You should read the following discussion and analysis with our audited consolidated financial information, including the notes thereto, included in the Accountants Report in Appendix I to this document. Our consolidated financial information has been prepared in accordance with HKFRS Accounting Standards.

The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on our assumptions and analysis in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties. In evaluating our business, you should carefully consider the information provided in this document, including but not limited to the sections headed "Risk Factors" and "Business."

For the purpose of this section, unless the context otherwise requires, references to 2023, 2024 and 2025 refer to our financial years ended December 31 of such years. Unless the context otherwise requires, financial information described in this section is described on a consolidated basis.

OVERVIEW

We are a leading service provider for primary healthcare terminals in China. We primarily focus on pharmaceutical direct supply to primary healthcare terminals. We also offer integrated diagnosis and treatment solutions as well as testing and diagnostic solutions tailored to our primary healthcare terminal customers. Our offerings center on the core business process of primary healthcare institutions, forming a seamless "testing-diagnosis-medication" loop that supports their delivery of medical services to patients.

We have established three business segments: (i) pharmaceutical direct supply and distribution services, (ii) integrated diagnosis and treatment solutions and (iii) testing and diagnostic solutions. Our customers are mainly primary healthcare terminals, including (i) primary healthcare institutions, encompassing village health stations, outpatient departments and clinics, and (ii) primary pharmacies, encompassing individual pharmacies and small-to-medium chain pharmacies.

BASIS OF PREPARATION

The Historical Financial Information (as defined in Appendix I to this document) has been prepared in accordance with HKFRS Accounting Standards (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations) as issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and the accounting principles generally accepted in Hong Kong.

The Historical Financial Information has been prepared under the historical cost convention, except for certain financial instruments which have been measured at fair value. See Note 2.1 of the Accountants' Report set out in Appendix I to this document.

MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS

General Factors

Our business and operating results are impacted by general factors affecting the development of our industry, which include: (i) China's overall economic growth and per capita disposable income; (ii) evolving consumption patterns and growth of healthcare spending in China; (iii) growth and competition environment of the primary healthcare industry and the pharmaceutical direct supply market, integrated diagnosis and treatment market, and testing and diagnostic market in primary healthcare industry in China; and (iv) relevant laws and regulations, governmental policies and initiatives affecting the primary healthcare industry and the pharmaceutical direct supply market, integrated diagnosis and treatment market, and testing and diagnostic market in primary healthcare industry in China.

Specific Factors

Our results of operations are also affected by a number of key factors specific to our Group, which mainly include:

Our ability to attract new customers and maintain our customer base

Building strong relationships with our customers is crucial to our success, which not only drives repeat business but also generates a positive reputation, benefits our brand recognition and helps attract new customers. Our customers mainly include primary healthcare terminals, primarily consisting of primary healthcare institutions, individual pharmacies and small-to-medium chain pharmacies that cover the large-scale lower-tier markets in China. We focus on understanding customer needs and enhancing the value of our products, services and solutions for sustainable business growth. We had directly served more than 660,600 primary healthcare terminal customers across over 99% of the total number of counties in China. In line with the expanding customer base, our revenue increased from RMB3,064.9 million in 2023 to RMB3,263.7 million in 2024 and further increased to RMB3,822.8 million in 2025. We also achieved scale profitability. Such continued improvement in financial performance reflects our success in expanding market reach and enhancing customer satisfaction and underscores the importance of attracting new customers and maintaining a loyal customer base.

Furthermore, enhancing selling and marketing efficiency is crucial for driving revenue growth and fortifying our brand presence. We leverage the strong brand recognition and strategically hold event sponsorships and industry conferences targeting potential customers to maximize the return on our marketing endeavors. We also utilize data and customer insights accumulated on our APPs to personalize homepage layouts, thereby resonating more effectively with our target audience. These efforts not only amplify our brand visibility but also propel our long-term growth objectives by attracting new customers, maintaining a loyal customer base and driving sales.

