Guanghuikang;
- (3) a power of attorney (股東表決權委託書) dated June 19, 2020 executed by Guangzhou Fangming Investment Enterprise (Limited Partnership) (廣州市方明投資企業(有限合夥)), pursuant to which Guangzhou Fangming Investment Enterprise (Limited Partnership) (廣州市方明投資企業(有限合夥)) agreed to, among other things, exclusively authorize New WFOE (or other designated persons specified therein) to exercise all of its rights as a shareholder of Guangzhou Guanghuikang;
- (4) a power of attorney (股東表決權委託書) dated June 19, 2020 executed by Shenzhen Kaichuang Lianyu Technology Consultancy Co., Ltd. (深圳市凱創聯宇科技諮詢有限公司), pursuant to which Shenzhen Kaichuang Lianyu Technology Consultancy Co., Ltd. (深圳市凱創聯宇科技諮詢有限公司) agreed to, among other things, exclusively authorize New WFOE (or other designated persons specified therein) to exercise all of its rights as a shareholder of Guangzhou Guanghuikang;
- (5) a power of attorney (股東表決權委託書) dated June 19, 2020 executed by Beijing Yiershan Technology Co., Ltd. (北京醫而善科技有限公司), pursuant to which Beijing Yiershan Technology Co., Ltd. (北京醫而善科技有限公司) agreed to, among other things, exclusively authorize New WFOE (or other designated persons specified therein) to exercise all of its rights as a shareholder of Guangzhou Guanghuikang;

- (6) the equity pledge agreement (股權質押協議) dated June 19, 2020, entered into among New WFOE, Guangzhou Guanghuikang and Fangzhou Yunkang Registered Shareholders;
- (7) a spouse undertaking (配偶同意函) dated June 19, 2020 executed by HE Honghua (何紅花), the spouse of Mr. Xie;
- (8) a spouse undertaking (配偶同意函) dated June 19, 2020 executed by ZHANG Wenwen (張雯雯), the spouse of WANG Wenchao (汪聞超);
- (9) a spouse undertaking (配偶同意函) dated June 19, 2020 executed by ZHOU Fengjiang (周鳳江), the spouse of YANG Jinghua (楊敬華); and
- (10) the Hong Kong Underwriting Agreement.

## 2. Intellectual Property Rights

### (a) Trademarks

As of the Latest Practicable Date, we had registered the following trademarks that we consider to be or may be material to our business:

No.	Trademark	Category	Registered Owner	Place of Registration	Registration No.	Expiry Date
1.		1-2; 4; 6-8; 11; 13-15; 17-24; 26-27; 29; 31-32; 34; 37-40; 43; 45	Fangfeng Technology	PRC	22367608A	September 13, 2028
2.	健客	35	Fangfeng Technology	PRC	12303887	August 27, 2024
3.		44	Fangfeng Technology	PRC	19081005	March 13, 2027
4.		3; 5; 10; 28; 35-36; 41-42; 44	Fangfeng Technology	PRC	23529354	July 13, 2028
5.	健客网	35	Fangfeng Technology	PRC	16517444	May 6, 2026
6.	健客网上药店	9	Fangfeng Technology	PRC	19080720	March 13, 2027
7.	健客医生	44	Fangfeng Technology	PRC	19529696	May 20, 2027
8.	掌上医生	42	Fangfeng Technology	PRC	10427374	May 20, 2033

