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OVERVIEW

We are the largest online chronic disease management platform in China in terms of average MAU in 2022, 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.

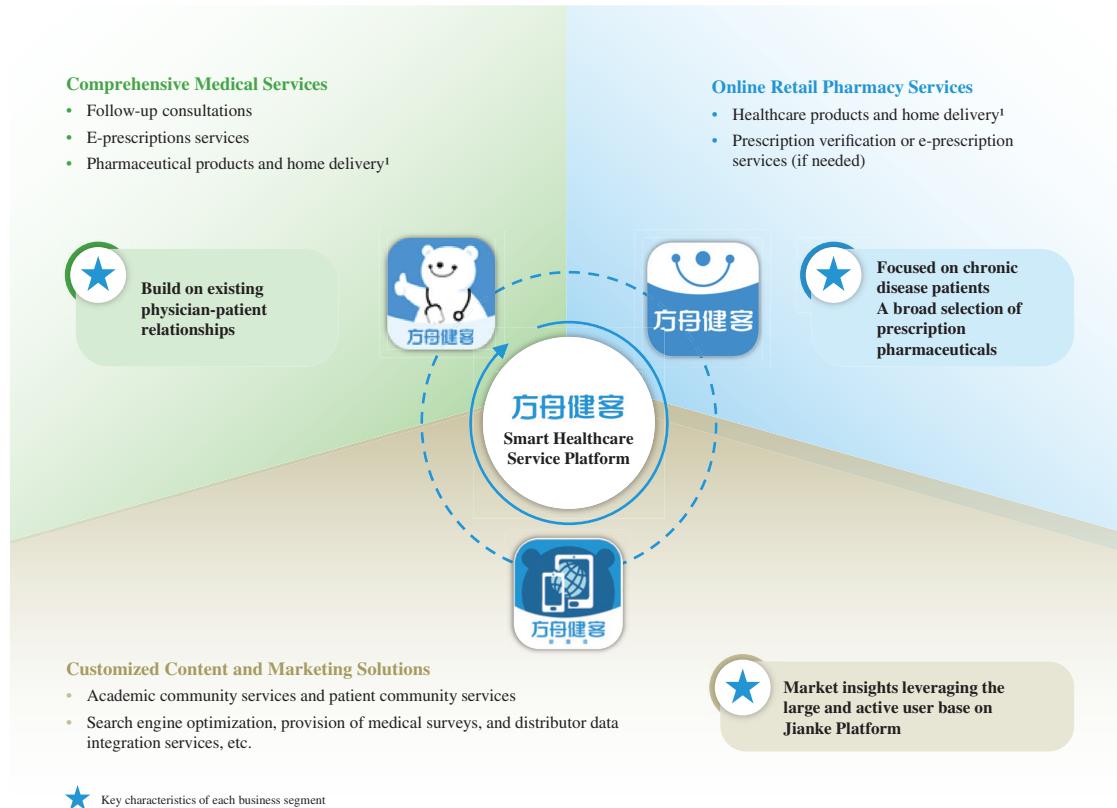
The market for online chronic disease management services in China is at an inflection point, with vast market potential created by a favorable regulatory environment for online prescription drug sales and the establishment of a tiered medical treatment system to promote more efficient allocation of 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 RMB27.6 billion in 2022, representing a CAGR of 77.2%, and is expected to reach RMB584.8 billion in 2030, representing a CAGR of 46.5%.

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 innovative 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.

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Medical Resources	CDM Service Capabilities	Pharmaceutical Supply Chain	Technology Infrastructure
<ul style="list-style-type: none"> 212,000+ registered physicians practicing offline at 15,600+ medical institutions² Approximately 58.8% registered physicians were working for Class III Hospitals² 	<ul style="list-style-type: none"> 8.4 million average MAU³ 169 CDM staff led by medical professionals² 	<ul style="list-style-type: none"> 212,000+ drug SKUs offered² 1,400+ suppliers² 760+ collaborated pharmaceutical companies² 81%+ of GMV are prescription drugs⁴ 	<ul style="list-style-type: none"> Data engine recorded 83.9 million consultations and 45.7 million prescriptions² AI medical assistant handled 43.1% routine consultations independently⁴

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.

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 MAUs. 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

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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 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.