Our ability to diversify, improve and effectively manage our offerings

Diversified offerings are vital for staying competitive and addressing market demands. Continuous innovation and expansion of our services and solutions enable us to satisfy diverse customer needs, strengthening our market position. In order to address the pain points of our customers, our business started from testing and diagnostic solutions, extended to pharmaceutical direct supply and distribution services and further developed to include integrated diagnosis and treatment solutions. Our offerings provide the vast number of primary healthcare terminals in the lower-tier markets in China with one-stop services and solutions across their business scenarios. As of December 31, 2025, our testing and diagnostic solutions offered over 3,700 SKUs of clinical tests and were supported by a dedicated sales and customer service team and a professional medical team, covering more than 74,200 primary healthcare institutions. The number of SKUs of pharmaceuticals and other healthcare products offered under our pharmaceutical direct supply and distribution services, including both the private-label pharmaceutical business and common pharmaceutical business, increased from over 29,400 as of December 31, 2023 to over 45,800 as of December 31, 2025, at a CAGR of 24.9%. As of December 31, 2025, we had developed 13 integrated diagnosis and treatment solutions, offering over 1,000 SKUs of targeted and specialized pharmaceuticals and other healthcare products, and covering more than 151,300 primary healthcare institutions.

Our strategic initiatives have driven the expansion of our customer base, which further led to the increase in our revenue during the Track Record Period. We invest in research and development to drive innovation and ensure that our offerings remain competitive. This proactive approach not only enhances customer satisfaction but also captures new market opportunities, aligning with our long-term growth objectives.

Our ability to improve procurement efficiency and inventory management

Improving procurement efficiency and inventory management is essential for optimizing our cost structure and enhancing profitability. Our cost of sales increased from RMB2,148.2 million in 2023 to RMB2,403.1 million in 2024 and further increased to RMB2,948.3 million in 2025, generally in line with our business expansion, accounting for 70.1%, 73.6% and 77.1% of our revenue in 2023, 2024 and 2025, respectively. By streamlining procurement processes and implementing robust inventory management systems, we aim to reduce costs and improve operational efficiency.

We build strong relationships with suppliers to secure favorable terms and timely delivery. For example, as of December 31, 2025, we had established deep and efficient cooperation with more than 2,000 pharmaceutical manufacturers under our private-label pharmaceutical business to stay informed about their current manufacturing, logistics and inventory levels. Our extensive customer base and reputable brand image assist our suppliers to reach primary healthcare terminals in lower-tier markets with reduced costs, lower operational risks and timely feedback on downstream demand. This incentivizes them to offer us manufacturing services at greater volumes and lower prices, fostering a positive cycle that drives the continuous growth of our pharmaceutical direct supply services.

Additionally, our advanced inventory management system minimizes warehousing costs and reduces obsolescence risks. We utilize advanced technologies and supply chain optimization techniques to integrate the front and back ends of the supply chain, thereby enhancing our inventory management and enabling smooth and just-in-time delivery for customers. See "Business — Technology — Our Digital and Intelligent Operations — Supply Chain Management." These efforts contribute to a more efficient supply chain, enabling competitive pricing and improving our gross profit margin.

Our ability to manage expenses effectively

Our ability to manage and control our selling and marketing as well as administrative expenses is critical to our results of operations, especially profitability. In 2023, 2024 and 2025, our selling and marketing expenses amounted to RMB746.8 million, RMB697.6 million and RMB674.9 million respectively. Our administrative expenses amounted to RMB92.5 million, RMB96.9 million and RMB135.6 million, respectively. We plan to leverage cross-selling across business segments to enlarge our customer base and increase sales efficiency to reduce selling expenses as a percentage of our revenue. We strive to continually improve operational efficiency and enhance the results of operations by managing expenses as we achieve economies of scale.

Our ability to develop and leverage advanced technologies

We develop and leverage advanced technologies to empower our business growth. We are a leading service provider for primary healthcare, integrating healthcare capabilities with digital intelligence technologies and providing services and solutions to primary healthcare terminals. We upgraded our offerings with an AI agent in August 2025, which has evolved into our Good Doctor Diagnosis and Treatment Support System subsequently. In addition, we utilize AI and machine learning models specialized in the medical domain in order to strengthen the services and solutions we provide to customers. As of December 31, 2025, we have utilized AI technology and created around 2,400 medical diagnostic labels to enhance the user-friendliness and accuracy of diagnostic result interpretation as well as improve the efficiency of testing and examination. Furthermore, we have developed a proprietary BI system that collects and analyzes data to aid decision-making and improve customer service quality. Our accumulated experience in providing services and solutions to primary healthcare terminals as well as our innovative technology has laid the foundation for us to continue exploring the empowerment of primary healthcare terminal customers across primary healthcare scenarios, thereby driving our sustainable growth.