No.	Trademark	Category	Registered Owner	Place of Registration	Registration No.	Expiry Date
9.	健客诊所	9	Fangfeng Technology	PRC	22910851	February 27, 2029
10.	遇健未来	35	Fangfeng Technology	PRC	22905093	March 6, 2029
11.	健客方舟	35	Fangfeng Technology	PRC	44512099	November 13, 2030
12.		1; 2; 4; 6; 7; 8; 11; 13; 14; 15; 17; 18; 19; 20; 21; 22; 23; 24; 26; 27; 29; 31; 32; 34; 37; 38; 39; 40; 43; 45	Fangfeng Technology	PRC	22367609	September 13, 2028
13.		1; 2; 4; 6; 7; 8; 11; 13; 14; 15; 17; 18; 19; 20; 21; 22; 23; 24; 26; 27; 29; 31; 32; 34; 37; 38; 39; 40; 43; 45	Fangfeng Technology	PRC	22367610	September 13, 2028
14.	方舟云康	45	Fangfeng Technology	PRC	58236232	February 6, 2032
15.	方舟云康	5	Fangfeng Technology	PRC	58235881	February 6, 2032
16.	方舟名医说	10	Fangfeng Technology	PRC	56725595A	March 6, 2032
17.	方舟健客	5	Fangfeng Technology	PRC	55915450	November 20, 2031
18.	方舟健客	38	Fangfeng Technology	PRC	55907345	November 20, 2031
19.	方舟云医	44	Fangfeng Technology	PRC	52184702	January 27, 2032
20.	健客云医	5	Fangfeng Technology	PRC	52168280	October 20, 2031
21.	方舟医生	45	Fangfeng Technology	PRC	52166057	August 13, 2031
22.	方舟医生	38	Fangfeng Technology	PRC	52166035	August 20, 2031
23.	方舟健客	38	Fangfeng Technology	PRC	51029234	August 6, 2031
24.	方舟健客	5	Fangfeng Technology	PRC	51025404	July 6, 2031

No.	Trademark	Category	Registered Owner	Place of Registration	Registration No.	Expiry Date
25.		5; 9; 10; 35; 44	Fangzhou Medicine	PRC	42126399A	December 6, 2030
26.		38	Fangzhou Medicine	PRC	46331316	February 20, 2031
27.		5	Fangzhou Medicine	PRC	46331661	April 20, 2031
28.		44	Fangzhou Medicine	PRC	46337774	April 20, 2031
29.		35	Fangzhou Medicine	PRC	46355628	April 6, 2031
30.	健客	35	Fangfeng Technology	PRC	63324861	September 13, 2032
31.	掌上药店	42	Fangfeng Technology	PRC	14423391	May 27, 2026
32.	方舟医聊	5	Fangfeng Technology	PRC	59854561A	June 6, 2032
33.	健客问医生	44	Fangfeng Technology	PRC	57321194	August 13, 2032
34.	健客问医生	45	Fangfeng Technology	PRC	57317666	August 20, 2032
35.	方舟健客医生	35	Fangfeng Technology	PRC	62730987	August 20, 2032
36.	方舟健客医生	44	Fangfeng Technology	PRC	62731085	August 20, 2032
37.	方舟健客  	3, 5, 10, 35, 38, 44	The Company	Hong Kong	305689991	July 18, 2031
38.	健客   	3, 5, 10, 38, 44	The Company	Hong Kong	305689982	July 18, 2031
39.	JIANKE Jianke jianke jianke	3, 5, 10, 38, 44	The Company	Hong Kong	305689973	July 18, 2031

*(b) Patents*

As of the Latest Practicable Date, we had applied for the registration of the following patents that we consider to be or may be material to our business:

<u>No.</u>	<u>Patent</u>	<u>Type</u>	<u>Place of Registration</u>	<u>Application No.</u>	<u>Applicant</u>	<u>Application Date</u>
1.	A smart supply and procurement method and system for standardised drugs (一種標準化藥品的智能供採方法及系統)	G16H 40/20	PRC	2021111290597	Fangzhou Information	September 26, 2021
2.	A new online consultation system and method based on Internet hospitals (一種基於互聯網醫院的新型在線問診系統及方法)	G16H 80/00	PRC	2021110263164	Fangzhou Information	September 2, 2021
3.	A workflow framework driven by business events (一種基於業務事件驅動的工作流框架)	G06F 8/30	PRC	2021109818928	Fangzhou Information	August 25, 2021
4.	A method and system for intelligent identification of prescription pictures based on internet hospitals (一種基於互聯網醫院的處方圖片智能識別方法及系統)	G06V 30/418	PRC	2021108360081	Fangzhou Information	July 23, 2021
5.	A method and apparatus for screening continuously captured images, and an electronic device (一種連續拍攝圖像的篩選方法及裝置、電子設備)	H04N 23/60	PRC	202210319687X	Fangzhou Information	March 29, 2022
6.	Drug information pushing method, device, server and computer readable storage medium (藥品信息推送方法、裝置、服務器及計算機可讀存儲介質)	G16H 50/70	PRC	2022102318460	Fangzhou Information	March 9, 2022

*(c) Copyrights*

As of the Latest Practicable Date, we had registered the following copyrights that we consider to be or may be material to our business:

*Software (軟件)*

<b>No.</b>	<b>Copyright</b>	<b>Registered owner</b>	<b>Registration No.</b>	<b>Registration Date</b>
1.	Jianke doctor application software V5.7.3 (健客醫生應用軟件V5.7.3)	Fangzhou Medicine	2020SR1110642	September 16, 2020
2.	Jianke hospital application software V1.9.2 (健客醫院應用軟件V1.9.2)	Fangzhou Medicine	2020SR1111150	September 16, 2020
3.	Jianke online pharmacy APP software V5.0.0 (健客網上藥店APP軟件V5.0.0)	Fangzhou Medicine	2020SR1111443	September 16, 2020
4.	Fangzhou Order Performance System V1.1 (方舟訂單履約中心系統V1.1)	Fangzhou Medicine	2021SR0392351	March 15, 2021
5.	Fangzhou Health Member Service System V1.1 (方舟健康會員服務系統V1.1)	Fangzhou Medicine	2021SR0392350	March 15, 2021
6.	Fangzhou Da Jian Xiao Kang CS System V1.1 (方舟大健小康客服系統V1.1)	Fangzhou Medicine	2021SR0392369	March 15, 2021
7.	Fangzhou Jianke online pharmacy application software (方舟健客網上藥店應用軟件 V5.0.0)	Fangzhou Medicine	2022SR0355553	March 17, 2022
8.	Fangzhou Jianke application software V2.0 (方舟健客應用軟件V2.0)	Fangzhou Medicine	2022SR0402173	March 28, 2022
9.	Blockchain-based Fangzhou Drug Authentication Tracing System V1.0 (基於區塊鏈的方舟藥品正品溯源系統V1.0)	Fangzhou Information	2020SR1008159	August 28, 2020
10.	Fangzhou Supply Chain Scheduling Management System V1.0 (方舟供應鏈調度管理系統V1.0)	Fangzhou Information	2021SR0392155	March 15, 2021



No.	Copyright	Registered owner	Registration No.	Registration Date
11.	Fangzhou Warehousing and Logistics Management System (方舟倉儲物流管理系統 V1.0)	Fangzhou Information	2021SR0392145	March 15, 2021
12.	Fangzhou Chain Pharmacy Management System V2.0 (方舟連鎖藥店管理系統V2.0)	Fangzhou Information	2021SR0396025	March 16, 2021
13.	Fangzhou Jianke E-Prescription Management System V1.0 (方舟健客電子處方管理系統V1.0)	Fangzhou Information	2021SR0739823	May 21, 2021
14.	Fangzhou Internet Hospital Multimedia Business Management System V1.0 (方舟互聯網醫院多媒體業務管理系統V1.0)	Fangzhou Information	2021SR0739999	May 21, 2021
15.	Fangzhou Internet Hospital Management System V1.0 (方舟互聯網醫院管理系統V1.0)	Fangzhou Information	2021SR0739870	May 21, 2021
16.	Fangzhou Internet Hospital Information Management System V1.0 (方舟互聯網醫院資訊管理系統V1.0)	Fangzhou Information	2021SR0739835	May 21, 2021
17.	Fangzhou Youcai Management System V1.0 (方舟優採管理系統 V1.0)	Fangzhou Information	2021SR0739994	May 21, 2021
18.	Jianke doctor application software V6.1.8 (健客醫生應用軟件V6.1.8)	Qishi Hospital	2023SR0426378	March 31, 2023
19.	Jianke hospital application software V2.4.3 (健客醫院應用軟件V2.4.3)	Qishi Hospital	2023SR0416272	March 31, 2023

*(d) Domain names*

As of the Latest Practicable Date, we owned the following domain names which we consider to be or may be material to our business:

<u>No.</u>	<u>Domain Name</u>	<u>Registered Owner</u>	<u>Expiry Date</u>
1.	jianke.com	Fangzhou Medicine	January 23, 2030
2.	yunyihuiyao.com	Beijing Fangyixing	July 6, 2028
3.	jkyisheng.com	Beijing Fangyixing	September 4, 2028
4.	jiankehospital.com	Beijing Fangyixing	September 4, 2028
5.	jianke-inc.com	Fangzhou Medicine	June 1, 2028
6.	jkyyg.com	Fangzhou Medicine	February 10, 2028
7.	fangzhou-inf.com	Fangzhou Information	October 23, 2028
8.	fzjianke.com	Fangzhou Yunkang	March 18, 2028
9.	fangzhou.cn	Fangzhou Medicine	June 6, 2028

Save as aforesaid, as of the Latest Practicable Date, there were no other intellectual property rights which were material to our business.