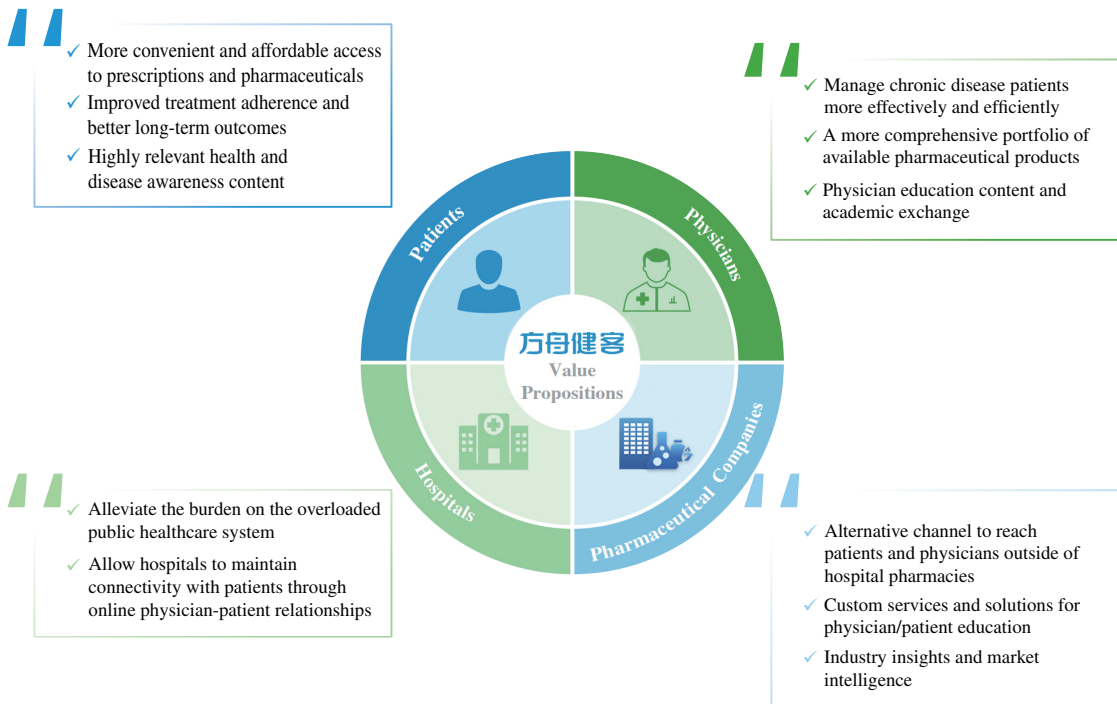
OUR VALUE PROPOSITIONS

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.

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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.

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.

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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 2022, 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 489.6 million in 2022, representing a CAGR of 5.8% and is expected to continue to grow and reach 574.7 million in 2030, representing a CAGR of 2.0% from 2022 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 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

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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

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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 MAUs. 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 81.3%, while the average retention rate of our users was approximately 58.9%, both of which were higher than the industry average for the same year, 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.

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- *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.

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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.

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.

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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 iyou.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 innovative 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

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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 2022 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.

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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 2022. 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.

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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.
- *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.

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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 products. We anticipate further 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 81.3% and 58.9%, 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. Our average spending per paying user for comprehensive medical services was generally higher at RMB2,269.7 in 2021, RMB1,767.6 in

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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.

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 ⁽¹⁾	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 (RMB)	766.3	626.7 ⁽²⁾	558.9 ⁽²⁾
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)	8,823,986	9,135,433 ⁽³⁾	8,441,036
Average user retention rate	58.8%	58.3%	58.9%
Number of registered physicians	191,106	205,000	212,892
Average physician retention rate	70.8%	81.8% ⁽⁴⁾	81.3%
Repeat purchase rate	82.0%	83.3%	84.2%
Conversion rate of active users to paying users on H2H service platform	32.6%	42.9%	36.2% ⁽⁵⁾
Conversion rate of active users to paying users on online retail pharmacy service platform	14.7%	14.8%	17.7%
Total GMV of the Jianke Platform and third-party e-commerce platforms (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% ⁽⁶⁾	81.1% ⁽⁶⁾

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Notes:

- (1) “Paying users” refer to users who engage in revenue generating activities such as physician consultations or the purchase of pharmaceutical products, as opposed to “non-paying users” who only engage in non-revenue generating activities such as participating in the academic or patient community services, attending free online consultations, or browsing content which are 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 will be counted only once when determining the total paying users on our platform.
- (2) 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.
- (3) The elevated 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.
- (4) 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.”
- (5) 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 and other content on our H2H service platform to attract new users, expand our user base, stimulate user activity and increase user stickiness.
- (6) 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 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.

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
Total	1,758,673	100.0	2,204,303	100.0	2,434,308	100.0

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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. These transactions do not form part of our principal business activity, and are 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.

