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*You should read the following discussion and analysis in conjunction with our consolidated financial information, including the notes thereto, included in the Accountants’ Report set out in Appendix I to this document. Our consolidated financial information has been prepared in accordance with HKFRSs.*

*The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical events, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors. We discuss factors that we believe could cause or contribute to these differences below and elsewhere in this document, including those set forth in “Risk Factors” and “Forward-Looking Statements” in this document.*

### OVERVIEW

We are the largest online chronic disease management platform in China in terms of average MAU in 2023, according to CIC.

We offer comprehensive medical services to patients, such as follow-up physician consultations and e-prescription services, which are conducted by our registered physicians and in-house medical professionals through our industry-leading H2H service platform and online retail pharmacy service platform. We also provide online retail pharmacy services to offer a variety of pharmaceutical products to customers. Our comprehensive medical services and online retail pharmacy services are supported by a chronic disease management service center consisting of 169 staff members as of December 31, 2023 and a robust supply chain. Leveraging our technological capability, we provide digitalized solutions for key participants in the healthcare industry.

For the years ended December 31, 2021, 2022 and 2023, our revenue amounted to RMB1,758.7 million, RMB2,204.3 million and RMB2,434.3 million, respectively. Our gross profit in 2021, 2022 and 2023 amounted to RMB219.6 million, RMB380.6 million and RMB487.4 million, respectively.

### BASIS OF PRESENTATION AND PREPARATION

We were incorporated as an exempted company with limited liability under the laws of Cayman Islands on September 26, 2019. We are principally engaged in online chronic disease management services in China.

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Our consolidated financial information has been prepared in accordance with all applicable HKFRSs, which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). The HKICPA has issued a number of new and revised HKFRSs. For the purpose of preparing our consolidated financial information, we have consistently adopted all applicable new and revised HKFRSs that are effective during the Track Record Period, except for any new standards or interpretations that are not yet effective for the Track Record Period. The revised and new accounting standards and interpretations issued but not yet effective for the Track Record Period are set out in note 32 to the Accountants’ Report set out in Appendix I to this document. The preparation of our consolidated financial information in conformity with HKFRSs requires the use of certain accounting estimates. It also requires management to exercise its judgment in the process of applying our accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to our consolidated financial information, are disclosed in note 3 to the Accountants’ Report set out in Appendix I to this document.

### KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

We believe that the following factors have a major impact on our results of operations:

#### **Growth of the online chronic disease management market in China**

Our financial performance and future business growth depend on the development and growth of the online chronic disease management market in China. According to CIC, the size of online chronic disease management market in China in terms of GMV increased from RMB27.6 billion in 2015 to RMB178.1 billion in 2023, representing a CAGR of 26.3%, and is expected to continue to grow at a CAGR of 30.6% and reach RMB1,153.9 billion in 2030. In addition, the market size of the online to-consumer chronic disease management market grew rapidly at a CAGR of 75.6% from RMB0.5 billion in 2015 to RMB45.5 billion in 2023, and is projected to reach RMB599.5 billion in 2030, representing a CAGR of 44.5%. The growth of online chronic disease management market is largely driven by (i) the increasing demand for chronic disease management services with the increase in the aging population with chronic disease, while the capacity of Class III hospitals which provide better medical services in China is limited; (ii) the growth of out-of-hospital prescription market; (iii) the expanded coverage of national medical insurance for online medication; and (iv) the increasing acceptance of online medical services across all age groups. As a leading online chronic disease management platform in China, we expect to capture growth opportunities in this market, which will impact our results of operations and future performance. See “Industry Overview” in this document for details.

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### **Our ability to establish a large and active user base**

We believe that our user base is the foundation of our business. Our results of operations will largely depend on our ability to build and monetize a large and active user base. In the early stage of building our business, we prioritized scaling our business, and we were especially committed to increasing our paying user base as well as the efficiency of our user acquisition efforts through various marketing initiatives. These efforts were particularly evident in 2021, when we made a strategic decision to rapidly expand the scale of our H2H services. Since July 2019, when we commenced in-house operations of the Jianke mobile applications and website, which were previously operated by Guangdong Jianke, we also devoted significant efforts to enhancing user acquisition efficiency and improving conversion rate of our active users to paying users in order to expand our paying user base. The number of paying users on our Jianke Platform increased from 3.9 million for the year ended December 31, 2022 to 4.4 million for the year ended December 31, 2023. The conversion rate of active users to paying users on our H2H service platform was 32.6%, 42.9% and 36.2% in 2021, 2022 and 2023, respectively. For those same years, the conversion rate of active users to paying users on our online retail pharmacy service platform was 14.7%, 14.8% and 17.7%, respectively.

Driven by the increase in our user base, the GMV of the Jianke Platform and third-party e-commerce platforms increased from RMB1,945.4 million in 2021 to RMB2,430.3 million and RMB2,481.5 million in 2022 and 2023, respectively.

### **Our ability to enrich our product and service offerings**

Our revenue growth and results of operations depend on our ability to provide a wide range and well-diversified portfolio of product and service offerings to address the needs of different stakeholders in the industry. We have been a pioneer in online chronic disease management services, offering online retail pharmacy services and comprehensive medical services, such as physician consultations and e-prescriptions. As we focus on chronic disease management, our users typically require periodic prescription drug refills and follow-up medical consultations to treat their condition, which will continuously drive our sales revenue. We endeavor to further enrich the services and products offered through our Jianke Platform. For example, the number of products available on our platform has grown rapidly as we strived to provide customers with a wide range of pharmaceutical products, with a special focus on prescription drugs to serve the needs of chronic disease patients. As of December 31, 2023, we had offered over 212,000 drug SKUs, of which approximately 61.6% were prescription drugs. As a result, the average spending per user on our Jianke Platform amounted to RMB766.3, RMB626.7 and RMB558.9 in 2021, 2022 and 2023, respectively, which was higher than the industry average of approximately RMB200.0 for the same years, according to CIC. We will also continue to broaden our selection of high-value-add products, such as health supplement products and traditional Chinese medicine, to cater to users with such needs. We believe this will enable us to expand our reach and coverage to serve a larger user base, which would in turn drive our sales revenue.

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As the industry evolves, we expect to remain at the forefront in offering new products and services. We will continue to expand our customized content and marketing solutions business in order to provide relevant content to physicians and patients, while helping pharmaceutical companies raise awareness about chronic disease conditions and treatment options among targeted audience. In addition, we have utilized and will continue to utilize our big data analytics capabilities to better understand our users so that we are able to serve their evolving needs.

### **Our ability to attract and retain active registered physicians**

Our results of operations and long term success depend in part on our ability to attract and retain qualified physicians on our Jianke Platform. Through our expanding coverage of registered physicians and patient users, we have helped facilitate real-world physician-patient relationships, enabling us to build trust with patients and retain them to our platform. The number of registered physicians on our platform experienced rapid growth since we began to operate in-house in July 2019, reaching over 212,000 as of December 31, 2023. We plan to further expand the number of physicians registered on our H2H service platform and cultivate engagement from active registered physicians to better serve patients throughout the lifespan of their chronic disease management. We will also focus on attracting physicians with a broader range of specialties to our platform to increase the choices available to patients, while providing us with greater monetization opportunities.

### **Our profitability**

Our profitability is significantly affected by our growth strategies and business priorities. During the Track Record Period, our business went through a dynamic period of expansion and growth. Since we began to operate the Jianke mobile applications and website in-house in July 2019, we actively grew our user base and business scale, which resulted in rapid growth of our H2H services and online retail pharmacy services during the Track Record Period. These efforts have had a positive effect on our overall gross profit margin, which increased from 12.5% in 2021 to 17.3% in 2022 and further increased to 20.0% in 2023.

From 2021 to 2022, our gross profit margin increased from 12.5% to 17.3%, primarily because we gained greater flexibility in setting our customer pricing as we were able to negotiate more favorable procurement terms due to our increased business scale, which resulted in decreased unit costs for a significant portion of the products sold on our Jianke Platform in 2022. For instance, 30 of our top 50 best-selling drugs in 2022 by revenue with comparable sales data in 2021 experienced a unit cost decrease of up to 63% from 2021 to 2022. As a result of our ongoing efforts to enhance our supply chain capabilities, our gross profit margin further increased from 17.3% in 2022 to 20.0% in 2023, as we were able to procure pharmaceutical and healthcare products at more favorable prices. We expect our gross profit margins to continue to be affected by our business goals and strategies in the future.

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### **Our ability to effectively manage our costs and expenses and enhance operating efficiency**

Our ability to achieve profitability is, to a large extent, dependent on our ability to control our costs and expenses through enhancing our operating leverage and efficiency. Our cost of sales primarily represents procurement costs for pharmaceutical and other products, which are subject to various factors, such as our negotiating power with pharmaceutical companies and suppliers. Our operating efficiency is also affected by our ability to optimize our expense structure. During the Track Record Period, selling and distribution expenses were the largest component of our operating expenses. Despite the increases in absolute amounts of our selling and distribution expenses during the Track Record Period, our selling and distribution expenses as a percentage of revenue exhibited a downward trend, primarily attributable to economies of scale, a reduction in our compensation to registered physicians and our increased cost efficiency after building up our in-house operation capabilities. We expect our costs and expenses to remain substantial as we further expand our business.

We continuously seek to streamline our operations and we believe that controlling operating expenses to achieve optimal operating efficiency is important to our success. We believe the continued growth of our business and expansion of our market share can bring us economies of scale, resulting in higher utilization of our services and technologies and stronger bargaining power with pharmaceutical companies. In addition, we believe our services have network effects that can promote our brand effectively and enhance our marketing efficiency. Going forward, we will continue to adjust our marketing strategies to operate more efficiently and effectively as our business grows.

### **Extensive and evolving legal and regulatory requirements for the healthcare and online chronic disease management industries**

Due to the complex nature of our business, we are subject to extensive and evolving legal and regulatory requirements applicable to multiple industries in the PRC. These industries primarily include healthcare, chronic disease management, e-commerce and the Internet. Various regulatory authorities of the PRC government are empowered to promulgate and implement regulations governing broad aspects of these industries. Government regulation and enforcement are evolving and subject to significant uncertainties, which affect the manner in which we conduct our business as well as our ability to further grow and expand our business.

For instance, sales of pharmaceutical and healthcare products for chronic disease management in China are subject to extensive and evolving government regulation and supervision. These regulations will continue to evolve and new regulations and policies may be introduced that affect the market landscape and our operations. Regulatory changes in these industries may also increase our compliance burden and affect our business, profitability and prospects. In particular, certain laws, rules and regulations may affect the pricing, demand and sales of pharmaceutical and healthcare products, such as those relating to procurement, prescription and dispensing of drugs by hospitals and other medical institutions, online sales, retail pharmacy, government funding for private healthcare and medical services, and the inclusion of products in the drugs catalogs for national basic medical insurance, on-the-job

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injury insurance and maternity insurance jointly promulgated by the National Healthcare Security Administration and the MOHRSS. For details, see “Risk Factors—Risks Relating to Our Business and Industry—We are subject to extensive and evolving regulatory requirements. Future regulations may impose additional requirements and obligations on our business that could materially and adversely affect our business, reputation, financial condition and results of operations.”

### IMPACT OF COVID-19 ON OPERATIONS

Since the end of 2019, the outbreak of COVID-19 has materially and adversely affected the global economy. In response to intensifying efforts to contain the spread of COVID-19, the PRC government took a number of actions, which included compulsory quarantining arrangement, travel restrictions, remote work arrangement and public activities restrictions, among others. The COVID-19 pandemic also resulted in temporary closures of many corporate offices, retail stores, manufacturing facilities and factories across China. During the Track Record Period, the COVID-19 pandemic has evolved in China, from being substantially controlled in 2021, to a resurgence from March to June 2022 in Shanghai and many other cities in China, and further in late 2022.

The COVID-19 pandemic also demonstrated the positive role online to-consumer chronic disease management platforms can play in the healthcare industry to improve the availability of medical resources and alleviate pressure on major hospitals in China. The pandemic also cultivated consumer habits, accelerating user growth for the online to-consumer chronic disease management market in China. It also prompted governmental and policy support for the online chronic disease management market. The user adoption of online to-consumer healthcare services and the consumer habits cultivated are also expected to persist post-pandemic.

In light of the above, although hospital operations and our own business operations were disrupted from time to time due to COVID-19 lockdown measures, as a whole, the COVID-19 outbreak did not materially affect our business and financial performance during the Track Record Period. As consumers increasingly use online platforms for medical services such as online consultations and drug purchases as a result of the COVID-19 outbreak, our revenue increased from RMB1,758.7 million in 2021 to RMB2,204.3 million in 2022. Even as the COVID-19 pandemic abated in 2023, we reached full-year revenue of RMB2,434.3 million, demonstrating the continued adoption of online healthcare services and development of consumer habits. As of December 31, 2023, we had cash and cash equivalents of RMB146.3 million. We believe that our current level of liquidity is sufficient for us to successfully navigate an extended period of uncertainty. While COVID-19 pandemic in China has been under control since early 2023, the future development of COVID-19 and its long-term effects on our industry and business remain uncertain. See “Risk Factors—Risks Relating to Our Business and Industry—Any catastrophe, including natural catastrophes, outbreaks of health epidemics and other extraordinary events, could disrupt our business operations.”

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### **MATERIAL ACCOUNTING POLICY INFORMATION, JUDGEMENTS AND ESTIMATES**

The preparation of our consolidated financial information requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. Our material accounting policy information and judgments made by management in the application of HKFRSs that have significant effect on the consolidated financial information and major sources of estimation uncertainty are set out in detail in notes 2 and 3 to the Accountants' Report set out in Appendix I to this document. Set out below are the material accounting policy information which we believe are most important for an understanding of our financial condition and results of operations.