**C. FURTHER INFORMATION ABOUT OUR DIRECTORS****1. Particulars of Directors' service contracts and appointment letters***(a) Executive Directors*

Each of the executive Directors has entered into a service contract with our Company. The initial term of their service contracts shall commence from the date of his or her appointment and continue for a period of three years after or until the third annual general meeting of the Company since the Listing Date, whichever is earlier (subject always to re-election as and when required under the Articles of Association), until terminated in accordance with the terms and conditions of the service contract or by either party giving to the other not less than one month's prior notice in writing.

No annual director's fees are payable to the executive Directors under the current arrangement.

*(b) Non-executive Directors and independent non-executive Directors*

Each of the non-executive Directors has entered into an appointment letter with our Company. The initial term for their appointment letters shall commence from the date of their appointments and shall continue for three years after or until the third annual general meeting of the Company since the Listing Date, whichever is sooner, (subject always to re-election as and when required under the Articles of Association) until terminated in accordance with the terms and conditions of the appointment letter or by either party giving to the other not less than one month's prior notice in writing. No annual director's fees are payable to the non-executive Directors under the current arrangement.

Each of the independent non-executive Directors has entered into an appointment letter with our Company. The initial term for their appointment letters shall be three years from the date of their appointments or until the third annual general meeting of the Company since the Listing Date, whichever is sooner, (subject always to re-election as and when required under the Articles of Association) until terminated in accordance with the terms and conditions of the appointment letter or by either party giving to the other not less than three month's prior notice in writing. Under these appointment letters, each of the independent non-executive Directors will receive an annual director's fee of HK\$100,000.

**2. Remuneration of Directors**

- (1) Remuneration and benefits in kind of RMB5.8 million, RMB8.7 million and RMB12.7 million, respectively, were paid and granted by our Group to our Directors in respect of the years ended December 31, 2021, 2022 and 2023.
- (2) Under the arrangements currently in force, our Directors will be entitled to receive remuneration and benefits in kind which, for the year ending December 31, 2024, is expected to be RMB59.5 million.
- (3) None of our Directors has or is proposed to have a service contract with the Company other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

**3. Disclosure of interests**

*(a) Interests and short positions of our Directors in the share capital of our Company and its associated corporations following completion of the Global Offering*

Immediately following completion of the Global Offering (assuming the weighted voting rights structure is cancelled and the Over-allotment Option is not exercised), the interests and/or short positions (as applicable) of our Directors and chief executives in the shares, underlying shares and debentures of our Company and its associated corporations, within the meaning of Part XV of the SFO, which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including

interests and/or short positions (as applicable) which he/she is taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, will be as follows:

(i) *Interest in Shares of the Company*

Name	Nature of interest	Number of Shares <sup>(1)</sup>	Approximate percentage of shareholding of Shares in our Company <sup>(1)</sup>
Mr. XIE Fangmin	Interest in controlled corporations <sup>(2)</sup>	276,605,527	20.64%
	Interest of a party to an agreement <sup>(3)</sup>	236,624,057	17.65%
	Interest of a party to an agreement <sup>(6)</sup>	138,430,610	10.33%
	Interest in a controlled corporation <sup>(7)</sup>	116,875,898	8.72%
Mr. ZHOU Feng	Interest in controlled corporations <sup>(4)</sup>	236,624,057	17.65%
	Interest of a party to an agreement <sup>(3)</sup>	276,605,527	20.64%
	Interest of a party to an agreement <sup>(6)</sup>	138,430,610	10.33%
	Interest in a controlled corporation <sup>(7)</sup>	116,875,898	8.72%
Mr. ZOU Yuming	Beneficial Owner <sup>(8)</sup>	3,500,000	0.26%
	Interest in a controlled incorporation <sup>(8)</sup>	20,000,000	1.49%
Mr. David McKee HAND	Interest in controlled corporations <sup>(5)</sup>	437,443,815	32.64%