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>	%
Online retail						
pharmacy services	1,011,427	57.5	1,252,123	56.8	1,297,106	53.3
– 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
Comprehensive medical services	719,693	40.9	868,171	39.4	983,654	40.4
– 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
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
Total	<u>1,758,673</u>	<u>100.0</u>	<u>2,204,303</u>	<u>100.0</u>	<u>2,434,308</u>	<u>100.0</u>

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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>	%
Online retail						
pharmacy services	155,000	15.3	206,693	16.5	263,191	20.3
– 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
Comprehensive medical services	40,543	5.6	122,078	14.1	149,738	15.2
– 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
Customized content and marketing solutions	24,105	87.5	51,483	85.4	72,277	83.2
Others	–	–	330	1.4	2,201	3.3
Total	<u>219,648</u>	12.5	<u>380,584</u>	17.3	<u>487,407</u>	20.3

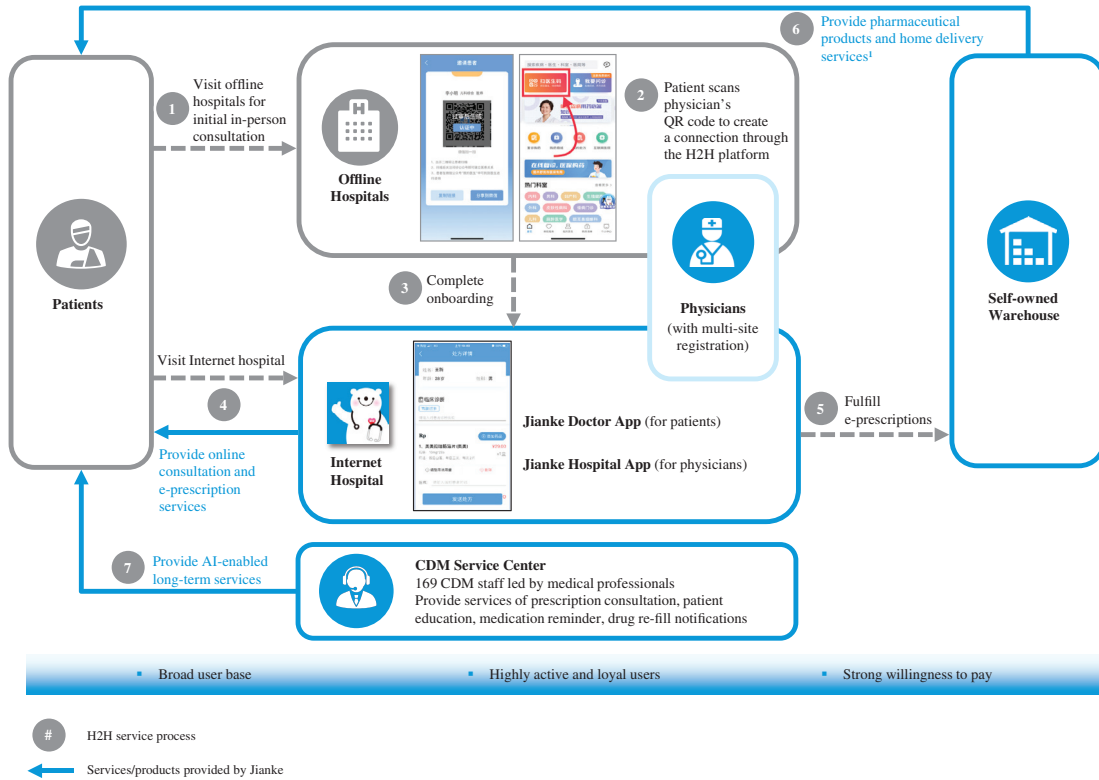
Comprehensive Medical Services

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.

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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.

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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

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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.

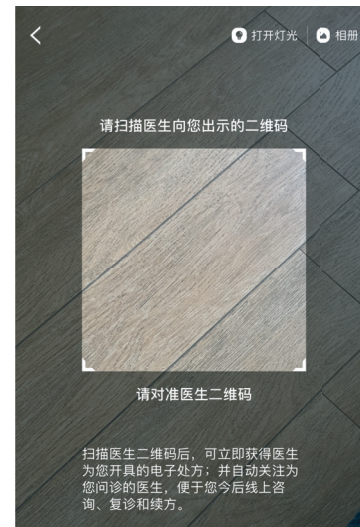
Our H2H service platform provides a unique QR code for each registered physician. A patient can scan a physician’s QR code with his or her mobile phone using WeChat or our Jianke Doctor App in order to “connect” with the physician on our platform. Once connected, the patient is able to make appointments 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

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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.

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.

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

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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 paid 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.