#### **Revenue and Other Income**

Income is classified by our Group as revenue when it arises from the sale of goods and provision of services in the ordinary course of our business.

Our Group is the principal for our revenue transactions and recognizes revenue on a gross basis. In determining whether our Group acts as a principal or as an agent, we consider whether it obtains control of the products or services before they are transferred to our customers. Control refers to our Group's ability to direct the use of and obtain substantially all of the remaining benefits from the products or services.

Our revenue and other income recognition policies are as follows:

#### ***Comprehensive Medical Services***

Revenue from comprehensive medical services principally comprises (i) online consultation services, e-prescription services and sales of pharmaceutical and other products on our comprehensive medical service platform to individual customers; and (ii) physician consultation services, physical examination services, surgery services and sales of pharmaceutical products by our hospital to individual patients.

The revenue from the sales of pharmaceutical and healthcare products through comprehensive medical service platform and hospital is recognized at the point in time when control of pharmaceutical and healthcare products is transferred to the customers.

Online consultation services, e-prescription services, physician consultation services, physical examination services and surgery service are generally rendered in a short period of time and revenue is recognized at a point in time on completion of the related services when the services are rendered and completed.

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### *Online Retail Pharmacy Services*

Revenue from online retail pharmacy services is principally sales of pharmaceutical and healthcare products to individual customers on our online retail pharmacy service platform, third-party platforms and retail pharmacies, along which we provide online consultation services and after-sales consultation services.

The revenue from online retail pharmacy services is recognized at the point in time when control of pharmaceutical and healthcare products is transferred to the customers.

### *Customized Content and Marketing Solutions*

Revenue from customized content and marketing solutions principally comprises content and marketing solutions to pharmaceutical and healthcare products suppliers and third-parties. We perform the services stipulated in the contracts during the continuous transfer of control of the services to the customers and recognize revenue over time.

### *Others*

Other revenue from pharmaceutical distribution is recognized at the point in time when control of pharmaceutical and healthcare products is transferred to our customers.

### *Discount Vouchers*

From time to time, we offer our customers discount vouchers free of charge through various promotional and advertising activities, and the discount vouchers can only be utilized when future purchases are made by the customers on certain specified pharmaceutical and healthcare products of our Group. We recognize the discount vouchers as a reduction in revenue when the customers apply the discount vouchers in future purchases.

### *Interest Income*

Interest income is recognized as it accrues using the effective interest method. For financial assets measured at amortized cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortized cost, which refers to gross carrying amount net of loss allowance, of the asset.

### *Government Grants*

Government grants are recognized in the consolidated statements of financial position initially when there is reasonable assurance that they will be received and that we will comply with the conditions attaching to them. Grants that compensate us for expenses incurred are recognized as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred.



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### Income Tax

Income tax for the period comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognized in profit or loss except to the extent that they relate to items recognized in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognized in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the end of each year during the Track Record Period, and any adjustment to tax payable in respect of previous period.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilized, are recognized. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilized.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, we control the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognized is measured based on the expected manner of realization or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of each period during the Track Record Period. Deferred tax assets and liabilities are not discounted.

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The carrying amount of a deferred tax asset is reviewed at the end of each period during the Track Record Period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilized. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognized when the liability to pay the related dividends is recognized.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if we have the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, we intend either to settle on a net basis, or to realize the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
  - the same taxable entity; or
  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realize the current tax assets and settle the current tax liabilities on a net basis or realize and settle simultaneously.

### **Credit Losses from Financial Instruments**

We recognize a loss allowance for expected credit losses (“ECLs”) on financial assets measured at amortized cost (including cash and cash equivalents, trade and other receivables and amounts due from related parties).

Financial assets measured at fair value are not subject to the ECLs assessment.

### ***Measurement of ECLs***

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that we expect to receive).

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The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

- trade and other receivables: effective interest rate determined at initial recognition or an approximation thereof.

The maximum period considered when estimating ECLs is the maximum contractual period over which we are exposed to credit risk.

In measuring ECLs, we take into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on our historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date. During the Track Record Period, since there were changes in the business scale of customized content and marketing solutions service and our expectations for the future economic conditions, the expected credit loss rates were adjusted in accordance with our accounting policy set out in note 2(i) to the Accountants' Report.

For all other financial instruments, we recognize a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

### ***Significant Increases in Credit Risk***

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, we compare the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, we consider that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to our Group in full, without recourse by our Group to actions such as

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realizing security (if any is held); or (ii) the financial asset is 90 days past due. We consider both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument’s external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor’s ability to meet its obligation to our Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument’s credit risk since initial recognition. Any change in the ECL amount is recognized as an impairment gain or loss in profit or loss. We recognize an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

### ***Basis of Calculation of Interest Income***

Interest income recognized in accordance with note 2(s)(vi) to the Accountants’ Report set out in Appendix I to this document is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortized cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, we assess whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

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Evidence that a financial asset is credit-impaired includes the following observable events:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or past due event;
- it becoming probable that the borrower will enter into bankruptcy or other financial reorganization;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or
- the disappearance of an active market for a security because of financial difficulties of the issuer.

### ***Write-off Policy***

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognized as a reversal of impairment in profit or loss in the period in which the recovery occurs.

### **Impairment of Non-Financial Assets**

During the Track Record Period, our Directors considered that the Group as a whole constitutes a single cash generating unit and assessed the impairment indication of the property, plant and equipment and intangible assets at the end of reporting period by reviewing internal and external sources of information. If any such indication exists, the asset’s recoverable amount is estimated by using the value in use model. Value in use was calculated by preparing discounted cash flows and any shortfall of the recoverable amount against the carrying amounts would be recognized as impairment.

The balance of property, plant and equipment amounted to RMB23.4 million, RMB31.3 million and RMB51.6 million as of December 31, 2021, 2022 and 2023, respectively. Such balance mainly included (i) right-of-use assets in relation to our pharmacies, warehouses, offices and dormitories through tenancy agreements; and (ii) leasehold improvement. The balance of intangible assets amounted to RMB2.4 million, RMB2.5 million and RMB2.3 million as of December 31, 2021, 2022 and 2023, respectively. Such balance mainly included computer software, license and trademark. Upon review of the aforesaid year-end balance and assessment of the impairment indication for each respective year, the Group did not make any impairment for the property, plant and equipment and intangible assets during the years ended December 31, 2021, 2022 and 2023.

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### **Credit Losses from Financial Guarantee Issued**

Financial guarantees are contracts that require the issuer, or the guarantor, to make specific payments to reimburse the beneficiary of the guarantee (the “holder”) for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees issued are initially recognized within “trade and other payables” at fair value, which is determined by reference to fees charged in an arm’s length transaction for similar services, when such information is obtainable, or to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognized in accordance with the Group’s policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognized in profit or loss.

We monitor the risk that the specified debtor will default on the contract and recognize a provision when ECLs on the financial guarantees are determined to be higher than the amount carried in “trade and other payables” in respect of the guarantees (i.e. the amount initially recognized, less accumulated amortization).

To determine ECLs, we consider changes in the risk of default of the specified debtor since the issuance of the guarantee. A 12-month ECL is measured unless the risk that the specified debtor will default has increased significantly since the guarantee is issued, in which case a lifetime ECL is measured. The same definition of default and the same assessment of significant increase in credit risk as described in note 2(i)(i) to the Accountants’ Report set out in Appendix I to this document apply.

### **Convertible Redeemable Preferred Shares**

Convertible redeemable preferred shares give rise to financial liabilities if they are redeemable in case of occurrence of triggering events which are beyond the control of both the Group and the preferred shareholders. The conversion feature is recognised as a derivative liability if it will or may be settled other than by the Group exchanging a fixed amount of cash or another financial asset for a fixed number of the Group’s own equity instruments.

At initial recognition, the redemption liabilities resulting from the convertible redeemable preferred shares are measured at the present value of the redemption amount. Subsequent changes in the carrying amount of the redemption liabilities are recognised in profit or loss.

If the preferred shares are converted into ordinary shares, the carrying amount of the financial liabilities is transferred to share capital and capital reserve.

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### Share-based Payments

The fair value of shares granted to directors, employees, advisors and other persons is recognized as an expense with a corresponding increase in share-based payments reserve within equity. The fair value is measured at grant date using the equity allocation method or discounted cash flow method, taking into account the terms and conditions upon which the shares were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the shares, the total estimated fair value of the shares is spread over the vesting period, taking into account the probability that the shares will vest.

During the vesting period, the number of shares that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognized in prior years is charged/credited to the profit or loss for the period of the review, with a corresponding adjustment to the share-based payments reserve. On vesting date, the amount recognized as an expense is adjusted to reflect the actual number of shares that vest (with a corresponding adjustment to the share-based payments reserve). The equity amount is recognized in the share-based payments reserve until the shares are vested (when it is included in the amount recognized in share premium).

### DESCRIPTION OF CERTAIN CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME ITEMS

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

	For the year ended December 31,					
	2021		2022		2023	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Revenue	1,758,673	100.0	2,204,303	100.0	2,434,308	100.0
Cost of sales	<u>(1,539,025)</u>	<u>(87.5)</u>	<u>(1,823,719)</u>	<u>(82.7)</u>	<u>(1,946,901)</u>	<u>(80.0)</u>
Gross profit	219,648	12.5	380,584	17.3	487,407	20.0
Other net income/(loss)	33,005	1.9	(134,188)	(6.1)	(23,915)	(1.0)
Selling and distribution expenses	(309,291)	(17.6)	(330,248)	(15.0)	(343,770)	(14.1)
Administrative expenses	(138,967)	(7.9)	(177,483)	(8.1)	(171,477)	(7.0)
Recognition of impairment losses	<u>(310)</u>	<u>(0.0)</u>	<u>(173)</u>	<u>(0.0)</u>	<u>(140)</u>	<u>(0.0)</u>
<b>Loss from operations</b>	<b><u>(195,915)</u></b>	<b><u>(11.1)</u></b>	<b><u>(261,508)</u></b>	<b><u>(11.9)</u></b>	<b><u>(51,895)</u></b>	<b><u>(2.1)</u></b>
Finance costs	<u>(108,035)</u>	<u>(6.1)</u>	<u>(121,781)</u>	<u>(5.5)</u>	<u>(144,816)</u>	<u>(5.9)</u>
<b>Loss before taxation</b>	<b><u>(303,950)</u></b>	<b><u>(17.3)</u></b>	<b><u>(383,289)</u></b>	<b><u>(17.4)</u></b>	<b><u>(196,711)</u></b>	<b><u>(8.1)</u></b>
Income tax	<u>(39)</u>	<u>(0.0)</u>	<u>(13)</u>	<u>(0.0)</u>	<u>(77)</u>	<u>(0.0)</u>
<b>Loss and total comprehensive income for the year</b>	<b><u><u>(303,989)</u></u></b>	<b><u><u>(17.3)</u></u></b>	<b><u><u>(383,302)</u></u></b>	<b><u><u>(17.4)</u></u></b>	<b><u><u>(196,788)</u></u></b>	<b><u><u>(8.1)</u></u></b>

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	For the year ended December 31,					
	2021		2022		2023	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Attributable to:						
Equity shareholders of the						
Company	(303,964)	(17.3)	(383,302)	(17.4)	(196,788)	(8.1)
Non-controlling interests	(25)	(0.0)	-	-	-	-

### Non-HKFRS Measure: Adjusted Net Loss/Profit and Adjusted Net Loss/Profit Margin

To supplement our consolidated financial statements, which are presented in accordance with HKFRSs, we also use adjusted net loss/profit (non-HKFRS measure) and adjusted net loss/profit margin (non-HKFRS measure) as additional financial measures, which are not required by, or presented in accordance with, HKFRSs. We believe adjusted net loss/profit (non-HKFRS measure) and adjusted net loss/profit margin (non-HKFRS measure) facilitate comparisons of operating performance from year to year and provides useful information to [REDACTED] and others to understand and evaluate our consolidated results of operations in the same manner as our management by eliminating impacts of certain items.

However, our presentation of adjusted net loss/profit (non-HKFRS measure) and adjusted net loss/profit margin (non-HKFRS measure) may not be comparable to similarly titled measures presented by other companies. The use of adjusted net loss/profit (non-HKFRS measure) and adjusted net loss/profit margin (non-HKFRS measure) has limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for an analysis of, our results of operations or financial condition as reported under HKFRSs.

We define adjusted net loss/profit (non-HKFRS measure) as loss and total comprehensive income for the year, excluding the effects of (i) equity settled share-based transactions; (ii) [REDACTED] expenses; (iii) changes in the carrying amount of preferred shares liability; and (iv) foreign exchange from the preferred shares liability. We account for the compensation cost from equity settled share-based transactions with employees, which is a non-cash item and does not result in cash outflow. We exclude [REDACTED] expenses arising from activities relating to the [REDACTED]. In addition, we eliminate the impacts of changes in the carrying amount of preferred shares liability and foreign exchange differences associated with our Preferred Shares, primarily because these are non-cash items in nature. The convertible redeemable preferred shares will automatically convert into ordinary shares upon the completion of the [REDACTED]. We define adjusted net loss/profit margin (non-HKFRS measure) as adjusted net loss/profit (non-HKFRS measure) divided by revenue for the year and multiplied by 100%.



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

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

### Revenue

During the Track Record Period, we generated our revenue primarily from (i) comprehensive medical services; (ii) online retail pharmacy services; (iii) customized content and marketing solutions; and (iv) others. The following table sets forth the breakdown of our revenue by business line for the years indicated.

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

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### *Comprehensive Medical Services*

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

### *Online Retail Pharmacy Services*

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

### *Customized Content and Marketing Solutions*

Revenue from customized content and marketing solutions mainly represents revenue derived from customized content and marketing solutions that we provided to pharmaceutical companies.