IMPACT OF COVID-19

The outbreak of COVID-19 and its resurgence in 2022 severely impacted China and the rest of the world. In an effort to contain the spread of COVID-19, China implemented precautionary measures that reduced economic activities, including the temporary closure of workplaces and commercial centers and the imposition of travel and mobility restrictions. As market demand for pharmaceuticals surged during COVID-19, the demand and prices of our products under the pharmaceutical direct supply and distribution services benefited. However, as COVID-19 gradually subsided from late 2023, both demand and prices returned to normal levels, leading to a decrease in the gross profit margin for our pharmaceutical direct supply and distribution services. See "— Major Factors Affecting our Results of Operations." Nevertheless, our continuous efforts to enhance offerings and improve the results of our operations enabled us to achieve revenue growth and turn a profit in 2023. We did not experience any material interruptions or delays in product delivery during the Track Record Period.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Some of our accounting policies require us to apply estimates and assumptions as well as complex judgments relating to accounting items. The estimates and assumptions we use and the judgments we make in applying our accounting policies have a significant impact on our financial position and results of operations. Our management continually evaluates such estimates, assumptions and judgments based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances. There has not been any material deviation between our management's estimates or assumptions and actual results, and we have not made any material changes to these estimates or assumptions during the Track Record Period. We do not expect any material changes in these estimates and assumptions in the foreseeable future. For material accounting policies, estimates, assumptions and judgments, which are important for understanding our financial condition and results of operations, see Notes 2.3 and 3 to the Accountants' Report of Appendix I to this document.

DESCRIPTION OF MAJOR COMPONENTS OF OUR RESULTS OF OPERATIONS

The following table sets forth a summary of our results of operations for the years indicated:

	Year ended December 31,		
	2023	2024	2025
	(RMB in thousands)		
Revenue	3,064,882	3,263,659	3,822,813
Cost of sales	(2,148,155)	(2,403,072)	(2,948,337)
Gross profit	**916,727**	**860,587**	**874,476**
Other income and gains	15,372	27,027	37,351
Selling and marketing expenses	(746,771)	(697,611)	(674,905)
Administrative expenses	(92,466)	(96,906)	(135,644)
Research and development expenses	(8,489)	(7,549)	(13,080)
Impairment losses on financial assets under expected credit loss model ("**ECL**"), net	(96)	(443)	(1,250)
Other expenses	(527)	(156)	(1,716)
Finance costs	(813)	(730)	(2,068)
Profit before fair value change on redemption liabilities on equity shares	82,937	84,219	83,164
Change in fair value of redemption liabilities on equity shares	(2,568)	(40,219)	(11,066)
Profit before tax	80,369	44,000	72,098
Income tax expense	(17,890)	(6,194)	(18,046)
Profit for the year	62,479	37,806	54,052

We have achieved consistent revenue growth during the Track Record Period. Our profit for the year fluctuated from RMB62.5 million in 2023 to RMB37.8 million in 2024, and to RMB54.1 million in 2025, primarily due to fluctuations in change in fair value of redemption liabilities on equity shares.

Non-HKFRS Financial Measure

In evaluating our business, we consider and use adjusted profit before tax (non-HKFRS financial measure), adjusted net profit (non-HKFRS financial measure) and adjusted net profit margin (non-HKFRS financial measure) as supplemental measures to review and assess our operating performance. The presentation of these non-HKFRS financial measures is not intended to be considered in isolation or as substitutes for the financial information prepared and presented in accordance with HKFRS. These non-HKFRS financial measures are not defined under HKFRS and are not presented in accordance with HKFRS. These non-HKFRS financial measures have limitations as an analytical tool. Further, these non-HKFRS measures may differ from the non-HKFRS information used by other companies, including peer companies, and therefore their comparability may be limited. We present these non-HKFRS financial measures because they are used by our management to evaluate our operating performance and formulate business plans. Accordingly, we believe that the use of these non-HKFRS financial measures provides useful information to investors and others in understanding and evaluating our operating results in the same manner as our management and Board.