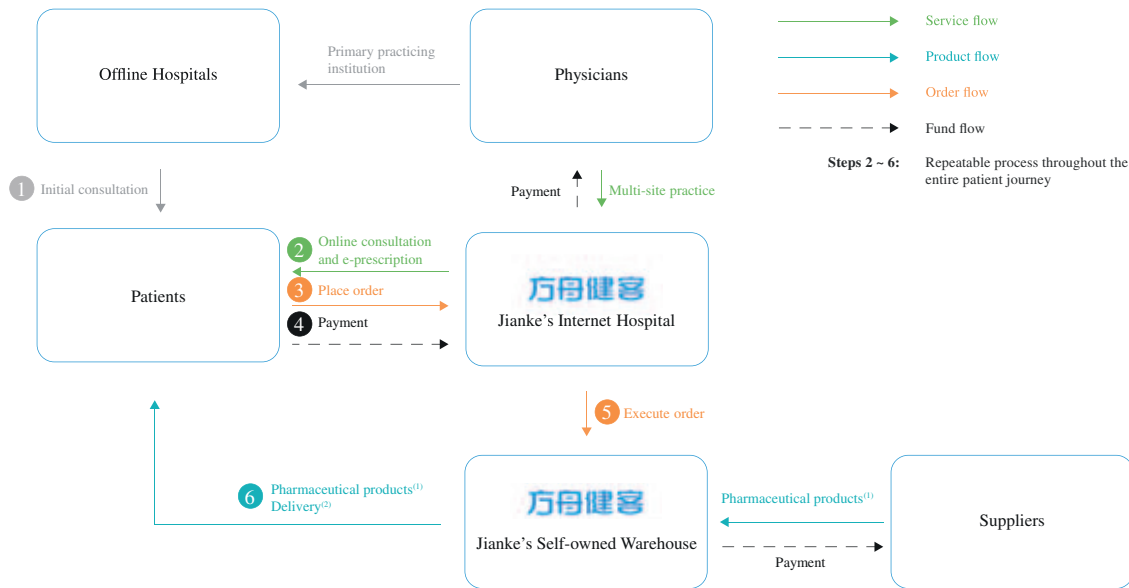
We and our registered physicians enter into service agreements, pursuant to which our registered physicians provide users with online consultation and e-prescription services subject to relevant rules and regulations. Registered physicians have discretion to set their own consultation fees, which are 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

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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.

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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 multiple sites in China and issue prescriptions. 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 our 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.
- *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.

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Our Offline Hospitals

During the Track Record Period, we operated 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 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.

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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



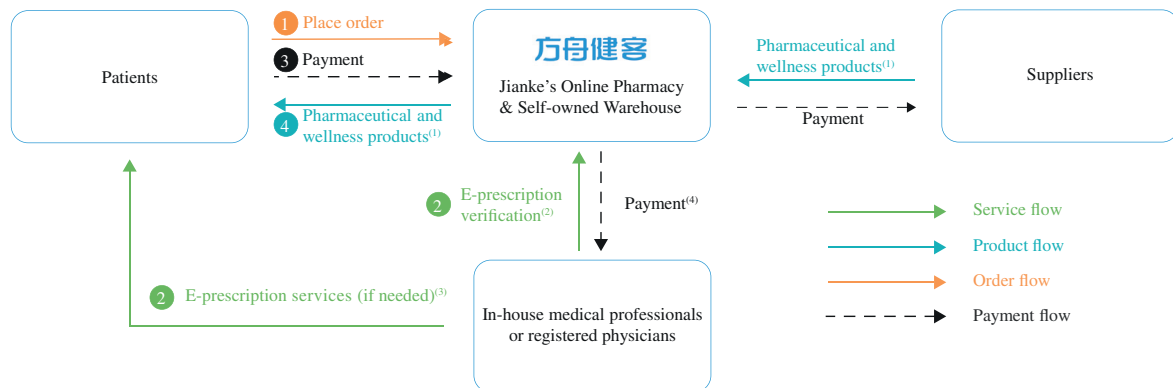
The website interface

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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.

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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
Total	<u>1,731,120</u>	<u>100.0</u>	<u>2,144,049</u>	<u>100.0</u>	<u>2,347,262</u>	<u>100.0</u>

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	
	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>	%
Prescription drugs and service package	169,915	10.9	272,030	14.5	300,794	15.3
OTC drugs and service package ⁽¹⁾	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
Total	<u>195,543</u>	<u>11.3</u>	<u>329,101</u>	<u>15.3</u>	<u>415,130</u>	<u>17.7</u>

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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

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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.