### *Others*

Revenue from others primarily represents revenue derived from wholesale of pharmaceutical products to third-party distributors for the purpose of inventory management.

### **Cost of Sales**

Our cost of sales for comprehensive medical services and online retail pharmacy services primarily represents procurement costs for pharmaceutical and healthcare products. Our cost of sales for customized content and marketing solutions primarily consists of staff costs. The following table sets forth the breakdown of our cost of sales by business line for the years indicated.

	<b>For the year ended December 31,</b>					
	<b>2021</b>		<b>2022</b>		<b>2023</b>	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Comprehensive medical services	679,150	44.1	746,093	40.9	833,916	42.8
Online retail pharmacy services	856,427	55.7	1,045,430	57.3	1,033,915	53.1
Customized content and marketing solutions	3,448	0.2	8,771	0.5	14,769	0.8
Others	–	–	23,425	1.3	64,301	3.3
<b>Total</b>	<b><u>1,539,025</u></b>	<b><u>100.0</u></b>	<b><u>1,823,719</u></b>	<b><u>100.0</u></b>	<b><u>1,946,901</u></b>	<b><u>100.0</u></b>

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

	For the year ended December 31,					
	2021		2022		2023	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Procurement costs	1,516,288	98.5	1,796,325	98.5	1,912,293	98.2
Medical service costs	13,518	0.9	14,800	0.8	15,499	0.8
Staff costs	4,157	0.3	6,931	0.4	12,407	0.6
Content production costs	2,165	0.1	4,523	0.2	5,537	0.3
Others	2,897	0.2	1,140	0.1	1,165	0.1
<b>Total</b>	<b><u>1,539,025</u></b>	<b><u>100.0</u></b>	<b><u>1,823,719</u></b>	<b><u>100.0</u></b>	<b><u>1,946,901</u></b>	<b><u>100.0</u></b>

### Gross Profit and Gross Profit Margin

Our gross profit represents our revenue less cost of sales. Our gross profit margin represents our gross profit as a percentage of our revenue. The following table sets forth the breakdown of our gross profit and gross profit margin by business line for the years indicated.

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

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Our gross profit margin increased from 12.5% in 2021 to 17.3% in 2022, and further increased to 20.0% in 2023, primarily because we were able to negotiate more favorable procurement terms for our pharmaceutical and healthcare products due to our increased business scale.

### Other Net Income/(Loss)

Other net loss or income primarily consist of (i) government grants, which mainly represent incentives and subsidies received from local governments for the purpose of encouraging business development; (ii) foreign exchange gain or loss primarily in connection with changes in present value of redemption amount of Preferred Shares denominated in US dollars; and (iii) other gain or loss, mainly representing interest income from cash deposits and our donations. The following table sets forth the breakdown of our other net loss or income for the years indicated.

	<b>For the year ended December 31,</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Government grants	4,442	526	1,026
Foreign exchange gain/(loss)	27,635	(134,660)	(28,444)
Other gain/(loss)	928	(54)	3,503
<b>Total</b>	<b>33,005</b>	<b>(134,188)</b>	<b>(23,915)</b>

### Selling and Distribution Expenses

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

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The following table sets forth the breakdown of our selling and distribution expenses for the years indicated.

	For the year ended December 31,					
	2021		2022		2023	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Advertising and platform service fees	77,714	25.1	86,101	26.0	91,379	26.6
Service fees to registered physicians	96,781	31.3	78,543	23.8	68,235	19.8
Logistics expenses	50,176	16.2	57,672	17.5	54,692	15.9
Staff costs	39,019	12.6	52,193	15.8	52,336	15.2
Outsourcing expenses	26,713	8.6	28,025	8.5	47,990	14.0
Telecommunication expenses	3,886	1.3	7,797	2.4	7,292	2.1
Share-based compensation	3,447	1.1	5,253	1.6	2,026	0.6
Others	11,555	3.8	14,664	4.4	19,820	5.8
<b>Total</b>	<b><u>309,291</u></b>	<b><u>100.0</u></b>	<b><u>330,248</u></b>	<b><u>100.0</u></b>	<b><u>343,770</u></b>	<b><u>100.0</u></b>

In 2021, 2022 and 2023, our selling and distribution expenses amounted to RMB309.3 million, RMB330.2 million and RMB343.8 million, respectively, accounting for 17.6%, 15.0% and 14.1% of our total revenue for the same years, respectively. Despite the increases in absolute amounts of our selling and distribution expenses during the Track Record Period, our selling and distribution expenses as a percentage of revenue exhibited a downward trend, which was primarily attributable to economies of scale, a reduction in our compensation to registered physicians and our increased cost efficiency after building up our in-house operation capabilities. See “—Comparison of Results of Operations” in this section for a detailed discussion.

### Administrative Expenses

Our administrative expenses primarily consist of (i) research and development costs, including staff costs of R&D personnel, outsourcing expenses for our R&D activities, depreciation of right-of-use assets, and share-based compensation to our R&D personnel. See “Business—Technology and Research and Development—Our Research and Development Investment” in this document for a breakdown of our R&D expenses during the Track Record Period; (ii) staff costs, representing wages, benefits and bonuses of our administrative personnel; (iii) professional service fees, which primarily represent fees paid to professional parties, including auditors, lawyers and consultants in connection with past rounds of financing and the proposed [REDACTED]; (iv) handling fees that we paid to third-party payment platforms in relation to our sales of pharmaceutical and other products; (v) business expenses,

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including business development fees, office expenses and travel expenses incurred in our daily operations; (vi) technical service fees paid to third-party service providers for online technical support solutions; (vii) share-based compensation to our administrative personnel; (viii) depreciation of right-of-use assets; (ix) outsourcing expenses for certain administrative functions; and (x) others, including rent and utility expenses, telecommunication expenses related to administrative activities, and depreciation and amortization.

The following table sets forth the breakdown of our administrative expenses in absolute amounts and as percentage of our total administrative expenses for the years indicated.

	For the year ended December 31,					
	2021		2022		2023	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Research and development						
costs	45,950	33.1	61,783	34.8	41,532	24.2
Staff costs	28,724	20.7	37,126	20.9	38,831	22.6
Professional service fees	24,843	17.9	32,292	18.2	35,983	21.0
Handling fees	10,731	7.7	13,104	7.4	12,651	7.4
Business expenses	8,991	6.4	7,892	4.4	11,469	6.7
Technical service fees	6,651	4.8	6,313	3.6	10,989	6.4
Depreciation of right-of-use						
assets	2,483	1.8	4,198	2.4	4,385	2.6
Outsourcing expenses	1,872	1.3	2,182	1.2	3,680	2.1
Share-based compensation	2,797	2.0	4,246	2.4	1,599	0.9
Others	5,925	4.3	8,347	4.7	10,358	6.1
<b>Total</b>	<b><u>138,967</u></b>	<b><u>100.0</u></b>	<b><u>177,483</u></b>	<b><u>100.0</u></b>	<b><u>171,477</u></b>	<b><u>100.0</u></b>

In 2021, 2022 and 2023, our administrative expenses amounted to RMB139.0 million, RMB177.5 million and RMB171.5 million, respectively, accounting for 7.9%, 8.1% and 6.7% of our total revenue for the same years, respectively. As we grew our business to achieve scale, our administrative expenses as a percentage of revenue displayed a generally decreasing trend during the Track Record Period, as we were able to achieve economies of scale, maintain relatively stable fixed costs and implement cost effective strategies such as building up our in-house capabilities. See “—Comparison of Results of Operations” in this section for a detailed discussion.

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### Recognition of Impairment Losses

Our recognition of impairment losses, which mainly represent impairment losses recognized on trade receivables from enterprise customers for our customized content and marketing solution services, amounted to RMB0.3 million, RMB0.2 million and RMB0.1 million for the years ended December 31, 2021, 2022 and 2023, respectively.

### Finance Costs

Our finance costs mainly represent (i) changes in the carrying amount of preferred shares liability, which were recognized in relation to the present value of redemption amount of our convertible redeemable preferred shares; and (ii) interest on lease liabilities and bank loans. Our finance costs amounted to RMB108.0 million, RMB121.8 million and RMB144.8 million for the years ended December 31, 2021, 2022 and 2023, respectively.

### Income Tax

Income tax primarily represents our total current and deferred tax expenses under the relevant income tax rules and regulations in the jurisdictions where we operate. During the Track Record Period and up to the Latest Practicable Date, we had fulfilled all of our tax obligations and did not have any material unresolved tax disputes.

The following summarizes major factors affecting our applicable tax rates in the Cayman Islands, Hong Kong and mainland China.

#### *Cayman Islands*

Under the current laws of the Cayman Islands, the Company and its subsidiaries incorporated in the Cayman Islands are not subject to tax on income or capital gains. Additionally, the Cayman Islands does not impose a withholding tax on payments of dividends to shareholders.

#### *Hong Kong*

The Company’s subsidiary domiciled in Hong Kong is subject to a two-tiered income tax rate for taxable income earned in Hong Kong effectively since April 1, 2018. The first HK\$2 million of assessable profits earned by the subsidiary in Hong Kong are subject to be taxed at an income tax rate of 8.25%, while the remaining profits will continue to be taxed at the existing tax rate, 16.5%. To avoid abuse of the two-tiered tax regime, each group of connected entities can nominate only one entity to benefit from the two-tiered tax rate. Additionally, payments of dividends by the subsidiaries incorporated in Hong Kong to the Company are not subject to any Hong Kong withholding tax.

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### *PRC*

Under the EIT Law, our PRC operating entities, other than Fangzhou Information and Fangzhou Media, are subject to a statutory enterprise income rate of 25.0%. Fangzhou Information was recognized as a high and new technology enterprise and thereby entitled to a preferential income tax rate of 15.0% in 2022. Fangzhou Media was eligible as a small low-profit enterprise and entitled to a tax relief policy. The portion of annual taxable income amount of a small low-profit enterprise, which does not exceed RMB1 million, shall be computed at a reduced rate of 25% as taxable income amount, and be subject to enterprise income tax at 20% tax rate.

### **BUSINESS SUSTAINABILITY AND PATH TO PROFITABILITY**

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

#### **Our Historical Business Focus and Strong Growth**

We believe that building the scale of our user base and the reputation of our brand are the foundation to our long-term commercial success. As such, we have dedicated ourselves to cultivating an active and loyal community of patients and physicians on our Jianke Platform, and developing and strengthening business relationships with pharmaceutical companies. As we solidify our relationships with key stakeholders, we have focused on developing and shaping consumer behavior and preferences, developing new sales channels and introducing new services and products to address their needs.

In 2021, we focused significant efforts on growing our paying user base and cultivate user habits in order to better support our platform’s long-term development. In particular, we undertook a strategic initiative to rapidly expand the scale of our H2H services. These efforts primarily included promotions to attract users to our Jianke Platform, and incentives to encourage physician and patient activities. Through these promotional initiatives, we were able to cultivate user habits and develop a stronger paying user base. This has placed us in a solid position to achieve sustainable long-term growth and profitability, reflected in the upward trend in our gross profit margin of 17.3% and 20.0% in 2022 and 2023, respectively.



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### ***Robust Growth of Operating Metrics on Jianke Platform***

From 2016 to 2019, in order to maintain the ongoing business operations of the Jianke mobile applications and website during our business reorganization, their operations were carried out by Guangdong Jianke under license and authorization from the Initial WFOE until July 2019 when we began to operate them in-house. For more information, see “History, Reorganization and Corporate Structure—Reorganization and Disruption of Production and Business Operations Incident—Business Reorganization from Guangdong Jianke to the Pre-reorganization Group” in this document. GMV generated by the Jianke Platform and through third-party e-commerce platforms increased from RMB1,945.4 million in 2021 to RMB2,430.3 million and RMB2,481.5 million in 2022 and 2023, respectively. Key operating metrics of our business have also experienced positive growth, as summarized below:

- *Paying user base expansion.* The number of paying users on the Jianke Platform grew from approximately 2.5 million in 2021 to 3.9 million and 4.4 million in 2022 and 2023, respectively.
- *Increase in registered physicians.* The number of registered physicians on our H2H service platform continued to increase since we began to operate the Jianke mobile applications and website in-house in July 2019 and reached more than 212,000 as of December 31, 2023.
- *User loyalty and activity.* The average spending per paying user on the Jianke Platform was RMB766.3, RMB626.7 and RMB558.9 in 2021, 2022 and 2023, respectively, which was higher than the industry average for the respective year, according to CIC. In addition, our average user retention rate remained consistently high throughout the Track Record Period, at 77.3%, 78.7% and 79.0% in 2021, 2022 and 2023, respectively, which was higher than the industry average of approximately 30-35% for the respective years, according to CIC.

### ***Enhanced Operating Efficiency***

During the Track Record Period, we made significant investment in building our teams across different functions and enhancing our brand recognition. In 2021 and 2022, we invested substantially in our sales and marketing, administrative, and research and development efforts, including selling and marketing initiatives such as promoting our Jianke Platform through app stores and different online and social media channels, and increases in headcount of our sales and marketing, administrative and research and development teams, all of which resulted in an increase in our operating expenses from RMB448.3 million in 2021 to RMB507.7 million in 2022. In 2023, our operating expenses further increased to RMB515.2 million as we continued to expand our business scale. Despite the increase in the overall absolute amount during the Track Record Period, our operating expenses as a percentage of revenue decreased from 25.5% in 2021 to 23.0% in 2022, and further decreased to 21.2% in 2023, primarily attributable to

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economies of scale and our increased cost efficiency after building up our in-house operating capabilities. The table below sets forth a breakdown of our operating expenses and their respective percentages to our revenue for the years indicated:

	<b>For the year ended December 31,</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<i>RMB'000, except for percentages</i>		
Selling and distribution expenses	309,291	330,248	343,770
– As a percentage of total revenue	17.6%	15.0%	14.1%
Administrative expenses (excluding research and development costs)	93,017	115,700	129,945
– As a percentage of total revenue	5.3%	5.2%	5.3%
Research and development costs	45,950	61,783	41,532
– As a percentage of total revenue	2.6%	2.8%	1.7%

Our investment in sales and marketing activities, such as incentivizing physician activity on our platform and advertising and promotion of our brand, has enabled us to grow our brand reach and attract more users and physicians to register with us. Moreover, we aimed to incentivize effective activity from physicians, such as providing online consultations, e-prescriptions, and academic and patient community services. These activities, although not profit-making to us, create a better user experience for patients, which we believe can improve our overall user stickiness and increase the conversion rate of active users to paying users to our H2H service platform, thereby reducing user acquisition costs and improving our profitability. During the Track Record Period, our user acquisition costs, which were equivalent to the total advertising and platform service fees recorded under our selling and distribution expenses, decreased as a percentage of total revenue from 4.4% in 2021 to 3.9% and 3.8% in 2022 and 2023, respectively.