We define adjusted net profit (non-HKFRS financial measure) as profit for the year adding back (i) change in fair value of redemption liabilities on equity shares, (ii) equity-settled share-based payment expenses, and (iii) [**REDACTED**] expenses. We define adjusted profit before tax (non-HKFRS financial measure) as adjusted net profit (non-HKFRS financial measure) adding by income tax expense. We define adjusted net profit margin as adjusted net profit (non-HKFRS financial measure) divided by revenue.

The following table (i) reconciles adjusted net profit (non-HKFRS financial measure) for the years (non-HKFRS financial measure) presented in accordance with HKFRS, which is profit for the year, and (ii) presents adjusted profit before tax (non-HKFRS financial measure) for the years and adjusted net profit margin (non-HKFRS financial measure) for the years presented:

	Year ended December 31,		
	2023	**2024**	**2025**
	(RMB in thousands, except for percentages)		
Profit for the year	**62,479**	**37,806**	**54,052**
Add back:			
Change in fair value of redemption liabilities on equity shares[(1)]	2,568	40,219	11,066
Equity-settled share-based payment expenses[(2)]	278	3,340	2,887
[**REDACTED**] expenses[(3)]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Adjusted net profit, a non-HKFRS financial measure	**65,325**	**86,660**	**82,925**
Adjusted profit before tax, a non-HKFRS financial measure	**83,215**	**92,854**	**100,971**
Adjusted net profit margin, a non-HKFRS financial measure	**2.1%**	**2.7%**	**2.2%**

Notes:

(1) Representing change in the fair value of our redemption liabilities in relation to our equity shares. Upon the completion of the [**REDACTED**], all redemption liabilities on equity shares will be transferred from liabilities to equity and we do not expect to recognize any future loss or gains in connection with such redemption liabilities on our consolidated statements of profit or loss and other comprehensive income.

(2) Non-cash in nature, and mainly represents employee benefit expenses incurred in connection with our award to management and key employees.

(3) Including professional fees incurred in connection with the [**REDACTED**].

Revenue

During the Track Record Period, we derived revenue from the provision of (i) pharmaceutical direct supply and distribution services; (ii) integrated diagnosis and treatment solutions; and (iii) testing and diagnostic solutions. During the Track Record Period, the majority of our revenue was generated from pharmaceutical direct supply and distribution services, amounting to RMB2,448.5 million, RMB2,527.4 million and RMB3,027.5 million in 2023, 2024 and 2025, respectively, representing 79.9%, 77.5% and 79.2% of our total revenue, respectively.

The following table sets forth a breakdown of revenue by business segment in absolute amount and as a percentage of total revenue for the years indicated:

	Year ended December 31,					
	2023		2024		2025	
	Amount	%	Amount	%	Amount	%
	(RMB in thousands, except for percentages)					
Pharmaceutical direct supply and distribution services	2,448,496	79.9	2,527,442	77.5	3,027,531	79.2
– Private-label pharmaceutical business	1,794,505	58.6	1,840,652	56.5	2,027,148	53.0
– Common pharmaceutical business	653,991	21.3	686,790	21.0	1,000,383	26.2
Integrated diagnosis and treatment solutions	507,195	16.5	666,688	20.4	724,923	19.0
Testing and diagnostic solutions	101,125	3.3	69,529	2.1	69,472	1.8
Others[(1)]	8,066	0.3	–	–	887	0.0
Total	**3,064,882**	**100.0**	**3,263,659**	**100.0**	**3,822,813**	**100.0**

Note:

(1) Others in 2023 mainly included revenue from Sichuan Huzhijia Human Resource Management Co., LTD., a subsidiary that we disposed of in 2023. Sichuan Huzhijia Human Resource Management Co., LTD. mainly engaged in promotional and after-sales customer management services. See Note 32 of the Accountants' Report set out in Appendix I to this document. Others in 2025 mainly included revenue from the AI Good Doctor Diagnosis and Treatment Support System.

Cost of Sales

Our cost of sales primarily consisted of (i) procurement cost for pharmaceuticals and other healthcare products; (ii) clinical testing fees; and (iii) transportation costs and others, mainly representing the costs of logistics services and procurement costs for medical consumables.