*Notes:*

- (1) The table above assumes the weighted voting rights structure is cancelled and the Over-allotment Option is not exercised, each Class A Ordinary Share, Class B Ordinary Share and Preferred Share will be automatically converted into one Share upon the Global Offering becoming unconditional.
- (2) Fangrong Management Limited is wholly-owned by Mr. Xie. Each of Fangzhan Holdings L.P. and Xingyu Holdings L.P. is controlled by Mr. Xie. Therefore, Mr. Xie is deemed to be interested in the 265,538,362, 5,481,985 and 5,585,180 Shares held by Fangrong Management Limited, Fangzhan Holdings L.P. and Xingyu Holdings L.P., respectively, under the SFO.
- (3) Mr. Xie and Mr. Zhou are parties to the Concert Deed, according to which Mr. Xie and Mr. Zhou confirmed and agreed that they have acted and will continue to act in concert and collectively for all material management affairs and the arrival and/or execution of all commercial decisions, including but not limited to financial and operational matters, of our

Group since date of the Concert Deed, and they have casted and will continue to cast unanimous vote collectively for or against all resolutions in all Board and Shareholders' meetings and discussions of the Group. Therefore, Mr. Xie and Mr. Zhou are deemed to be jointly interested in the aggregate number of Shares held by each other.

- (4) Each of Celaeno Group Limited and Silica Brothers Corp. is controlled by Mr. Zhou. Therefore, Mr. Zhou is deemed to be interested in the 186,158,297 and 50,465,760 Shares held by Celaeno Group Limited and Silica Brothers Corp., respectively, under the SFO.
- (5) Each of Crescent Point Vehicles is advised by Crescent Point, which is ultimately controlled by David McKee Hand.
- (6) Effective immediately before the Listing, Mr. Xie and Mr. Zhou will be entitled to exercise the voting rights attached to 138,430,610 Shares, representing approximately 10.33% of shareholding in the Company immediately following the completion of the Global Offering, held by Tech-Med Investments (S) Pte. Ltd. pursuant to the deed of voting proxy executed by Tech-Med Investments (S) Pte. Ltd. on June 12, 2024. For details, see "History, Reorganization and Corporate Structure—Deed of Voting Proxy."
- (7) Asia Tech Investments Ltd. is a platform holding the underlying incentive shares granted to our Directors and senior management in the total amount of 116,875,898 Class A Ordinary Shares under the RSU Scheme. Approximately 51.34% and 48.41% of interest in Asia Tech Investments Ltd. were held by Mr. Xie and Mr. Zhou, respectively. Therefore, each of Mr. Xie and Mr. Zhou is deemed to be interested in the Shares of the Company held by Asia Tech Investments Ltd. in accordance with SFO.
- (8) In May 2024, 3,500,000 and 20,000,000 Shares underlying the RSUs were allotted and issued to Mr. ZOU Yuming and Torano Investments Limited (a company wholly owned by Mr. Zou to hold certain Shares underlying the RSUs granted to him), respectively, pursuant to the RSU Scheme.

***(b) Interests and short positions discloseable under Divisions 2 and 3 of Part XV of the SFO***

For information on the persons who will, immediately following the completion of the Global Offering, have or be deemed or taken to have beneficial interests or short position in our Shares or underlying shares which would fall to be disclosed to our Company under the provisions of 2 and 3 of Part XV of the SFO, or directly or indirectly be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group, please see the section headed "Substantial Shareholders".

Save as set out above, as of the Latest Practicable Date, our Directors were not aware of any persons who would, immediately following the completion of the Global Offering, be interested, directly or indirectly, in 10% or more of the nominal of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group or had option in respect of such capital.

**4. Disclaimers**

Save as disclosed in this prospectus:

- (1) there are no existing or proposed service contracts (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)) between the Directors and any member of the Group;

- (2) none of the Directors or the experts named in the section headed “—E. Other Information—4. Consents of Experts” below has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group;
- (3) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any Shares in or debentures of the Company within the two years ended on the date of this prospectus;
- (4) none of the Directors is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of the Group taken as a whole;
- (5) taking no account of any Shares which may be taken up under the Global Offering, so far as is known to any Director or chief executive of the Company, no other person (other than a Director or chief executive of the Company) will, immediately following completion of the Global Offering, have interests or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or (not being a member of the Group), be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group; and
- (6) none of the Directors or chief executive of the Company has any interests or short positions in the Shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered into the register referred to therein, or will be required, pursuant to the Model Code for Securities Transaction by Directors of Listed Issuers, to be notified to the Company and the Stock Exchange once the Shares are listed thereon.