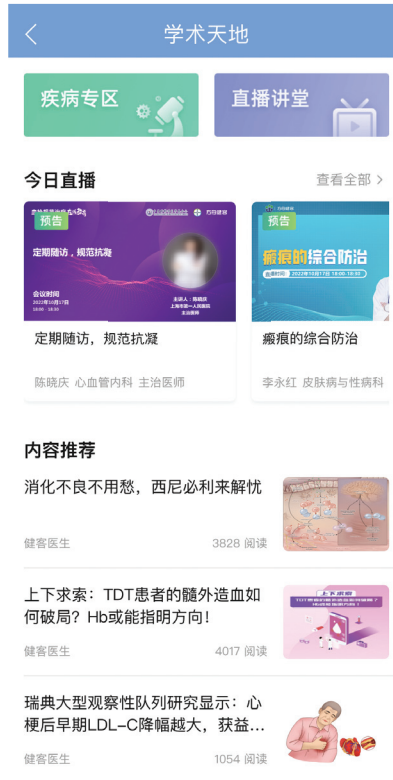
For customized content and marketing services, we have established a content governance framework to strictly review the content posted on our Jianke Platform and strengthen the management of information posted by users. Medical news, articles and short videos on our Jianke Platform, as well as chat 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.

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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.

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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.

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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.

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.

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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. These transactions do not form part of our principal business activity, and are 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.

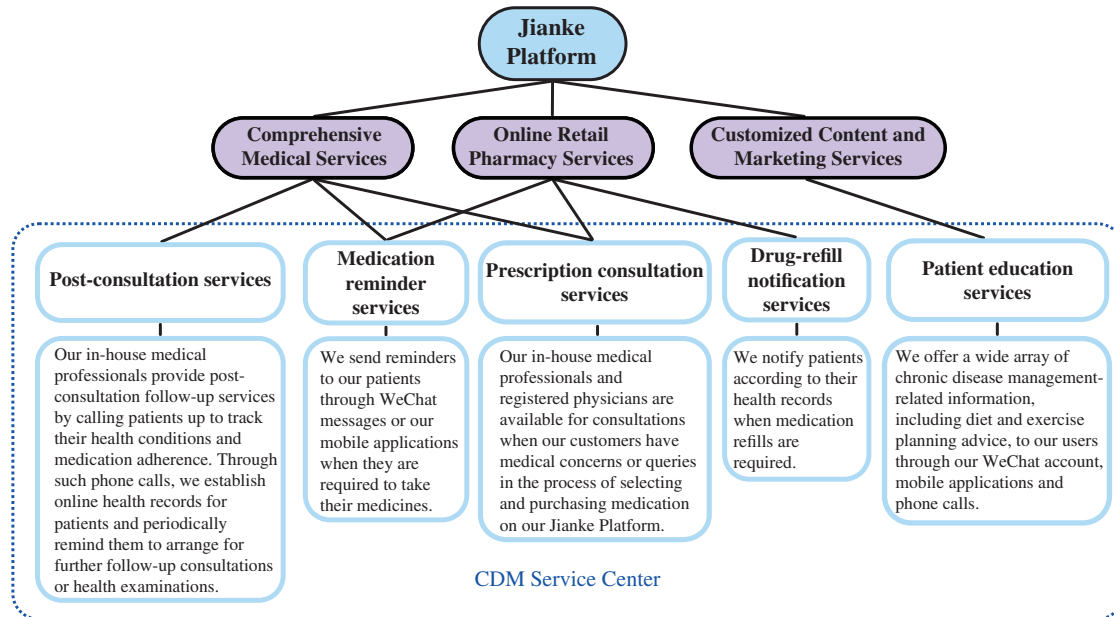
Our CDM service center had a team of 169 staff members led by our in-house medical professionals as of December 31, 2023, out of which 33 of them were our in-house medical professionals. The medical expertise of these medical professionals enables us to offer more professional solutions to patients, 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.

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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.

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- *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 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

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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.
- *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

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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 70.8% in 2021 to 81.8% in 2022 and remained relatively stable at 81.3% in 2023. The 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.

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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.

For the years ended December 31, 2021, 2022 and 2023, the average service fees paid to the registered physicians were RMB506.4, RMB383.1 and RMB320.5, respectively. During the Track Record Period, the annual compensation received by each registered physician, which included both consultation fees charged by the relevant registered physician and service fees paid based on our compensation policies, typically ranged from RMB100 to RMB10,000, with the average annual compensation for the years ended December 31, 2021, 2022 and 2023 being RMB3,345.3.

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.

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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 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.

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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 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.

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

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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.

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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.

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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.

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- *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

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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, 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.

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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.

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- 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 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	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
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
Total	45,950	100.0	61,783	100.0	41,532	100.0

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.