The following table sets forth a breakdown of cost of sales by nature in absolute amount and as a percentage of the total cost of sales for the years indicated:

	Year ended December 31,					
	2023		2024		2025	
	Amount	%	Amount	%	Amount	%
	(RMB in thousands, except for percentages)					
Procurement cost for pharmaceuticals and other healthcare products	1,992,591	92.7	2,266,021	94.3	2,797,693	94.9
Clinical testing fees	41,060	1.9	41,400	1.7	37,632	1.3
Transportation costs and others	106,463	5.0	95,651	4.0	112,626	3.8
Others[(1)]	8,041	0.4	–	–	386	0.0
Total	**2,148,155**	**100.0**	**2,403,072**	**100.0**	**2,948,337**	**100.0**

Note:

(1) Others in 2023 mainly included labor costs in relation to Sichuan Huzhijia Human Resource Management Co., LTD.. Others in 2025 mainly included labor costs in relation to maintaining the AI Good Doctor Diagnosis and Treatment Support System.

Gross Profit and Gross Profit Margin

The following table sets forth a breakdown of gross profit and gross profit margin by business segment for the years indicated:

	Year ended December 31,					
	2023		**2024**		**2025**	
	Gross profit	**Gross profit margin**	**Gross profit**	**Gross profit margin**	**Gross profit**	**Gross profit margin**
	(RMB in thousands, except for percentages)					
Pharmaceutical direct supply and distribution services	580,831	23.7	525,535	20.8	612,312	20.2
– Private-label pharmaceutical business	565,904	31.5	518,014	28.1	573,348	28.3
– Common pharmaceutical business	14,927	2.3	7,521	1.1	38,964	3.9
Integrated diagnosis and treatment solutions	288,735	56.9	306,751	46.0	231,386	31.9
Testing and diagnostic solutions	47,194	46.7	28,301	40.7	30,301	43.6
Others[1]	(33)	(0.4)	–	–	477	53.8
Total	**916,727**	**29.9**	**860,587**	**26.4**	**874,476**	**22.9**

Note:

(1) See note in "— Revenue."

Other Income and Gains

Our other income primarily consisted of (i) bank interest income; and (ii) government grants to encourage business activities. Our other gains primarily consisted of (i) gain on disposal of subsidiaries primarily due to our strategic adjustment of business focus, including the disposal of (a) Sichuan Huzhijia Human Resource Management Co., LTD., in March 2023. See "— Description of Major Components of Our Results of Operations — Revenue;" and (b) Chengdu Benzhong Information Technology Co., Ltd., which mainly engaged in the design and operation of online websites, in March 2024. See Note 32 of the Accountants' Report set out in Appendix I to this document; (ii) gains on financial assets at FVTPL, mainly relating to our wealth management products. See "— Discussion of Selected Items from the Consolidated Statements of Financial Position — Financial Assets at Fair Value Through Profit or Loss ("FVTPL");"; (iii) platform promotion and usage fee, representing fees from providing product promotion services to certain suppliers. Our platform promotion and usage fees are charged primarily using a combination of the following mechanisms: (a) fees for using fixed promotion slots on the homepage of our APPs, which are priced based on usage duration, the specific slots used, the geographic location, demographics of the target audience and the specific APPs involved; (b) fees for product displays that receive valid clicks, charged per click and priced based on the position of display and time slot of day of the promotion; and (c) if suppliers request assistance in designing their promotional content, we charge design fees based on the length and complexity of the content; and (iv) others, mainly representing the gains from sales of recyclable materials such as cardboard boxes, and other one-off gains, such as gains as a result of early termination of lease agreement.

The following table sets forth a breakdown of other income and gains for the years indicated:

	Year ended December 31,		
	2023	2024	2025
	(RMB in thousands)		
Other income			
Bank interest income	7,230	11,670	10,187
Government grants	375	1,307	1,060
	7,605	12,977	11,247
Gains			
Gain on disposal of subsidiaries	1,417	1,448	–
Gains on financial assets at FVTPL	1,127	3,046	5,874
Platform promotion and usage fee	4,475	6,467	18,441
Others	748	3,089	1,789
	7,767	14,050	26,104
Total other income and gains	**15,372**	**27,027**	**37,351**

Selling and Marketing Expenses

Our selling and marketing expenses primarily consisted of (i) marketing and promotional expenses, primarily paid to CSOs, to promote our brand, products and services; (ii) employee expenses for our sales and marketing personnel; and (iii) traveling expenses primarily associated with selling and marketing activities.