In addition, our significant investment in cultivating our own team was made with the aim to reduce reliance on outsourcing of core functions. Our total outsourcing expenses as a percentage of revenue was 1.7%, 1.4% and 2.1% in 2021, 2022 and 2023, respectively. The increase in 2023 was attributable to the increase in number of outsourced staff, particularly customer service staff to support our growing user base, and storage services to support our increased sales volume, which was partially offset by a decrease in outsourcing of R&D services, as our robust in-house research and development capabilities allowed us to optimize our research staffing and operate with greater efficiency. As we grow in scale, we believe that having in-house teams with the capability to operate our core functions is crucial to building a well-rounded business, and will also be more cost-effective for our business operations in the long-run. To that end, we will continue to strengthen our in-house capabilities and enhance their productivity. We will also adapt our staffing strategy to align with our evolving business needs and enhance operating efficiency.

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### *Sustained Financial Growth*

In the early stage of building our business foundation, we prioritized scaling our business. As we achieved scale, we gained greater flexibility in price-setting and were able to negotiate more favorable procurement terms. As a result, our gross profit margin increased from 12.5% in 2021 to 17.3% in 2022, and further to 20.0% in 2023.

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

### **Our Strategies to Deliver Sustainable Revenue Growth and Profitability**

We believe there will continue to be a significant need for better chronic disease management in China for years to come. According to CIC, the size of online chronic disease management market in China in terms of GMV is expected to continue to grow at a CAGR of 30.6% from RMB178.1 billion in 2023 to RMB1,153.9 billion in 2030. In particular, the market size of the online to-consumer chronic disease management market is projected to grow from RMB45.5 billion in 2023 to reach RMB599.5 billion in 2030, representing a CAGR of 44.5%.

We believe that online to-consumer chronic disease management platforms are an overarching trend in the PRC healthcare system, by providing patients with convenient access to medical consultation and prescription services, and improving the availability, quality and coverage of medical services in China. Online to-consumer chronic disease management platforms enable patients to reach high quality healthcare providers and receive medical consultations and prescriptions beyond physical constraints. In addition, the COVID-19 pandemic has expedited the market adoption of online healthcare services and cultivated consumer habits, accelerating user growth for the online to-consumer chronic disease management market in China. For details, see “—Impact of COVID-19 on Operations.” Although the COVID-19 pandemic has come under control, we believe that the user adoption of online to-consumer healthcare services and the consumer habits cultivated will persist post-pandemic. As such, it is expected that demand for online to-consumer CDM services will continue to grow.

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As a pioneer and leader in this growing industry segment, we believe that our active user base of patients and physicians, strong relationships with pharmaceutical companies, and ability to offer diversified and well-designed services and products will enable us to capture future growth opportunities. Going forward, we expect to sustain our revenue growth and achieve profitability by continuing to build a high-quality user base, introducing higher margin products and services, optimizing our procurement costs, and enhancing our operational efficiency.

Our Directors believe that, considering the underlying industry trend towards online to-consumer chronic disease management platforms and by implementing the strategies set out below, our business is and will continue to be sustainable and our profitability will improve.

### *Building economies of scale and controlling operating expenses*

We have benefited from operational efficiency arising from the economies of scale we have achieved, and will continue to actively control operating expenses and expect that our operating expenses as a percentage of revenue will continue to decrease as our business expands. In 2021, 2022 and 2023, our selling and distribution expenses amounted to RMB309.3 million, RMB330.2 million and RMB343.8 million, respectively, representing 17.6%, 15.0% and 14.1% of our revenue for the same years, respectively. For those same years, our administrative expenses amounted to RMB139.0 million, RMB177.5 million and RMB171.5 million, respectively, representing 7.9%, 8.1% and 7.0% of our revenue for the same years, respectively. Despite the increase in overall absolute amount during the Track Record Period, our selling and distribution expenses and administrative expenses as a percentage of revenue decreased from 25.5% in 2021 to 23.0% in 2022, and further decreased to 21.2% in 2023, primarily attributable to economies of scale and our increased cost efficiency after building up our in-house operating capabilities. The decrease in our selling and distribution expenses as a percentage of revenue from 17.6% in 2021 to 15.0% in 2022, and further to 14.1% in 2023, was also partly the result of the ongoing optimization of our physician compensation structure. By continuously enhancing our ability to interpret physician’s online behavior, we are able to better evaluate their effective activities, and optimize their compensation levels accordingly.

Going forward, we intend to take the following measures to further improve our operating efficiency:

- We will continue to adjust and optimize our staffing levels to enhance operating efficiency. In 2021 and 2022, we focused on building our internal team and strengthening our in-house operational capabilities, including ancillary functions, such as IT development and human resources. As a result, our total staff costs (recorded under selling and distribution expenses, administrative expenses and research and development costs) as a percentage of revenue increased from 6.2% in 2021 to 6.5% in 2022. In 2023, our robust in-house research and development capabilities enabled us to streamline our research staff and operate more efficiently. This resulted in a reduction of our total staff costs as a percentage of revenue to 5.3% for the year. Going forward, we will continue to enhance the productivity of our in-house teams and adapt our staffing strategy to align with our evolving business requirements.

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- We will further improve our centralized management, streamline internal workflows and leverage technology to drive cost-effective management. For instance, our AI medical assistant provided assistance for approximately 65.7% of consultations during the Track Record Period. With the help of our AI medical assistant, the average number of orders processed per person per day by our customer service personnel increased from 67.3 in 2019 when we first launched our AI medical assistant, to 366.2 in 2023, representing a CAGR of 52.7% from 2019 to 2023. In addition, we have integrated knowledge mapping technology into our platform to develop a prescription verification system that can check the suitability of physicians’ prescriptions for our H2H services. Using deep learning technology, we have introduced an intelligent prescription image recognition system which significantly improves the efficiency of e-prescription review and verification. We also developed intelligent warehouse space allocation algorithms and built a mechanized assembly line to automate merchandise packing, labeling and parcel sealing, drastically improving the efficiency of our warehouse operations. Moreover, we intend to invest in academic and on-the-job training to equip our sales and business development staff with more useful and professional knowledge in online chronic disease management so as to upgrade the overall quality and efficiency of business development.
- As we continue to grow our user base, we expect to continue benefiting from greater and heightened brand recognition to grow our business. We expect to attract and retain users more through word-of-mouth referrals, and reduce our reliance on extensive marketing and advertising campaigns. During the Track Record Period, our advertising and platform service fees as a percentage of revenue decreased from 4.4% in 2021 to 3.9% in 2022, and further to 3.8% in 2023. Despite such decrease, our revenue has continued to increase. This testifies to the effectiveness of word-of-mouth referrals by physicians and patients in growing our brand reach. Hence, as our business gains strong user engagement, we plan to gradually lower our discounts and investment in marketing and promotional activities. While we still consider marketing and advertising campaigns as an important channel for user access expansion, we will optimize the placement of relevant advertising campaigns to increase promotion efficiency we see fit. Moving forward, we will continue to fine-tune our marketing strategies to operate more efficiently and effectively as our business expands.

### ***Building a high-quality user base***

We will continue to focus on strengthening user activity and loyalty to build a high-quality user base, which we expect to be one of the key factors driving our business growth. We have accumulated experience that has enabled us to develop and identify effective strategies for addressing the evolving needs of our users, so as to deliver a superior user experience, which sustains the retention of an active and loyal user base. As a result of our efforts, the repeat purchase rate on our Jianke Platform remained high during the Track Record Period, at 82.0%, 83.3% and 84.2% in 2021, 2022 and 2023, respectively.

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We anticipate that our large, high-quality user base will bring us additional monetization opportunities. For example, we plan to expand the scope of chronic disease management services offered on our platform and continue to enlarge and diversify our product portfolio, especially prescription and difficult-to-source drugs for chronic diseases, in order to better meet the evolving needs of our users. We plan to undertake a number of initiatives to optimize our product mix and further improve our gross profit margin and profitability: (i) increase our procurement and sales of traditional Chinese medicine and nutritional products which are effective for treating chronic diseases; (ii) collaborate with pharmaceutical companies to pinpoint additional high-margin medications which would be beneficial to our user base of chronic disease patients; (iii) ensure access to high margin, difficult-to-source medications, by leveraging our deep, long-standing relationships with pharmaceutical companies, and demonstrating our platform’s unique ability by connecting pharmaceutical companies with a vast pool of registered doctors and patients. As of December 31, 2023, we had collaborated with more than 760 pharmaceutical companies. We plan to deepen our collaboration with our existing pharmaceutical company partners to promote a more diversified pool of SKUs. As of December 31, 2023, we had offered over 212,000 drug SKUs, and we expect the number of SKUs offered on our platform to continue to grow in the future, which will enable us to derive additional revenue from the enlarged user base. We believe that the resources accumulated on our platform, including our patient and physician base, and supplier network, will enable us to achieve economies of scale in promoting and selling these products.

With the expansion of our user base, we have seen increasing interest from pharmaceutical companies in our platform as an efficient and targeted channel to reach patients and physicians. We anticipate this will continue to drive strong revenue growth for our customized content and marketing solutions. During the Track Record Period, we provided more than 15,000 live streaming sessions via our platform, and we anticipate a further increase in this number as we continue to advance this business segment.

### ***Introducing products and services which can bring higher value-added and increased scale***

We aim to build a chronic disease management ecosystem dedicated to serving the needs of key stakeholders including patients, physicians and pharmaceutical companies. As we develop a highly loyal user base, we plan to introduce new service and product offerings with higher margins. We had a track record of successfully monetizing our user base through introduction of high-value-added service and product offerings.

For example, we began to provide customized content and marketing solutions and observed rapid revenue growth of this high margin business from RMB27.6 million in 2021 to RMB60.3 million in 2022 and further to RMB87.0 million in 2023. To continue growing this segment, we intend to enhance our service offerings to retain our existing pharmaceutical company partners and attract new ones. This will involve broadening the services and information covered on the platform, as well as refining and enriching the content in each specialty area, adding subspecialties and providing more value to patients and physicians. We also plan to expand our content offerings in multimedia formats, such as short form videos and live streaming of medical seminars and conferences, in order to better engage users’ attention and make the marketing campaigns more effective.

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We are also expanding our product offerings to cater to diverse patient needs. We regularly review and analyze our product mix in order to better meet the needs of our users. In the future, we expect to further expand our product offerings of high-value-added products, including healthcare and nutritional supplements and traditional Chinese medicines, which would also complement our broad selection of prescription drug SKUs.

### *Lowering procurement costs*

As our business scale grows, we are increasingly able to negotiate more favorable prices and commercial terms with suppliers, including lower per unit prices for certain SKUs. In addition, our proprietary supply chain and procurement system allows us to link directly to the inventory systems of our major suppliers and access real-time pricing and availability data. This automated approach allows us to minimize procurement search costs while ensuring favorable pricing. Since the launch of our smart supply chain management system, we have been able to lower procurement costs for 59.4% of the SKUs we purchased as of December 31, 2023. The continued reduction in our procurement costs will allow us to improve our gross profit margin and overall profitability.

Going forward, we expect to adopt a number of measures to further improve our gross profit margin:

- As we gradually instill consumer habits and build customer loyalty to our services, we aim to dynamically adjust and optimize our pricing levels to enhance our gross profit margin.
- We expect to improve our overall procurement costs by leveraging our growing procurement volumes and improved bargaining power to secure more favorable input prices, credit terms, and rebates from existing suppliers and pharmaceutical company partners, while expanding our sourcing channels to include additional suppliers and pharmaceutical companies.
- We plan to further grow our high-margin customized content and marketing solution business, which will further improve our overall gross profit margin profile.

## COMPARISON OF RESULTS OF OPERATIONS

### **Year Ended December 31, 2023 Compared to Year Ended December 31, 2022**

#### *Revenue*

Our revenue increased by 10.4% from RMB2,204.3 million in 2022 to RMB2,434.3 million in 2023, primarily reflecting the increase in revenue from comprehensive medical services and customized content and marketing solutions.

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Revenue generated from comprehensive medical services increased by 13.3% from RMB868.2 million in 2022 to RMB983.7 million in 2023, primarily due to the increase in number of paying users of our comprehensive medical services, which had increased by 32.0% from 2022 to 2023. The growth in paying users primarily reflected our increased brand recognition and the increasing public acceptance of online medical consultation services. The increase in revenue was partially offset by a decrease in average spending per paying user of our comprehensive medical services by 17.9% from 2022 to 2023, primarily reflecting the lower initial spending of our new paying users.