**D. RSU SCHEME****Summary of the Principal Terms**

The following is a summary of the principal terms of the RSU Scheme approved and adopted by the Board on January 1, 2020 (the “**Adoption Date**”). The terms of the RSU Scheme will not be subject to the provisions of Chapter 17 of the Listing Rules upon Listing.

**(a) Purpose of the RSU Scheme**

The purpose of RSU Scheme is to attract, retain and motivate our senior management, employees, advisors and such other participants through the grant of awards (“**Awards**”) for their contribution to the growth and profits of the Group, and to allow such senior management, employees, advisors and other persons to participate in the growth and profitability of the Group.

**(b) Administration**

The RSU Scheme shall be subject to the administration of the Board. The Board shall have the right to (i) interpret, construe and amend the provisions of the RSU Scheme and (ii) determine the persons who will be offered Awards under the RSU Scheme, the number and subscription price of Shares and other terms in relation to such Awards.

**(c) Who May Join**

The participant of the RSU Scheme is any person belong to any of (1) senior management of the Group; (2) employees of the Group; (3) advisors of the Group; and (4) other persons as approved by the Board or the authorized administrator of the RSU Scheme.

**(d) Grant of Restricted Share Units**

After the Board determines that it will grant RSUs, it will advise the grantee in an Restricted Share Units (“**RSUs**”) award notice (“**Award Notice**”) of the terms, conditions, and restrictions related to the grant, including the number and subscription price of RSUs.

**(e) Vesting Criteria and Other Terms**

The RSUs shall be vested to the relevant participant upon (1) expiration of the vesting period; (2) payment of the relevant subscription price; and (3) the participant has obtained relevant approval and completed relevant registration as required under PRC law (including but not limited to SAFE registration). The vesting period shall be determined by the Board and the authorized administrator of the RSU Scheme in accordance with the specific circumstances of the participant at the time of granting.

***(f) Subscription Price***

The subscription price shall be nil or any other price as approved by the Board.

***(g) Cancellation and Forfeiture of Awards***

The Company shall have the right to cancel or repurchase the unvested RSUs for free if the grantee left the Company for any reason.

***(h) Maximum number of Shares Available for Subscription***

The Shares which may be transferred or paid-out in settlement of all Awards to be granted under the RSU Scheme of the Company shall not exceed 238,664,648 Shares (on an as-converted and fully-diluted basis) being the aggregate of Shares issued to the platforms holding the underlying incentive shares which are to be granted under the RSU Scheme as approved by the Shareholders general meeting of the Company.

***(i) Limited Transferability of Awards***

Unless approved by the Board, any transfer of an Award by the grantees prior to the Listing shall be void.

***(j) Share Capital***

The Awards do not carry any right to vote in the general meetings of the Company, or any right to dividend, or any other economic rights.

***(k) Alteration of the RSU Scheme***

The Board shall have the right to amend any of the provisions of the RSU Scheme.

***(l) Term and Termination***

The RSU Scheme became effective upon the Adoption Date, and will continue in effect for a term of five (5) years from the Adoption Date.

***(m) Shareholders Rights***

The grantees shall not have any rights with respect to the Shares underlying the RSUs granted pursuant to the respective Award Agreement (including, without limitation, voting or dividend rights) prior to the settlement and delivery of the Shares as specified therein.



### Awards Granted under the RSU Scheme

In May 2024, (i) a total of 98,288,750 Shares were allotted and issued to Endeavor Cloud Limited, FAST GOAL INTERNATIONAL LIMITED and Gaoxin Thrive Limited to hold the Shares underlying the RSUs granted to the grantees who are neither Directors nor other core connected persons of our Company pursuant to the RSU Scheme; (ii) 5,453,428 Shares were allotted and issued to Asia Tech Investments Ltd.<sup>(1)</sup> to hold the Shares underlying the RSUs granted to certain Directors pursuant to the RSU Scheme; and (iii) 3,500,000 and 20,000,000 Shares underlying the RSUs were allotted and issued to Mr. ZOU Yuming and Torano Investments Limited (a company wholly owned by Mr. Zou to hold certain Shares underlying the RSUs granted to him), respectively, pursuant to the RSU Scheme. As of the Latest Practicable Date, RSUs in respect of an aggregate of 238,664,648 Shares had been granted to six members of our Directors and senior management and other 164 employees and business consultants who made contributions to our Group pursuant to the RSU Scheme. No further Awards will be granted under the RSU Scheme after the Listing.