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Big Data Analysis

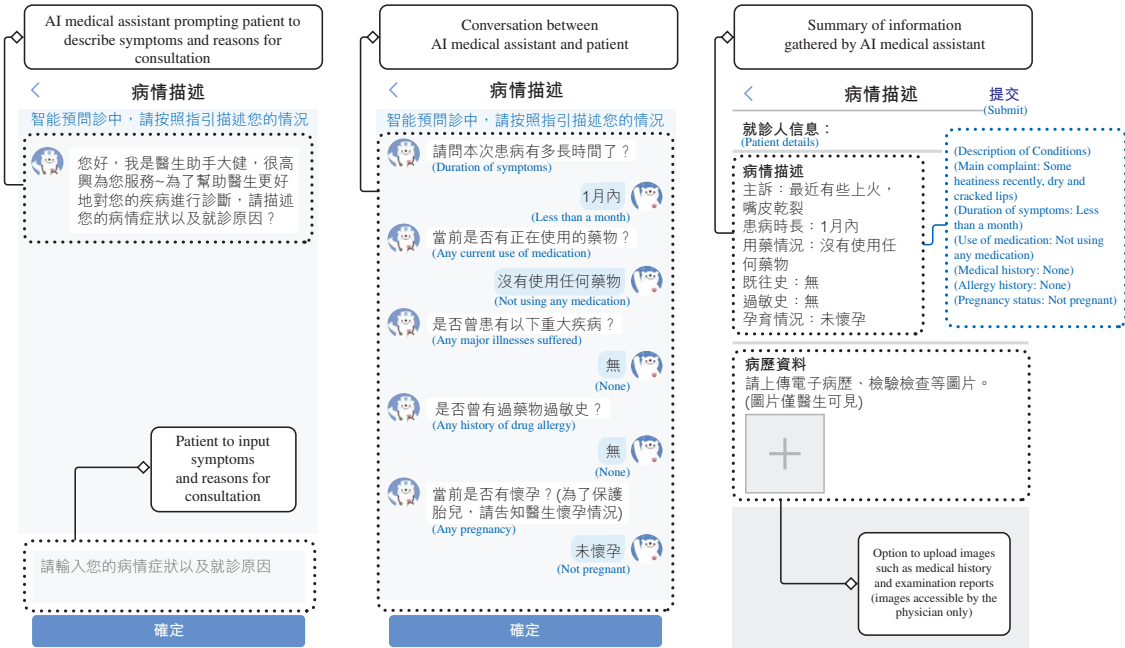
We use big data analytics to enhance customer experience and user retention and to improve our operation efficiency. The following summarizes the major aspects of our big data analysis.

- *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.

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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.

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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.

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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. The personal information we collect and process for our comprehensive medical services and online retail pharmacy services mainly includes (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 have adopted robust encryption algorithms 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 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 which set out the overall responsibilities and procedures for our staff to adhere to.

The degree of access to and control of the information is determined by reference to the staff member’s role and seniority. We have implemented duty segregation mechanisms among our data administration staff in daily operations. In the event of an information security breach, we perform investigations and exercise damage control. We also hold training on data protection for our employees on a regular basis.

Our system keeps a daily log of data extraction and transmission activities and statuses in authorization in data extraction and transmission for record. 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.

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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 [REDACTED] in Hong Kong. As of the Latest Practicable Date, we have not conducted any consultation or made an application to CAC for our proposed [REDACTED] 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.

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

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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 [REDACTED], 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.

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

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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.

We will continuously conduct self-examination and rectification to ensure that our mobile applications are in compliance with the applicable regulatory requirements. Our Directors confirmed that, save as disclosed above, during the Track Record Period and up to the Latest Practicable Date, 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. During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any fines or other penalties due to non-compliance with data privacy and protection laws or regulations. Based on the foregoing, 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 same period.

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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.
- 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” (成長値) 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.

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- 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

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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.

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.

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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.

Revenue derived from our five largest customers combined accounted for less than 5.0% of our total revenue for each of the years ended December 31, 2021, 2022 and 2023. All of our five largest customers during the Track Record Period were Independent Third Parties.

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.

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- *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.
- *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.

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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.

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.
- *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.

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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.

For years ended December 31, 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 these years, respectively. 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.”

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.