Revenue generated from online retail pharmacy services increased by 3.6% from RMB1,252.1 million in 2022 to RMB1,297.1 million in 2023, which reflected the increased sales volume of our pharmaceutical and healthcare products primarily driven by growth in the number of paying users in this segment, which increased by 16.5% from 2022 to 2023. This increase in sales volume was partially offset by a decline of approximately 15.9% in average spending per paying user from 2022 to 2023, primarily because our increased business scale enabled us to negotiate more favorable procurement terms and offer more competitive pricing on a range of products while preserving our overall gross profit margins.

Revenue generated from customized content and marketing solutions increased by 44.3% from RMB60.3 million in 2022 to RMB87.0 million in 2023, primarily due to our ongoing marketing efforts aimed at reaching more enterprise customers and expanding our customer base for this business segment.

### *Cost of Sales*

Our cost of sales increased by 6.8% from RMB1,823.7 million in 2022 to RMB1,946.9 million in 2023, primarily reflecting the increase in our procurement of pharmaceutical and healthcare products in line with the growing number of orders on our platform.

### *Gross Profit and Gross Profit Margin*

Our gross profit increased by 28.1% from RMB380.6 million in 2022 to RMB487.4 million in 2023 as our business scale increased. Our overall gross profit margin increased from 17.3% in 2022 to 20.0% in 2023, primarily reflecting the increase in gross profit margins of our comprehensive medical services and online retail pharmacy services.

The gross profit margin of our comprehensive medical services increased from 14.1% in 2022 to 15.2% in 2023, primarily because of our increased ability to negotiate for more favorable procurement terms due to our increased business scale.

The gross profit margin of our online retail pharmacy services increased from 16.5% in 2022 to 20.3% in 2023, primarily due to the more favorable procurement terms we negotiated with suppliers as a result of our increased sales and procurement volumes, as well as a shift in product mix, as we increased the proportion of higher margin OTC drugs within our product portfolio.



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The gross profit margin of our customized content and marketing services decreased from 85.4% in 2022 to 83.0% in 2023, primarily due to an increase in the headcount of sales and marketing personnel in line with our expansion of the customized content and marketing services business.

### *Other Net Loss*

Our other net loss decreased by 82.2% from RMB134.2 million in 2022 to RMB23.9 million in 2023, primarily reflecting the decrease in foreign exchange loss in connection with the changes in present value of redemption amount of Preferred Shares denominated in US dollars, and to a lesser extent, our increase in other gain representing the interest income from our increased cash deposits.

### *Selling and Distribution Expenses*

Our selling and distribution expenses increased by 4.1% from RMB330.2 million in 2022 to RMB343.8 million in 2023. Our selling and distribution expenses as a percentage of revenue decreased slightly from 15.0% in 2022 to 14.1% in 2023. The increase in our selling and distribution expenses was primarily due to (i) an increase of RMB20.0 million in outsourcing expenses reflecting the increase in number of outsourced staff, particularly customer service staff to support our growing user base and provide high-quality customer service, and storage services to support our increased inventory and sales; and (ii) an increase of RMB5.3 million in advertising and platform service fees, primarily due to our increased marketing efforts.

### *Administrative Expenses*

Our administrative expenses decreased by 3.4% from RMB177.5 million in 2022 to RMB171.5 million in 2023. Our administrative expenses as a percentage of revenue decreased from 8.1% in 2022 to 7.0% in 2023. The decrease in our administrative expenses was primarily due to a decrease of RMB20.3 million in research and development costs as our robust in-house research and development capabilities allowed us to optimize our research staffing and operate with greater efficiency, which was partially offset by (i) an increase of RMB4.7 million in technical service fees as we increased the procurement of data security and protection services to improve the network security and reliability of our service platforms; (ii) an increase of RMB3.7 million in professional service fees in connection with the [REDACTED]; and (iii) an increase in RMB3.6 million in business expenses, primarily reflecting increased business development activities and related office and travel expenses.

### *Recognition of Impairment Losses*

Our recognition of impairment losses decreased from RMB173,000 in 2022 to RMB140,000 in 2023 due to our assessment of the improved recovery of trade receivables.

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### *Finance Costs*

Our finance costs increased by 18.9% from RMB121.8 million in 2022 to RMB144.8 million in 2023, primarily due to an increase of RMB22.6 million in the carrying amount of preferred shares liability recognized in relation to the present value of redemption amount of our Preferred Shares.

### *Income Tax*

Our income tax expense increased from RMB13,000 in 2022 to RMB77,000 in 2023, primarily reflecting the increase in our taxable income.

### *Loss and Total Comprehensive Income for the Year*

As a result of the foregoing, our loss and total comprehensive income for the year decreased by 48.7% from RMB383.3 million in 2022 to RMB196.7 million in 2023.

## **Year Ended December 31, 2022 Compared to Year Ended December 31, 2021**

### *Revenue*

Our revenue increased by 25.3% from RMB1,758.7 million in 2021 to RMB2,204.3 million in 2022, primarily due to the growth of each of our business lines.

Revenue generated from comprehensive medical services increased by 20.6% from RMB719.7 million in 2021 to RMB868.2 million in 2022, primarily due to the increase in the number of paying users of our comprehensive medical services, which grew by 53.4% from 2021 to 2022. This growth in paying users was the result of a combination of factors including our increased marketing efforts to acquire new users, our enriched portfolio of products and services, and the resurgence of COVID-19 in the second half of 2022 which accelerated the adoption of online medical services. The increase in revenue was partially offset by a decrease in average spending per paying user by approximately 22.1% from 2021 to 2022, as the purchasing power of such new paying users was still ramping up in 2022.

Revenue generated from online retail pharmacy services increased by 23.8% from RMB1,011.4 million in 2021 to RMB1,252.1 million in 2022, in line with the continuous sales volume growth of our pharmaceutical and healthcare products. This increase was primarily driven by the growth in the number of paying users of our online retail pharmacy services, which increased by 58.3% from 2021 to 2022. The growth in paying users was the result of a combination of factors including our increased marketing efforts to acquire new users, our enriched portfolio of products and services, and the resurgence of COVID-19 in the second half of 2022 which accelerated the adoption of online medical services. The increase in revenue was partially offset by a decrease in average spending per paying user by approximately 18.6% from 2021 to 2022, as the purchasing power of such new paying users was still ramping up in 2022.

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Revenue generated from customized content and marketing solutions increased significantly by 118.7% from RMB27.6 million in 2021 to RMB60.3 million in 2022, primarily due to our continued marketing efforts to reach enterprise customers and expand our customer base for this business. Our customized content and marketing solutions became increasingly attractive to pharmaceutical companies due to their heightened interest in digital marketing, and our rapidly growing user base of patients and registered physicians. In particular, the number of registered users of our Jianke Platform increased by 30.7% from 28.0 million in 2021 to 36.6 million in 2022, and the number of our registered physicians increased from 191,106 as of December 31, 2021 to 205,000 as of December 31, 2022.

### *Cost of Sales*

Our cost of sales increased by 18.5% from RMB1,539.0 million in 2021 to RMB1,823.7 million in 2022, in line with the increase in our revenue, primarily due to an increase in our procurement of pharmaceutical and healthcare products to fulfill the growing number of orders on our platform.

### *Gross Profit and Gross Profit Margin*

Our gross profit increased by 73.3% from RMB219.6 million in 2021 to RMB380.6 million in 2022 as we grew in business scale. Our gross profit margin increased from 12.5% in 2021 to 17.3% in 2022, primarily due to the increase in gross profit margins of our comprehensive medical services and online retail pharmacy services.

The gross profit margin of our comprehensive medical services increased from 5.6% in 2021 to 14.1% in 2022, primarily because we were able to negotiate more favorable procurement terms due to our increased business scale, which also enabled us to have greater flexibility in price-setting for our products. The number of paying users of our comprehensive medical services increased by 53.4% from 2021 to 2022. The number of our registered physicians increased from 191,106 as of December 31, 2021 to 205,000 as of December 31, 2022.

The gross profit margin of our online retail pharmacy services was 15.3% and 16.5% in 2021 and 2022, respectively. The slight increase was primarily due to more favorable procurement terms we negotiated with suppliers as a result of our increased scale.

The gross profit margin of our customized content and marketing solutions decreased from 87.5% in 2021 to 85.4% in 2022, primarily due to the increased content production costs for customized content and marketing solutions and additions of business development staff, leading to an increase in staff costs for this business.

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### *Other Net Income/(Loss)*

We recorded other net loss of RMB134.2 million in 2022 compared to other net income of RMB33.0 million in 2021, primarily arising from foreign exchange loss in relation to the Preferred Shares denominated in US dollars as a result of the fluctuation of foreign exchange rates.

### *Selling and Distribution Expenses*

Our selling and distribution expenses increased by 6.8% from RMB309.3 million in 2021 to RMB330.2 million in 2022. This increase was mainly attributable to (i) an increase of RMB13.2 million in staff costs as a result of the increased headcount of our sales and operational staff to support the expansion of our business and the increase in average salary level of our sales and operational staff; (ii) an increase of RMB8.4 million in advertising and platform service fees, primarily due to the growth of our business scale and our increased marketing efforts to promote our brand and services to reach a larger potential user base; (iii) an increase of RMB7.5 million in logistics expenses, primarily due to the increased sales volume of pharmaceutical and healthcare products through our platform; and (iv) an increase of RMB3.9 million in telecommunication expenses, primarily due to the increased sales volume of pharmaceutical and healthcare products through our platform, partially offset by a decrease of RMB18.2 million in service fees to registered physicians, primarily reflecting the result of optimizing the criteria for evaluating the number of hours that physicians were being active on our platform, resulting in a decrease in service fees to registered physicians in 2022.

Selling and distribution expenses as a percentage of our revenue decreased from 17.6% in 2021 to 15.0% in 2022, as our revenue grew at a faster rate primarily resulting from economies of scale, a reduction in our compensation to registered physicians and our increased cost efficiency after building up our in-house operating capabilities.

### *Administrative Expenses*

Our administrative expenses increased by 27.7% from RMB139.0 million in 2021 to RMB177.5 million in 2022. This increase was mainly attributable to (i) an increase of RMB15.8 million in research and development costs, primarily due to the increased headcount of our research and development staff and the increase in average salary level of our research and development staff; (ii) an increase of RMB8.4 million in staff costs to administrative personnel, primarily due to the increased hiring in line with our business growth and the increase in average salary level of our administrative staff; (iii) an increase of RMB7.5 million in professional service fees in connection with the [REDACTED]; and (iv) an increase of RMB2.4 million in handling fees, primarily due to the increased sale volume of pharmaceutical and healthcare products through our platform.

Our administrative expenses as a percentage of revenue remained stable at 7.9% and 8.1% in 2021 and 2022.

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### *Recognition of Impairment Losses*

Our recognition of impairment losses decreased from RMB310,000 in 2021 to RMB173,000 in 2022, primarily due to the improved recovery of trade receivables.

### *Finance Costs*

Our finance costs increased from RMB108.0 million in 2021 to RMB121.8 million in 2022, primarily due to the increase of RMB13.4 million in the carrying amount of preferred shares liability recognized in relation to the present value of redemption amount of our Series A to Series D+ Preferred Shares, and the interest of RMB0.4 million on bank loans.

### *Income Tax*

Our income tax decreased from RMB39,000 in 2021 to RMB13,000 in 2022, primarily due to a decrease in our taxable income.

### *Loss and Total Comprehensive Income for the Year*

As a result of the foregoing, our loss and total comprehensive income for the year increased from RMB304.0 million in 2021 to RMB383.3 million in 2022.

## DESCRIPTION OF CERTAIN KEY ITEMS OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

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

	As of December 31,		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
<b>Non-current assets</b>			
Property, plant and equipment	23,376	31,260	51,639
Intangible assets	2,436	2,451	2,275
Other non-current assets	10,767	10,000	100
<b>Total non-current assets</b>	<b>36,579</b>	<b>43,711</b>	<b>54,014</b>

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	As of December 31,		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Current assets</b>			
Inventories	111,528	126,464	136,045
Trade and other receivables	48,321	86,411	101,142
Other current assets	23,808	26,357	34,761
Prepayments	10,167	63,999	18,474
Amounts due from related parties	33,628	12,032	–
Restricted bank deposits	–	25,000	30,615
Cash and cash equivalents	84,658	134,907	146,317
<b>Total current assets</b>	<b>312,110</b>	<b>475,170</b>	<b>467,354</b>
<b>Current liabilities</b>			
Trade and other payables	282,049	356,217	440,451
Contract liabilities	18,055	89,368	19,873
Bank loans	–	10,154	5,005
Lease liabilities	9,958	12,796	15,346
Other current liabilities	1,799	8,502	1,252
Current taxation	–	12	15
<b>Total current liabilities</b>	<b>311,861</b>	<b>477,049</b>	<b>481,942</b>
<b>Net current assets/(liabilities)</b>	<b>249</b>	<b>(1,879)</b>	<b>(14,588)</b>
<b>Total assets less current liabilities</b>	<b>36,828</b>	<b>41,832</b>	<b>39,426</b>
<b>Non-current liabilities</b>			
Lease liabilities	8,315	13,858	29,368
Convertible redeemable preferred shares	1,368,767	1,737,882	1,911,521
<b>Total non-current liabilities</b>	<b>1,377,082</b>	<b>1,751,740</b>	<b>1,940,889</b>
<b>Net liabilities</b>	<b>(1,340,254)</b>	<b>(1,709,908)</b>	<b>(1,901,463)</b>

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### Property, Plant and Equipment

Our property, plant and equipment consist of (i) right-of-use assets; (ii) furniture, fixtures and other equipment; (iii) leasehold improvement; (iv) machinery and equipment; and (v) motor vehicles. The following table sets forth the details of our property, plant and equipment as of the dates indicated.