Based on the number of Shares in issue immediately upon completion of the Global Offering, assuming the RSUs granted under the RSU Scheme have been vested in full, there will not be any dilution effect on the shareholdings of the Shareholders nor any impact on the earnings per Share arising from the vesting of the outstanding RSUs.

The following table summarizes the number of the RSUs granted to the Directors and senior management of the Company under the RSU Scheme as of the date of this prospectus.

Name	Address	Position	Number of Shares underlying the RSUs granted	Approximate percentage of issued Shares immediately after completion of the Global Offering (assuming that the Over-allotment Option is not exercised) <sup>(Note)</sup>
Mr. XIE Fangmin	Flat 1102 215 Huangpu Avenue Central Tianhe District, Guangzhou Guangdong Province the PRC	Chairman of the Board, executive Director and chief executive officer	60,000,000	4.48%

(1) On December 14, 2020, the Company allotted and issued 3,874,586, 9,204,954 and 9,204,954 class A ordinary shares with a par value of US\$0.0001 each to Asia Tech Investments Ltd., Arkasia (S) Pte. Ltd. and Televest Singapore Pte. Ltd., which were then subsequently sub-divided into 19,372,930, 46,024,770 and 46,024,770 Class A Ordinary Shares with a par value of US\$0.00002 on August 9, 2021, respectively. Subsequently, on May 31, 2024, Arkasia (S) Pte. Ltd. and Televest Singapore Pte. Ltd. each transferred 46,024,770 Class A Ordinary Shares to Asia Tech Investments Ltd..

Name	Address	Position	Number of Shares underlying the RSUs granted	Approximate percentage of issued Shares immediately after completion of the Global Offering (assuming that the Over-allotment Option is not exercised) <sup>(Note)</sup>
Mr. ZHOU Feng	151 Stevens Rd #07-08 Singapore 257872	Executive Director and chief strategy officer	56,575,898	4.22%
Mr. ZOU Yuming	Flat C, 10F, Block 2 20 Shan Kwong Rd Happy Valley Hong Kong	Executive Director and chief financial officer	23,500,000	1.75%
Ms. KANG Wei	Room 202, Unit 2 Building 8 88 North East 4th Ring Road Chaoyang District Beijing the PRC	Independent non- executive Director	100,000	0.01%
Mr. ZHU Xiaolu	Flat 1001, Unit 2 Block 2 9th Court Naoshikou Avenue Xicheng District Beijing the PRC	Independent non- executive Director	100,000	0.01%
Dr. WANG Haizhong	2201, No. 1 Manlv Yuan Sixth Street Zhucun Street Zengcheng District Guangzhou Guangdong Province the PRC	Independent non- executive Director	100,000	0.01%

*Note:*

- (1) The calculation is based on the total number of 1,340,267,457 Shares in issue immediately after completion of the Global Offering (assuming the Over-allotment Option is not exercised).

## E. OTHER INFORMATION

### 1. Estate Duty

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries.

## 2. Litigation

Save as disclosed in this prospectus and so far as our Directors are aware, no litigation or claim of material importance is pending or threatened against any member of our Group.

## 3. Joint Sponsors

The Joint Sponsors have made an application on our behalf to the Listing Committee for the listing of, and permission to deal in, the Shares in issue (including the Shares to be converted from the Class A Ordinary Shares, Class B Ordinary Shares and Preferred Shares), the Shares to be issued pursuant to the Global Offering (including the additional Shares which may fall to be issued pursuant to any exercise of the Over-allotment Option).

As of the Latest Practicable Date, the Joint Sponsors satisfied the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules. The Joint Sponsors will receive an aggregate fee of US\$0.7 million for acting as the sponsors for the Listing.

## 4. Consents of Experts

The following experts have each given and have not withdrawn their respective written consents to the issue of this prospectus with copies of their reports, letters, opinions or summaries of opinions (as the case may be) and the references to their names included herein in the form and context in which they are respectively included.