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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>Supplier Background</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	Drugs	A pharmaceutical distribution group in China	2017	60 days; wire transfer	405,603	20.5
2	Company B	Drugs	A pharmaceutical distribution group in China	2016	30 days; wire transfer	310,365	15.7
3	Company C	Drugs	A pharmaceutical distribution group in China	2020	60 days; wire transfer	229,880	11.6
4	Company D	Drugs	A pharmaceutical distribution group in China	2016	60 days; wire transfer	197,317	10.0
5	Company E	Drugs	A pharmaceutical distribution group in China	2016	60 days; wire transfer	60,701	3.1
Total						1,203,866	60.9

For the Year Ended December 31, 2022

<u>Ranking</u>	<u>Supplier</u>	<u>Products/ Services Procured</u>	<u>Supplier Background</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 D	Drugs	A pharmaceutical distribution group in China	2016	60 days; wire transfer	338,988	14.8
2	Company B	Drugs	A pharmaceutical distribution group in China	2016	60 days; wire transfer	306,956	13.4

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<u>Ranking</u>	<u>Supplier</u>	<u>Products/ Services Procured</u>	<u>Supplier Background</u>	<u>Year in which Business Relationship Commenced</u>	<u>Typical Credit Term and Payment Method</u>	<u>Purchase Amount</u>	<u>Percentage of Total Purchase</u>
						<i>(RMB'000)</i>	<i>%</i>
3	Company A	Drugs	A pharmaceutical distribution group in China	2017	45 days; wire transfer	300,878	13.2
4	Company C	Drugs	A pharmaceutical distribution group in China	2020	75 days; wire transfer	281,744	12.3
5	Company F	Drugs	A pharmaceutical distribution group in China	2020	45 days; wire transfer	80,644	3.5
Total						1,309,210	57.2

For the Year Ended December 31, 2023

<u>Ranking</u>	<u>Supplier</u>	<u>Products/ Services Procured</u>	<u>Supplier Background</u>	<u>Year in which Business Relationship Commenced</u>	<u>Typical Credit Term and Payment Method</u>	<u>Purchase Amount</u>	<u>Percentage of Total Purchase</u>
						<i>(RMB'000)</i>	<i>%</i>
1	Company D	Drugs	A pharmaceutical distribution group in China	2016	60 days; wire transfer, banker's drafts	389,114	15.7
2	Company B	Drugs	A pharmaceutical distribution group in China	2016	60 days; wire transfer, banker's drafts	281,555	11.4
3	Company C	Drugs	A pharmaceutical distribution group in China	2020	75 days; wire transfer	263,340	10.7
4	Company A	Drugs	A pharmaceutical distribution group in China	2017	60 days; wire transfer, banker's drafts	232,483	9.4
5	Company F	Drugs	A pharmaceutical distribution group in China	2020	45 days; wire transfer, banker's drafts	106,545	4.3
Total						1,273,037	51.5

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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.

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.

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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 235 trademarks, six patents, 50 software copyrights and 21 domain names. For details, see “Appendix IV—B. Further Information about our Business—2. Intellectual Property Rights” in this document.

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.

	Number of employees	% of total
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	515	100.0%

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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.

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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 [REDACTED], 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

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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

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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.”

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.

	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

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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 51 properties in the PRC. Our leased properties in the PRC are primarily used for office, business and warehouse purposes.

As of the Latest Practicable Date, among our 51 leased properties, 11 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

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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 17 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 RMB170,000. 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 document 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.

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.”

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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.”

We set forth below details on a legal proceeding that was commenced against the Group by Mr. Su during the Track Record Period. 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.

Dispute in relation to payments from SF Pharmaceutical

In September 2022, the People’s Court of Yuexiu District of Guangzhou issued a summons against Mr. Xie, Guangzhou Yunyi, Fangzhou Medicine and SF Pharmaceutical Supply Chain Company Limited (順豐醫藥供應鏈有限公司) (“**SF Pharmaceutical**”) in respect of a claim brought by Mr. Su which arose out of an Application for Change of Information (“**Application**”) (信息變更申請書) addressed to SF Pharmaceutical and jointly signed by Guangdong Jianke and Guangzhou Yunyi, requesting to amend the payment settlement account and invoicing details from those of Guangdong Jianke to Guangzhou Yunyi.

The allegations in the statement of claim are set out as follows:

- Guangdong Jianke had collaborated with SF Pharmaceutical for many years, with SF Pharmaceutical delivering products for Guangdong Jianke, and receiving customer payments for and on behalf of Guangdong Jianke;
- On July 17, 2019, Guangdong Jianke and Guangzhou Yunyi delivered the Application to SF Pharmaceutical, pursuant to which the settlement account for payment collection shall be switched from Guangdong Jianke to Guangzhou Yunyi. In the absence of any negotiation with Guangdong Jianke or its knowledge or any written agreement, SF Pharmaceutical unilaterally switched the signing entity and payee resulting in losses to Guangdong Jianke; and
- SF Pharmaceutical later switched the settlement account from Guangzhou Yunyi to Fangzhou Medicine, resulting in losses to Guangdong Jianke.