	As of December 31,		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Right-of-use assets	17,384	24,212	43,247
Furniture, fixtures and other equipment	1,509	2,903	3,360
Leasehold improvement	2,882	2,707	2,696
Machinery and equipment	458	646	1,891
Motor vehicles	1,143	792	445
<b>Total</b>	<b>23,376</b>	<b>31,260</b>	<b>51,639</b>

Our property, plant and equipment increased from RMB23.4 million as of December 31, 2021 to RMB31.3 million as of December 31, 2022, primarily due to (i) an increase of RMB6.8 million in right-of-use assets as we leased more office space and warehouses in line with our business expansion; and (ii) an increase of RMB1.4 million in furniture, fixtures and other equipment for our offices. Our property, plant and equipment further increased to RMB51.6 million as of December 31, 2023, primarily due to an increase of RMB19.0 million in right-of-use assets as we leased more office space to support our business expansion.

### Intangible Assets

Our intangible assets remained relatively stable at RMB2.4 million, RMB2.5 million and RMB2.3 million as of December 31, 2021, 2022 and 2023, respectively. Our intangible assets consist of computer software, licenses and trademarks. We recognized trademarks of RMB131,000 in 2022. The useful life of our trademarks is estimated to be 10 years, which was determined according to the Trademark Law of the People’s Republic of China.

### Other Non-current Assets

We recorded other non-current assets of RMB10.8 million as of December 31, 2021 and RMB10.0 million as of December 31, 2022. The balance mainly represented an investment in a limited partnership investment vehicle of RMB10.0 million and RMB10.0 million as of December 31, 2021 and 2022, respectively. In 2020, we had entered into an agreement to invest in Shenzhen Xinlongyihao Investment Partnership (Limited Partnership) (“**Xinlongyihao Investment**”) to hold 49.8% equity interests in Xinlongyihao Investment. RMB8.0 million was injected to Xinlongyihao Investment in 2021. We accounted for this investment using the equity method during the Track Record Period in accordance with the accounting policy set out in note 2(d) to the Accountants’ Report. As of December 31, 2023, our non-current assets decreased to RMB0.1 million because we disposed of the Xinlongyihao Investment in June 2023.

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### Inventories

Our inventories mainly consist of pharmaceutical and healthcare products. The following table sets forth the details of our inventories as of the dates indicated and inventory turnover days for the years indicated.

	As of/for the year ended December 31,		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Pharmaceutical and healthcare products	111,528	126,464	136,045
Inventory turnover days <sup>(1)</sup>	21.4	23.8	24.6

*Note:*

- (1) Inventory turnover days for a year equals the average of the opening and closing inventory balance divided by cost of sales for the relevant year and multiplied by 365 days.

Our inventories increased from RMB111.5 million as of December 31, 2021 to RMB126.5 million and RMB136.0 million as of December 31, 2022 and 2023, respectively. Such increase was primarily due to the growth in sales volume of pharmaceutical and healthcare products.

Our inventory turnover days increased from 21.4 days for the year ended December 31, 2021 to 23.8 days and 24.6 days for the years ended December 31, 2022 and 2023, respectively, primarily reflecting the increase in inventories we held to improve order fulfillment rates.

The following table sets forth an aging analysis of our inventories as of the dates indicated.

	As of December 31,		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 6 months	106,304	123,043	127,085
Over 6 months but within 1 year	4,583	2,416	6,040
Over 1 year but within 2 years	641	1,005	2,920
<b>Total</b>	<b>111,528</b>	<b>126,464</b>	<b>136,045</b>

As of April 30, 2024, RMB117.4 million or 86.3% of our total inventories as of December 31, 2023 had been subsequently sold.



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### Trade and Other Receivables

Our trade receivables represent outstanding amounts payable by and bills receivable from our enterprise customers, mainly pharmaceutical companies, for the products and services we provided in the ordinary course of our business. To a lesser extent, we also recorded trade receivables from third-party e-commerce platforms where we operated online retail pharmacies and customers from whom payments were due upon delivery. Our other receivables primarily represented rebates from suppliers and deposits in connection with our procurement of pharmaceutical products. The following table sets forth our trade and other receivables as of the dates indicated.

	As of December 31,		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade debtors	7,599	28,534	24,299
Bills receivable	–	1,000	–
Less: loss allowance	(30)	(146)	(203)
	7,569	29,388	24,096
Purchase rebates with suppliers	32,914	42,426	60,944
Deposits	5,849	7,596	10,487
Other receivables	1,989	7,001	5,615
	40,752	57,023	77,046
<b>Total</b>	<b>48,321</b>	<b>86,411</b>	<b>101,142</b>

### *Trade Receivables*

Fluctuations of our trade receivables primarily reflected the volume of business that we provided to enterprise customers.

Our trade receivables are generally due within 180 days from the date of billing. We take into consideration a number of factors in determining the credit terms of an enterprise customer, including its cash flow condition and credit worthiness. Individual customers are generally required to pay when placing an order and they do not enjoy a credit period. We seek to maintain strict control over our outstanding receivables. We designate personnel to regularly review our trade receivables balance and overdue balance, and we follow up with customers

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with past due trade receivables. We conduct review on the recoverable amount of each individual trade receivable balance at the end of each reporting period to ensure adequate provision of impairment losses for irrecoverable amounts. Trade receivables are non-interest bearing.

The following table sets forth an aging analysis of our trade receivables as of the dates indicated and trade receivables turnover days for the years indicated.

	<b>As of/For the year ended December 31,</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 3 months	7,183	24,904	17,012
Over 3 months but within 6 months	378	2,833	5,160
Over 6 months but within 1 year	8	1,651	1,336
Over 1 year	–	–	588
<b>Total</b>	<b>7,569</b>	<b>29,388</b>	<b>24,096</b>
 Trade receivables turnover days <sup>(1)</sup>	 0.9	 3.1	 4.0

*Note:*

- (1) Trade receivables turnover days for a year equals the average of the opening and closing balance of trade receivables divided by revenue for the relevant year and multiplied by 365 days.

Our trade receivables increased from RMB7.6 million as of December 31, 2021 to RMB29.4 million as of December 31, 2022, primarily due to our increased business scale for customized content and marketing solutions. Our trade receivables decreased to RMB24.1 million as of December 31, 2023, reflecting our improved recovery of trade receivables.

As of April 30, 2024, RMB16.9 million or 69.4% of our trade receivables as of December 31, 2023 had been subsequently settled. Based on our provision policy, which we believe to be appropriate and to provide adequate assessment of our recovery risks, we believe there are no material recovery risks arising from our trade receivables aged over three months because they mainly reflected payments due from governmental agencies in relation to publicly funded healthcare services, as well as multinational pharmaceutical companies. As a result, we did not make any provisions for such amounts.

Our trade receivables turnover days increased from 0.9 days in 2021 to 3.1 days in 2022, primarily reflecting an increased proportion of trade receivables due from enterprise customers of our customized content and marketing solutions segment, to whom we typically grant credit terms. Our trade receivables turnover days remained relatively stable at 4.0 days in 2023.

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### *Other Receivables*

Our other receivables primarily represented rebates from suppliers and deposits in connection with our procurement of pharmaceutical and other products. Our other receivables increased from RMB40.8 million as of December 31, 2021 to RMB57.0 million as of December 31, 2022, and further increased to RMB77.0 million as of December 31, 2023, primarily due to the increased rebate receivables from suppliers and deposits to suppliers for our purchase of pharmaceutical and other products as we grew our business scale.

Our rebate receivables represent supplier-granted rebates that we have accumulated and are entitled to claim or utilize in the future, typically as cash rebates or through deduction against subsequent purchases from the relevant suppliers on a monthly, quarterly or annual basis, as the case may be. These rebates will remain on our balance sheet as receivables until they are claimed or utilized. The top five suppliers in terms of rebate receivables as of December 31, 2023 accounted for 55.7% of our total rebate receivables as of the same date. During the Track Record Period, our rebate receivables amounted to RMB32.9 million, RMB42.4 million and RMB60.9 million as of December 31, 2021, 2022 and 2023, respectively.

As of April 30, 2024, RMB37.5 million or 48.7% of our other receivables as of December 31, 2023 had been subsequently settled of which RMB31.9 million or 52.3% of our rebate receivables as of December 31, 2023 had been subsequently utilized.

### **Other Current Assets**

Our other current assets primarily represent input value-added taxes to be verified or credited in connection with our sales of pharmaceutical and healthcare products. Our other current assets increased from RMB23.8 million as of December 31, 2021 to RMB26.4 million as of December 31, 2022 primarily due to the capitalization of our [REDACTED] expenses, partially offset by a decrease of RMB2.2 million in input value-added taxes to be verified or credited. Our other current assets further increased to RMB34.8 million as of December 31, 2023, primarily reflecting the increase in input value-added tax to be verified or credited which resulted from our increased sales.

### **Prepayments**

Our prepayments primarily represent prepayments to service providers for renovation, decoration, online promotional and advertising services provided to us and prepayments for our procurement of pharmaceutical and other products. Our prepayments increased from RMB10.2 million as of December 31, 2021 to RMB64.0 million as of December 31, 2022, primarily due to the prepayments we made to suppliers for pharmaceutical procurement during the COVID-19 pandemic to ensure the stability of our supply chain. Our prepayments decreased to RMB18.5 million as of December 31, 2023 as we were able make reduced prepayments to our suppliers for the procurement of pharmaceutical products as the COVID-19 pandemic abated.

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### Trade and Other Payables

#### *Trade Payables*

Our trade payables primarily represent payables to our suppliers and registered physicians on our platform, which are normally settled within 30 to 75 days. The following table sets forth a breakdown of our trade payables as of the dates indicated and trade payables turnover days for the years indicated.

	<b>As of/for the year ended December 31,</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables to third parties	191,500	220,083	292,944
Trade payables turnover days <sup>(1)</sup>	36.0	41.2	48.1

*Note:*

- (1) Trade payables turnover days for a year equals the average of the opening and closing trade payables balance of trade payables to third parties, divided by cost of sales for the relevant year and multiplied by 365 days.

Our trade payables increased from RMB191.5 million as of December 31, 2021 to RMB220.1 million as of December 31, 2022 and further increased to RMB292.9 million as of December 31, 2023, which was in line with the increase in our inventory of pharmaceutical and healthcare products as a result of our business expansion and the growth of the sales volume of our products.

Our trade payables turnover days increased from 36.0 days in 2021 to 41.2 days and 48.1 days in 2022 and 2023, respectively, primarily because we lengthened our settlement period with suppliers due to our increased procurement and ability to negotiate for more favorable terms with suppliers.

As of April 30, 2024, RMB285.8 million or 97.6% of our trade payables as of December 31, 2023, had been subsequently settled.

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The following table sets forth an aging analysis of trade payables to third parties based on the invoice dates as of the dates indicated.

	<b>As of December 31,</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 month	137,328	118,582	181,163
1 to 3 months	52,747	99,781	110,683
Over 3 months but within 6 months	1,253	1,471	842
Over 6 months but within 1 year	145	88	169
Over 1 year but within 2 years	27	161	87
<b>Total</b>	<b>191,500</b>	<b>220,083</b>	<b>292,944</b>

### *Other Payables*

Our other payables primarily consist of (i) staff cost payables; (ii) other tax payables; (iii) deposits from suppliers for the procurement of pharmaceutical products; and (iv) other payables and accrued charges, primarily representing rent payables, payables to registered physicians and payables to suppliers for online promotional and advertising services and logistics services. The following table sets forth a breakdown of our other payables as of the dates indicated.

	<b>As of December 31,</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Staff cost payables	33,688	52,253	53,829
Other tax payables	2,825	13,555	20,480
Deposits	1,395	1,132	1,444
Other payables and accrued charges	52,641	69,194	71,754
<b>Total</b>	<b>90,549</b>	<b>136,134</b>	<b>147,507</b>

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Our other payables increased from RMB90.5 million as of December 31, 2021 to RMB136.1 million as of December 31, 2022, primarily due to (i) an increase of RMB16.6 million in other payables and accrued charges, primarily reflecting increases in payables to registered physicians, third-party logistics and courier companies, and marketing channels as a result of the expansion of our business; (ii) an increase of RMB18.6 million in staff cost payables primarily due to the increase in our accumulated provision for social insurance and housing provident fund as a result of the increased headcount of our employees; and (iii) an increase of RMB10.7 million in other tax payables as a result of our increased sales and gross profit.

Our other payables increased from RMB136.1 million as of December 31, 2022 to RMB147.5 million as of December 31, 2023, primarily due to an increase of RMB6.9 million in other tax payables resulting from our increased sales and gross profit.

As of April 30, 2024, RMB69.0 million or 46.8% of our other payables as of December 31, 2023, had been subsequently settled.

### Contract Liabilities

Our contract liabilities represent (i) payments we receive in advance from customers for sales of pharmaceutical and healthcare products, which are recognized as revenue when the products are delivered; and (ii) advance payments from our customers’ loyalty points program, which are recognized as revenue when users make payments by these loyalty points or when these loyalty points expire. See “Business—Sales and Marketing—Sales Model and Marketing Strategies” in this document for more information about this program. The following table sets forth a breakdown of our contract liabilities as of the dates indicated.

	<b>As of December 31,</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Advances from customers	13,841	83,448	15,254
Customers’ loyalty points program	4,214	5,920	4,619
<b>Total</b>	<b>18,055</b>	<b>89,368</b>	<b>19,873</b>

Our contract liabilities increased from RMB18.1 million as of December 31, 2021 to RMB89.4 million as of December 31, 2022, primarily due to the increased advance payment from customers because there was a surge of drug orders on our platform in December 2022 as a result of the COVID-19 pandemic in China, but logistics services were affected during the pandemic, resulting in delays in shipment and delivery of our orders. Our contract liabilities decreased to RMB19.9 million as of December 31, 2023, primarily reflecting the decrease in advance payments received from customers.

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As of April 30, 2024, RMB16.4 million or 82.3% of our contract liabilities as of December 31, 2023, had been subsequently recognized as revenue.