Name	Qualification
Citigroup Global Markets Asia Limited	Licensed corporation under the SFO to conduct Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance) and Type 7 (providing automated trading services) of the regulated activities under the SFO
ABCI Capital Limited	Licensed corporation under the SFO to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO
Conyers Dill & Pearman	Legal advisors as to Cayman Islands laws
Lincoln Cheung	Barrister-at-law in Hong Kong
Zhong Lun Law Firm	Legal advisors as to PRC law

<u>Name</u>	<u>Qualification</u>
KPMG	Certified Public Accountants  Public Interest Entity Auditor registered in accordance with the Accounting and Financial Reporting Council Ordinance
China Insights Industry Consultancy Limited	Independent industry consultant

As of the Latest Practicable Date, none of the experts named above had any shareholding interest in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

#### **5. Binding Effect**

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance so far as applicable.

#### **6. Bilingual Prospectus**

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

#### **7. Preliminary Expenses**

The Company did not incur any material preliminary expenses.

#### **8. Other Disclaimers**

- (1) Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus:
  - (i) no share or loan capital or debenture of our Company or any of our subsidiaries has been issued or agreed to be issued or is proposed to be issued for cash or as fully or partly paid other than in cash or otherwise;
  - (ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option; and

- (iii) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries.
- (2) Save as disclosed in this prospectus:
  - (i) there are no founder, management or deferred shares nor any debentures in our Company or any of our subsidiaries;
  - (ii) no share or loan capital or debenture of our Company of any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option; and
  - (iii) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of its subsidiaries by our Company for subscribing or agreeing to subscribe, or procuring or agreeing to procure subscriptions, for any shares in or debentures of our Company or any of our subsidiaries.
- (3) Save as disclosed in the paragraph headed “B. Further Information about our Business—1. Summary of Material Contracts” in this section, none of our Directors or proposed Directors or experts (as named in this prospectus), have any interest, direct or indirect, in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to, any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group.
- (4) We do not have any promoter. No cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the Global Offering and the related transactions described in this prospectus within the two years immediately preceding the date of this prospectus.

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## APPENDIX V DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES AND AVAILABLE ON DISPLAY

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### DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were, among other documents:

- (a) the written consents referred to under “Statutory and General Information—E. Other Information—4. Consents of Experts” in Appendix IV; and
- (b) a copy of each of the material contracts referred to in “Statutory and General Information—B. Further Information about Our Business—1. Summary of Material Contracts” in Appendix IV.

### DOCUMENTS AVAILABLE ON DISPLAY

Copies of the following documents will be available on display on the Stock Exchange’s website at [www.hkexnews.hk](http://www.hkexnews.hk) and our Company’s website at [investors.jianke.com](http://investors.jianke.com) during a period of 14 days from the date of this prospectus:

- (a) the Memorandum and the Articles;
- (b) the Accountants’ Report and the report on the unaudited pro forma financial information of our Group from KPMG, the texts of which are set out in Appendices I and II;
- (c) the audited consolidated financial statements of our Company for the financial years ended December 31, 2021, 2022 and 2023;
- (d) the legal opinion issued by Zhong Lun Law Firm, our PRC Legal Advisor in respect of general matters and property interests of our Group in the PRC;
- (e) the letter of advice prepared by Conyers Dill & Pearman, our legal advisor on Cayman Islands law, summarizing certain aspects of Cayman Islands company law referred to in Appendix III;
- (f) the Cayman Companies Act;
- (g) the industry report issued by China Insights Industry Consultancy Limited, the summary of which is set forth in the section headed “Industry Overview;”
- (h) the written consents referred to under “Statutory and General Information—E. Other Information—4. Consents of Experts” in Appendix IV;

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**APPENDIX V DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES  
AND AVAILABLE ON DISPLAY**

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- (i) the material contracts referred to in “Statutory and General Information—B. Further Information about Our Business—1. Summary of Material Contracts” in Appendix IV;
- (j) the service contracts and the letters of appointment with our Directors referred to in “Statutory and General Information—C. Further Information about Our Directors—1. Particulars of Directors’ service contracts and appointment letters” in Appendix IV;
- (k) the rules of the RSU Scheme;
- (l) an ad hoc Hong Kong legal opinion prepared by Lincoln Cheung, Barrister-at-law;
- (m) an ad hoc Cayman Islands legal memorandum prepared by Conyers Dill & Pearman;  
and
- (n) an ad hoc PRC legal memorandum prepared by Zhong Lun Law Firm.

方舟健客

Fangzhou Inc.  
方舟云康控股有限公司