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In this case, Mr. Su sought (i) a declaration that the Application was null and void; (ii) that SF Pharmaceutical cease settlement of payments to Guangzhou Yunyi and Fangzhou Medicine; and (iii) that Guangzhou Yunyi and Fangzhou Medicine to return all payments received from SF Pharmaceutical in respect of products delivered since July 2019 to date.

On September 30, 2022, Guangzhou Yunyi and Fangzhou Medicine raised a jurisdictional objection to the People’s Court of Yuexiu District of Guangzhou and applied for the case to be transferred to the People’s Court of Huangpu District of Guangzhou. However, such application was refused. On October 25, 2022, Guangzhou Yunyi and Fangzhou Medicine appealed against the refusal ruling to the Guangzhou Intermediate People’s Court. On February 14, 2023, the appeal for a transfer of proceedings was refused by the Guangzhou Intermediate People’s Court. On May 31, 2023, a substantive court hearing on this case was held at the People’s Court of Yuexiu District of Guangzhou.

On June 29, 2023, the People’s Court of Yuexiu District of Guangzhou rendered a judgment in our favor, which rejected all claims of Mr. Su. On July 5, 2023, Mr. Su filed an appeal to the Guangzhou Intermediate People’s Court against the aforesaid judgment. On January 10, 2024, a court hearing on the appeal was held at the Guangzhou Intermediate People’s Court. As of the Latest Practicable Date, the Guangzhou Intermediate People’s Court had not delivered its judgment on the appeal.

Based on the evidence currently available, the litigation counsel we engaged in this case is of the opinion that the possibility of a ruling in favor of Mr. Su is remote, for reasons including the following:

- (i) The key evidence submitted by Mr. Su, namely the Application itself, is of questionable authenticity;
- (ii) SF Pharmaceutical had executed valid business contracts with Guangzhou Yunyi and Fangzhou Medicine, respectively. The continued provision of services and settlement of payments by SF Pharmaceutical to Guangzhou Yunyi and Fangzhou Medicine in accordance with their respective business contracts are legitimate and wholly unrelated to the Application;
- (iii) Pursuant to an agreement dated October 28, 2015 (“**Yunyi Agreement**”), which was validly executed by all parties, including Mr. Su and Mr. Xie, the assets and intellectual property rights of Guangdong Jianke (including Guangdong Jianke’s inventories which could have been delivered by SF Pharmaceutical) had been validly transferred to the Pre-reorganization Group. For background information on the Yunyi Agreement and past disruption of production and business operations incident, see “History, Reorganization and Corporate Structure—Reorganization and Disruption of Production and Business Operations Incident.” The valid execution of the Yunyi Agreement had been affirmed by the Guangzhou Huangpu District People’s Court in its first instance judgment dated September 24, 2021 and by the Guangzhou Intermediate People’s Court in its second instance (final) judgment

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dated February 16, 2023, both issued in respect of the Disruption of Production and Business Operations Incident. There is insufficient evidence to challenge the validity of the Yunyi Agreement and any actions taken to enable the transfers pursuant thereto, including the instructions contained in the Application; and

- (iv) There is insufficient evidence to prove that the interest of Mr. Su or Guangdong Jianke had been prejudiced as a result of SF Pharmaceutical’s payments made to Guangzhou Yunyi and Fangzhou Medicine. Similarly, there is no legal basis requiring the return of all payments received from SF Pharmaceutical since July 2019.

Based on the foregoing, our Directors are of the view that this case lacks merit and intend to vigorously defend against the claims. The outcome of the litigation is, however, inherently uncertain. We cannot guarantee that the court would not make findings or judgment in favor of Mr. Su. Assuming the court rules in favor of Mr. Su and agrees with each and every one of his claims, which our litigation counsel believes to be very unlikely, the potential legal consequence for us is to return all payments received from SF Pharmaceutical since July 2019. In light of the low likelihood of a judgment in favor of Mr. Su, our Directors believe that this case would not have a material adverse effect on our business, financial condition, results of operations or prospects.

Other than the aforesaid, we were not aware of any material pending or threatened legal or administrative proceedings brought against the Group by Mr. Su and/or Mr. Ma as of the Latest Practicable Date.

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 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

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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 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.

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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 ⁽¹⁾	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
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	March 10, 2020	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

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<u>No.</u>	<u>Entity</u>	<u>Name of the license, permit or approval</u>	<u>Grant date⁽¹⁾</u>	<u>Expiration date</u>
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
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
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
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

Note:

(1) Grant date refers to the latest date on which the relevant license was granted or renewed.

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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.

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.

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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 document 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.

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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.

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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.

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.