### Other Current Liabilities

Our other current liabilities primarily represent value-added taxes accrued for the payments in advance from customers of our online retail pharmacy services. Our other current liabilities increased from RMB1.8 million as of December 31, 2021 to RMB8.5 million as of December 31, 2022, primarily due to the increase in value-added taxes accrued in respect of the increased advance payments from customers as of December 31, 2022. This increase in advance payments was the result of a surge in COVID-19 related orders on our platform in December 2022, which subsequently experienced significant shipping and logistics delays due to the pandemic. Our other current liabilities decreased to RMB1.3 million as of December 31, 2023, primarily reflecting the decreased value-added taxes accrued in respect of our advance payments from customers.

As of April 30, 2024, RMB1.2 million or 96.7% of our other current liabilities as of December 31, 2023, had been subsequently settled.

### Convertible Redeemable Preferred Shares

We issued convertible redeemable preferred shares to our investors during the Track Record Period. As of December 31, 2021, 2022 and 2023, our convertible redeemable preferred shares amounted to RMB1,368.8 million, RMB1,737.9 million and RMB1,911.5 million, respectively. Immediately prior to the completion of the [REDACTED], all of our convertible redeemable preferred shares will be automatically converted to ordinary shares. See “History, Reorganization and Corporate Structure” in this document and note 25 to the Accountants’ Report set out in Appendix I to this document for details of the convertible redeemable preferred shares.

## LIQUIDITY AND CAPITAL RESOURCES

### Working Capital

During the Track Record Period, we primarily financed our operations through cash inflow from operating activities and equity financing. As of December 31, 2023, we had cash and cash equivalents of RMB146.3 million. As of April 30, 2024, we had unutilized banking facilities of RMB106.5 million. We monitor and maintain a level of cash and cash equivalents we believe adequate to finance our operations and mitigate the effects of fluctuations in cash flows.

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We had net current assets of RMB0.2 million as of December 31, 2021. As of December 31, 2022 and 2023, we had net current liabilities of RMB1.9 million and RMB14.6 million, respectively. The following table sets forth our current assets and liabilities as of the dates indicated.

	As of December 31,			As of
				April 30,
	2021	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> (Unaudited)
<b>Current assets</b>				
Inventories	111,528	126,464	136,045	156,310
Trade and other receivables	48,321	86,411	101,142	125,487
Other current assets	23,808	26,357	34,761	37,932
Prepayments	10,167	63,999	18,474	11,823
Amounts due from related parties	33,628	12,032	–	–
Restricted bank deposits	–	25,000	30,615	35,117
Cash and cash equivalents	84,658	134,907	146,317	139,046
<b>Total current assets</b>	<b>312,110</b>	<b>475,170</b>	<b>467,354</b>	<b>505,716</b>
<b>Current liabilities</b>				
Trade and other payables	282,049	356,217	440,451	437,483
Contract liabilities	18,055	89,368	19,873	14,205
Bank loans	–	10,154	5,005	–
Lease liabilities	9,958	12,796	15,346	15,250
Other current liabilities	1,799	8,502	1,252	1,593
Current taxation	–	12	15	–
<b>Total current liabilities</b>	<b>311,861</b>	<b>477,049</b>	<b>481,942</b>	<b>468,531</b>
<b>Net current assets/(liabilities)</b>	<b>249</b>	<b>(1,879)</b>	<b>(14,588)</b>	<b>37,184</b>



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We recorded net current liabilities of RMB1.9 million and RMB14.6 million as of December 31, 2022 and 2023, respectively, which was primarily attributable to the trade and other payables incurred to support our increased business scale. We expect our working capital position to improve as our operating cash flow position improves. We plan to achieve this primarily by increasing revenue and improving gross profit margin. Our procurement volume is expected to increase with the growth of our business scale, and we expect to have better bargaining power to obtain more favorable pricing and rebates from suppliers. With our business expansion, we will enhance our cost and expense structure and improve operating efficiency by making full use of economies of scale.

Our Directors believe that we have sufficient working capital to meet our present and future cash requirements for at least the next 12 months from the date of publication of this document, taking into account our anticipated improvement in operating cash flows, management of working capital, efforts to obtain more favorable credit terms from suppliers and net [REDACTED] from the [REDACTED]. The details of these factors are as follows:

- *Improvement in operating cash flows.* We had a large amount of net cash used in operating activities in 2021, primarily due to our initiatives to offer more favorable prices and discounts for our services to attract and develop a loyal customer base. Our net cash used in operating activities decreased significantly for the year ended December 31, 2022 as we gained greater flexibility in setting our customer pricing as we were able to negotiate more favorable procurement terms due to our increased business scale. As of December 31, 2023, we recorded net cash generated from operating activities of RMB22.3 million.
- *Management of trade payables and receivables settlement.* We monitor and adjust our trade payables and receivables settlement based on our cash position to ensure that we have sufficient working capital for our operations. We have also endeavored to obtain more favorable credit terms from suppliers of up to 75 days to manage the settlement of trade payables.
- *Net [REDACTED] from the [REDACTED].* We expect to receive net [REDACTED] from the [REDACTED] of approximately HK\$[REDACTED] million based on the low end of the [REDACTED] range set out in this document (assuming that the [REDACTED] is not exercised).

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

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### Cash Flows

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

	<b>For the year ended December 31,</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Operating cash flows before movements			
in working capital	(202,039)	(95,577)	11,070
Changes in working capital	(1,574)	45,613	11,286
Income tax paid	(42)	(1)	(74)
Net cash generated from/(used in)			
operating activities	(203,655)	(49,965)	22,282
Net cash (used in)/generated from			
investing activities	(4,323)	14,315	16,418
Net cash generated from/(used in)			
financing activities	(11,407)	82,233	(29,308)
Net increase/(decrease) in cash and			
cash equivalents	(219,385)	46,583	9,392
Cash and cash equivalents at the			
beginning of the year	307,817	84,658	134,907
Effect of foreign exchange rate changes	(3,774)	3,666	2,018
Cash and cash equivalents at the			
end of the year	<u>84,658</u>	<u>134,907</u>	<u>146,317</u>

### *Net Cash Flows (Used in)/Generated from Operating Activities*

We expect our operating cash flow position to improve as we improve profitability, which we plan to achieve by (i) increasing revenue and improving gross profit margin; (ii) enhancing cost and expense control capacity by making full use of economies of scale; and (iii) continuously improving working capital management by proactive management of trade receivables, trade payables and inventory turnover and deepened collaboration with our suppliers. For example, we have been dynamically adjusting product mix to include products of higher gross profit margin. In addition, our procurement volume increases with the growth of our business scale, and we expect to have better bargaining power to obtain more favorable price, credit terms and rebates from suppliers. Our smart supply chain management system also helps us broaden our procurement channel and control costs of products. Going forward, we believe our liquidity requirements will be satisfied by using funds from a combination of cash from operations, bank balances and cash and net [REDACTED] from the [REDACTED].

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## FINANCIAL INFORMATION

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During the Track Record Period, our net cash flows used in or generated from operating activities primarily comprised our loss before taxation for the year adjusted by non-cash and non-operating items and changes in working capital.

For the year ended December 31, 2023, our net cash generated from operating activities was RMB22.3 million, primarily reflecting our loss before taxation of RMB196.7 million, as adjusted by (i) non-cash and non-operating items, which primarily consisted of finance costs of RMB144.8 million and foreign exchange loss of RMB28.4 million; and (ii) changes in working capital, which primarily resulted from an increase in trade and other payables of RMB84.2 million, primarily due to the growth of our sales of pharmaceutical and healthcare products and the corresponding procurement amount from suppliers, and a decrease in prepayments of RMB45.5 million as we were able to make reduced prepayments to our suppliers for the procurement of pharmaceutical products as the COVID-19 pandemic abated. These were partially offset by (i) a decrease in contract liabilities of RMB69.5 million as our receipt of advance payments on drug orders decreased; and (ii) an increase in trade and other receivables of RMB14.9 million primary due to the increased trade receivables for our growing customized content and marketing solutions segment.

For the year ended December 31, 2022, our net cash used in operating activities was RMB50.0 million, primarily reflecting our loss before taxation of RMB383.3 million, as adjusted by (i) non-cash and non-operating items, which primarily consisted of foreign exchange loss of RMB134.7 million, and finance costs of RMB121.8 million; and (ii) changes in working capital, which primarily resulted from an increase of RMB77.2 million in trade and other payables primarily due to the growth of our sales of pharmaceutical and healthcare products and the corresponding procurement amount from suppliers, and an increase of RMB71.3 million in contract liabilities, which was primarily due to the increased advance payment from customers attributable to a surge in COVID-19 related orders on our platform in December 2022, which subsequently experienced significant shipping and logistics delays due to the pandemic. These were partially offset by (i) an increase of RMB53.8 million in prepayments, mainly representing the prepayments we made to suppliers for pharmaceutical procurement during the COVID-19 pandemic to ensure the stability of our supply chain; (ii) an increase of RMB38.3 million in trade and other receivables primarily due to an increase in trade receivables from our increased business scale for customized content and marketing solutions, and an increase in rebates from suppliers; and (iii) an increase of RMB14.9 million in inventories which was in line with the growth in sales volume of pharmaceutical and healthcare products.

For the year ended December 31, 2021, our net cash used in operating activities was RMB203.7 million, primarily reflecting our loss before taxation of RMB304.0 million, as adjusted by (i) non-cash and non-operating items, which primarily consisted of finance costs of RMB108.0 million, foreign exchange gain of RMB27.6 million, and recognition of impairment losses of RMB0.3 million; and (ii) changes in working capital, which primarily resulted from an increase of RMB92.0 million in trade and other payables primarily due to the growth of our sales of pharmaceutical and healthcare products and the corresponding procurement amount from suppliers, and a decrease of RMB43.5 million in amounts due from

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## FINANCIAL INFORMATION

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related parties due to the settlement of related party transactions. See “—Material Related Party Transactions” for more information. These were partially offset by a decrease of RMB52.7 million in amounts due to related parties, an increase of RMB42.6 million in inventories, and an increase of RMB32.2 million in trade and other receivables as a result of an increase in rebates from suppliers.

See “—Description of Certain Key Items of Consolidated Statements of Financial Position” for primary reasons relating to the underlying causes for our operating cash flow changes.

### *Net Cash Flows (Used in)/Generated from Investing Activities*

For the year ended December 31, 2023, our net cash generated from investing activities was RMB16.4 million, which was primarily attributable to RMB12.0 million in repayments of borrowings by related parties and proceeds of RMB10.0 million from our disposal of the Xinlongyihao Investment in June 2023.

For the year ended December 31, 2022, our net cash generated from investing activities was RMB14.3 million, which was primarily attributable to RMB21.6 million in repayments of borrowings by related parties, partially offset by payment of RMB5.3 million for purchases of property, plant and equipment and intangible assets and RMB2.0 million used for transaction arising from Reorganization.

For the year ended December 31, 2021, our net cash used in investing activities was RMB4.3 million, which was primarily attributable to (i) advance of RMB36.8 million for advance of borrowings to related parties; (ii) payment of RMB8.0 million for other non-current assets; and (iii) payment of RMB5.5 million for purchases of property, plant and equipment and intangible assets, partially offset by RMB46.0 million in repayments of borrowings by related parties. See “—Material Related Party Transactions” for more information.

### *Net Cash Flows Generated from/(Used in) Financing Activities*

For the year ended December 31, 2023, our net cash used in financing activities was RMB29.3 million, which primarily consisted of (i) payment of RMB60.6 million in restricted bank deposits; (ii) repayment of RMB30.6 million of bank loans; and (iii) RMB16.9 million of capital element of lease rentals paid, partially offset by (i) proceeds of RMB55.0 million from maturity of restricted bank deposits; and (ii) proceeds of RMB25.6 million from bank loans.

For the year ended December 31, 2022, our net cash generated from financing activities was RMB82.2 million, which primarily consisted of (i) proceeds of RMB110.2 million from the issuance of convertible redeemable preferred shares; and (ii) proceeds of RMB24.8 million from bank loans, partially offset by payment of RMB25.0 million of restricted bank deposits, repayment of RMB14.8 million of bank loans, and RMB11.9 million of capital element of lease rentals paid.

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For the year ended December 31, 2021, our net cash used in financing activities was RMB11.4 million, which primarily consisted of RMB10.6 million of capital element of lease rentals paid.

### INDEBTEDNESS

The following table sets forth a breakdown of our indebtedness as of the dates indicated.

	As of December 31,			As of April 30,
	2021	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(Unaudited)</i>
Bank loans	–	10,154	5,005	–
Lease liabilities	18,273	26,654	44,714	43,391
Convertible redeemable preferred shares	1,368,767	1,737,882	1,911,521	1,964,559
<b>Total</b>	<b>1,387,040</b>	<b>1,774,690</b>	<b>1,961,240</b>	<b>2,007,950</b>

Our Directors confirm that as of the Latest Practicable Date, there was no material covenant on any of our outstanding debt and there was no breach of any covenant during the Track Record Period and up to the Latest Practicable Date. Our Directors further confirm that there has not been any material change in the Group’s indebtedness since the Latest Practicable Date up to the date of this document.

### Bank Loans

As of December 31, 2023, the repayment schedule of bank loans were within one year and the balances were unsecured. As of April 30, 2024, we had unutilized banking facilities of RMB106.5 million.

Our bank loans during the Track Record Period were denominated in RMB and were primarily used to supplement our working capital. We had bank loans of RMB5.0 million as of December 31, 2023, the interest rate of which was 3.69%.

Our Directors confirm that there were no material defaults in repayment of bank loans or material breaches of financial covenants during the Track Record Period and up to the Latest Practicable Date.

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### Lease Liabilities

We recognized right-of-use assets and the corresponding lease liabilities in respect of all leases, except for short-term leases and leases of low value assets. The table below sets forth our lease liabilities as of the dates indicated.

	As of December 31,			As of April 30,
	2021	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(Unaudited)</i>
Current	9,958	12,796	15,346	15,250
Non-current	8,315	13,858	29,368	28,141
<b>Total</b>	<b>18,273</b>	<b>26,654</b>	<b>44,714</b>	<b>43,391</b>

### Convertible Redeemable Preferred Shares

As of December 31, 2021, 2022, 2023 and April 30, 2024, the carrying amount of our convertible redeemable preferred shares was RMB1,368.8 million, RMB1,737.9 million, RMB1,911.5 million and RMB1,964.6 million, respectively. See “—Description of Certain Key Items of Consolidated Statements of Financial Position—Convertible Redeemable Preferred Shares” for details of the convertible redeemable preferred shares.

Except as disclosed above, we did not have any material mortgages, charges, debentures, loan capital, debt securities, loans, bank overdrafts or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptances (other than normal trade bills), acceptance credits, which are either guaranteed, unguaranteed, secured or unsecured as of April 30, 2024.

### CONTINGENT LIABILITIES

During the Track Record Period, we paid service fees to physicians we engaged to provide medical consultation services. Without clear guidance in current regulations, there is uncertainty as to the characterization of income received by our registered physicians through our platform. If the tax authority’s interpretation of current regulations is clarified and is different from ours, we might be responsible to withhold and report individual income tax for the engaged physicians in relation to their services rendered on our platform. Should the relevant tax authority find the engaged physicians’ relevant individual income tax paid is improper or insufficient, we may be required to procure the engaged physicians file and pay up the underpaid tax liabilities, and may be subject to penalties calculated 50% to 300% of the underpaid tax. Our PRC Legal Advisor has advised us that the likelihood of us being subject to such penalties is remote. As such, our Directors assessed and considered that, no provision is required to be made in this regard. For risks associated with the characterization of income

## FINANCIAL INFORMATION

received by our registered physicians through our platform, see “Risk Factors—Risks Relating to Regulations—Developments in the PRC legal system may affect our business and limit the legal protection available to you.” Save as disclosed in this section, we did not have any material contingent liabilities as of December 31, 2021, 2022, 2023 and April 30, 2024.

### CAPITAL EXPENDITURES

The following table sets forth our capital expenditures for the years indicated.

	<b>For the year ended December 31,</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Payment for purchases of property, plant and equipment and intangible assets	5,515	5,281	5,648
Payment for other non-current assets	8,000	–	–
Deemed distribution	–	2,000	–
<b>Total</b>	<b>13,515</b>	<b>7,281</b>	<b>5,648</b>

Our capital expenditures primarily consist of (i) purchases of property, plant and equipment and intangible assets; (ii) other non-current assets; and (iii) deemed distribution arising from the Reorganization.

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

### KEY FINANCIAL RATIOS

The following table sets forth the details of our key financial ratios as of the dates or for the years indicated.

	<b>As of/For the year ended December 31,</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
Gross profit margin <sup>(1)</sup>	12.5%	17.3%	20.0%
Net loss margin <sup>(2)</sup>	(17.3)%	(17.4)%	(8.1)%
Adjusted net (loss)/profit margin (non-HKFRS measure) <sup>(3)</sup>	(11.8)%	(4.1)%	0.3%
Current ratio <sup>(4)</sup>	1.0	1.0	1.0
Quick ratio <sup>(5)</sup>	0.6	0.7	0.7

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*Notes:*

- (1) Gross profit margin is calculated using gross profit divided by revenue for the year and multiplied by 100%.
- (2) Net loss margin is calculated using net loss divided by revenue for the year and multiplied by 100%.
- (3) Adjusted net loss/profit margin (non-HKFRS measure) is calculated using the adjusted net loss/profit (non-HKFRS measure) divided by revenue for the year and multiplied by 100%.
- (4) Current ratio is calculated by using current assets divided by current liabilities as of the same date.
- (5) Quick ratio is calculated by using current assets less inventories and divided by current liabilities as of the same date.

See “—Comparison of Results of Operations” above for discussions on revenue growth and fluctuation of our gross profit margin and net loss margin during the Track Record Period.

### **Current Ratio**

Our current ratio remained at 1.0 as of December 31, 2021, 2022 and 2023. See “—Description of Certain Key Items of Consolidated Statements of Financial Position” for details of our current assets and current liabilities.

### **Quick Ratio**

Consistent with our current ratio, our quick ratio remained relatively stable at 0.6 as of December 31, 2021 and 0.7 as of December 31, 2022 and 2023.

## **CONTRACTUAL OBLIGATIONS**

### **Capital Commitments**

As of December 31, 2021, 2022 and 2023, we had no material capital commitments.

## **OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS**

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



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## FINANCIAL INFORMATION

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### FINANCIAL RISKS DISCLOSURE

We are exposed to a variety of financial risks, including credit risk, liquidity risk, interest rate risk and currency risk. We manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner. See note 27 to the Accountants’ Report set out in Appendix I to this document for more information. The discussion below provides a summary of our financial risks.

#### **Credit Risk**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to our Group. Our credit risk is primarily attributable to trade and other receivables, guarantees and amounts due from related parties. Our exposure to credit risk arising from cash and cash equivalents, restricted bank deposits and bills receivables is limited because the counterparties are banks and financial institutions or enterprises with high-credit-quality, for which we consider to have low credit risk.

#### **Liquidity Risk**

Our management reviews the liquidity position of our Group on an ongoing basis, including review of the expected cash inflows and outflows in order to monitor our liquidity requirements in the short and longer terms. Our policy is to regularly monitor our liquidity requirements and compliance with lending covenants, to ensure that we maintain sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet our liquidity requirements in the short and longer term.

#### **Interest Rate Risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Our interest-bearing financial assets and liabilities are at fixed interest rates at the end of the Track Record Period, including restricted bank deposits, bank loans, lease liabilities and convertible redeemable preferred shares, and the change of market interest rate does not expose us to interest rate risk. Overall, our exposure to interest rate risk is not significant.

#### **Currency Risk**

We are exposed to currency risk primarily given rise to cash balances and financial liabilities that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily US dollars.

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### MATERIAL RELATED PARTY TRANSACTIONS

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

	For the year ended December 31,		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Purchase of goods	4,659	–	–
Advance of borrowings to related parties	36,814	–	–
Repayments of borrowings by related parties	46,006	21,596	12,032

#### Purchase of Goods

In 2021, we procured certain pharmaceutical products, medical devices, healthcare and nutritional supplements and other wellness products from Guangzhou Jianke instead of directly from third-party suppliers for our online retail pharmacy services and comprehensive medical services. We made back-to-back orders with Guangzhou Jianke upon receiving orders on our Jianke Platform, which helped reduce our inventory risks; as Guangzhou Jianke was qualified for pharmaceutical wholesale, it had procured and kept products in stock for us, and was able to sell off excess stock not taken up by us to other retailers. Moreover, we had only begun to operate our Jianke mobile applications and websites in-house since July 2019, and were still in the process of building up our supplier network and business scale. Procuring goods from Guangzhou Jianke also enabled us to leverage their established relationships with suppliers for more favorable procurement prices. During the Track Record Period, the commercial terms of our transactions with Guangzhou Jianke were negotiated on an arm’s length basis, and all other legal and standard terms were materially similar to those that we entered into with other independent third parties. The prices of goods procured from Guangzhou Jianke during the Track Record Period were generally comparable to market rate. As we rapidly developed our own supplier network and relationships following the Reorganization, we were able to increase our bargaining power with suppliers to negotiate more favorable procurement prices, and began to procure products predominantly from independent third parties in 2021. As a result, we purchased a modest amount of goods from Guangzhou Jianke amounting to RMB4.7 million in 2021, and ceased to procure products from related parties in 2022. We do not have plans to procure products from related parties in the future.

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### **Advance/Repayments of Borrowings to/by Related Parties**

In 2021, our advance of borrowings to related parties amounted to RMB36.8 million, primarily representing (i) advance of RMB21.9 million to a number of companies over which Mr. Xie had significant influence; (ii) advance of RMB7.5 million to Yunyi Limited which was used to repay Guangdong Jianke’s bank loan, and release Yunyi Limited from its corresponding financial guarantee obligations; and (iii) advance of RMB7.4 million to Mr. Xie and companies controlled by Mr. Xie to fund their working capital.

Since the end of 2021, we have ceased providing any new advances or loans to related parties, and do not have plans to do so in the future. Accordingly, we did not record any advance of borrowings to related parties in 2022 and 2023.

During the Track Record Period, we did not receive any interests from our advance of borrowings to related parties.

In 2021, 2022 and 2023, we recorded repayments of borrowings from related parties of RMB46.0 million, RMB21.6 million and RMB12.0 million, respectively. As of December 31, 2023, all advances of borrowings to related parties had been repaid.

### **Balance with Related Parties**

#### *Amounts Due from Related Parties*

As of December 31, 2021 and 2022, the balance of amounts due from related parties were all non-trade in nature, and amounted to RMB33.6 million and RMB12.0 million, respectively, mainly consisting of advances that our Group granted to a number of companies over which Mr. Xie had significant influence, or to Mr. Xie and companies controlled by Mr. Xie. As of December 31, 2023, all such amounts due from related parties had been fully settled.

Our Directors confirm that all advance of borrowings to related parties during the Track Record Period were non-trade in nature and had been settled as of December 31, 2023. For further details on related party balance and transactions, see note 28 to the Accountants’ Report set out in Appendix I to this document.

We have established a comprehensive cash management policy to assess and monitor the provision of advances, loans, borrowings or guarantees to related parties and third parties, and our internal audit department will conduct regular monitoring and evaluation of the effectiveness of our internal control policies. Before extending any advances, loans and borrowings or providing guarantees to other companies, our financial department is required to (i) thoroughly evaluate our liquidity and financial condition; (ii) conduct a comprehensive analysis and assessment on the needs and necessity of such activities; and (iii) prepare a report for the Board’s approval. We periodically assess the recoverability of our advances to other companies. In particular, we regularly review the business performance of the parties to which we provided advances, loans, borrowings or financial guarantees. If any risk of default is identified, impairment losses will be made in accordance with applicable accounting principles.

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## FINANCIAL INFORMATION

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### DIVIDENDS

No dividend has been paid or declared by our Company during the Track Record Period. Any future declarations and payments of dividends will be at the absolute discretion of our Board and if necessary, subject to the approval by our Shareholders at a general meeting. There can be no assurance that we will be able to declare or distribute any dividend in the amount set out in any plan of the Board or at all. Currently, we do not have any dividend policy or intention to declare or pay any dividends in the near future. As advised by our Cayman Islands counsel, under the Companies Act and the Memorandum and Articles, the Company may declare and pay a dividend out of either profits or share premium account, provided always that in no circumstances may a dividend be declared or paid out of Share premium account if such payment would result in the Company being unable to pay its debts as they fall due in the ordinary course of business. [REDACTED] should not [REDACTED] our Shares with the expectation of receiving cash dividends.

### DISTRIBUTABLE RESERVES

As of December 31, 2023, we did not have any reserves available for distribution to our Shareholders.

### [REDACTED] EXPENSES

Assuming an [REDACTED] of HK\$[REDACTED] per Share (being the mid-point of the indicative [REDACTED] range of HK\$[REDACTED] to HK\$[REDACTED] per Share), and assuming that the [REDACTED] is not exercised, the aggregate commissions and fees, together with the Stock Exchange [REDACTED] fee, SFC transaction levy, AFRC transaction levy and Stock Exchange trading fee, legal and other professional fees, printing and other expenses relating to the [REDACTED], which are paid or payable by us, are estimated to be approximately RMB[REDACTED] million, accounting for [REDACTED]% of gross [REDACTED] from the [REDACTED]. Up to December 31, 2023, we incurred [REDACTED] expenses in the amount of RMB[REDACTED] million, of which RMB[REDACTED] million was recognized in the consolidated statements of profit or loss and other comprehensive income, and RMB[REDACTED] million was recognized as deferred [REDACTED] expenses in the consolidated statements of financial position as of December 31, 2023 which will be recognized as a reduction from equity upon the [REDACTED]. We expect to further incur additional [REDACTED] expenses of approximately RMB[REDACTED] million after the Track Record Period, of which approximately RMB[REDACTED] million is expected to be recognized in our consolidated statements of profit or loss and other comprehensive income, and approximately RMB[REDACTED] million is expected to be deducted from equity upon the [REDACTED] under the relevant accounting standards. By nature, our [REDACTED] expenses are composed of (i) [REDACTED] related expenses of approximately RMB[REDACTED] million; and (ii) [REDACTED] related expenses of approximately RMB[REDACTED] million, which consist of fees and expenses of legal advisors and Reporting Accountants of approximately RMB[REDACTED] million and other fees and expenses of approximately RMB[REDACTED] million.

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### [REDACTED] STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following [REDACTED] statement of adjusted net tangible assets of our Group prepared in accordance with Rule 4.29 of the Listing Rules is to illustrate the effect of the [REDACTED] on our net tangible liabilities of our Group as if the [REDACTED] had been completed on December 31, 2023. The [REDACTED] statement of adjusted net tangible assets has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of our net tangible assets of our Group had the [REDACTED] been completed as of December 31, 2023 or at any future dates.

[REDACTED]

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[REDACTED]

### **NO MATERIAL ADVERSE CHANGE**

Our Directors have confirmed, after performing all the due diligence work which our Directors consider appropriate, that, as of the date of this document, there has been no material adverse change in our financial or trading position or prospects since December 31, 2023 and up to the date of this document.

### **DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES**

Our Directors have confirmed that, as of the Latest Practicable Date, they were not aware of any circumstance that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.