The following table sets forth a breakdown of selling and marketing expenses in absolute amount and as a percentage of total selling and marketing expenses for the years indicated:

	Year ended December 31,					
	2023		2024		2025	
	Amount	%	Amount	%	Amount	%
	(RMB in thousands, except for percentages)					
Marketing and promotional expenses	505,279	67.7	433,720	62.2	392,826	58.2
Employee benefit expenses	162,996	21.8	177,504	25.4	197,224	29.2
Traveling expenses	32,322	4.3	39,933	5.7	40,099	6.0
Others[1]	46,174	6.2	46,454	6.7	44,756	6.6
Total	**746,771**	**100.0**	**697,611**	**100.0**	**674,905**	**100.0**

Note:

(1) Others primarily included lease and utility expenses in relation to the offices and dormitories of sales personnel, and training expenses.

Administrative Expenses

Our administrative expenses primarily consisted of (i) employee expenses for our administrative personnel; (ii) depreciation, amortization and rental-related expenses associated with our administrative activities; (iii) payment processing expenses paid to third-party payment platforms; (iv) [**REDACTED**] expenses; (v) professional service fees, representing consultation fees mainly in relation to business strategies and financing activities; and (vi) office expenses associated with our administrative activities.

The following table sets forth a breakdown of administrative expenses in absolute amount and as a percentage of total administrative expenses for the years indicated:

	Year ended December 31,					
	2023		2024		2025	
	Amount	%	Amount	%	Amount	%
	(RMB in thousands, except for percentages)					
Employee benefit expenses	52,628	56.9	48,137	49.7	58,134	42.8
Depreciation, amortization and rental related expenses	13,280	14.4	13,284	13.7	20,164	14.9
Payment processing expenses	10,110	10.9	11,159	11.5	16,258	12.0
[REDACTED] expenses	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Professional service fees	3,533	3.8	4,686	4.8	9,228	6.8
Office expenses	10,037	10.9	7,677	7.9	9,458	7.0
Others[1]	2,878	3.1	6,668	6.9	7,482	5.5
Total	**92,466**	**100.0**	**96,906**	**100.0**	**135,644**	**100.0**

Note:

(1) Others primarily included travel expenses and fees related to trademark usage.

Research and Development Expenses

Our research and development expenses consisted of (i) employee expenses for our R&D personnel; (ii) depreciation, amortization and rental related expenses associated with our R&D activities; and (iii) information technology fees, primarily representing fees for cloud services and interface modification incurred for the upgrade and optimization of our APPs.

The following table sets forth a breakdown of research and development expenses in absolute amount and as a percentage of total research and development expenses for the years indicated:

	Year ended December 31,					
	2023		2024		2025	
	Amount	%	Amount	%	Amount	%
	(RMB in thousands, except for percentages)					
Employee benefit expenses	7,422	87.5	6,311	83.6	11,524	88.1

	Year ended December 31,					
	2023		2024		2025	
	Amount	%	Amount	%	Amount	%
	(RMB in thousands, except for percentages)					
Depreciation, amortization and rental related expenses	603	7.1	1,132	15.0	1,530	11.7
Information technology fees	223	2.6	73	1.0	26	0.2
Others[(1)]	241	2.8	33	0.4	–	–
Total	**8,489**	**100.0**	**7,549**	**100.0**	**13,080**	**100.0**

Note:

(1) Others primarily included costs of materials in relation to our R&D activities.

Impairment Losses on Financial Assets under Expected Credit Loss Model ("ECL"), Net

Our impairment losses on financial assets under ECL, primarily represented provision for trade and bills receivables. We recorded net impairment losses on financial assets under ECL of RMB0.1 million, RMB0.4 million and RMB1.3 million in 2023, 2024 and 2025, respectively.

Other Expenses

Other expenses primarily consisted of compensation, representing one-off payments of liquidated damages in relation to packaging infringement claims. We recorded other expenses of RMB0.5 million, RMB0.2 million and RMB1.7 million in 2023, 2024 and 2025, respectively.

Finance Costs

Our finance costs primarily represented interest expenses on (i) lease liabilities. See "— Indebtedness — Lease Liabilities;" and (ii) bank borrowings and other loans, which were incurred and repaid within 2023. Our finance costs were RMB0.8 million, RMB0.7 million and RMB2.1 million in 2023, 2024 and 2025, respectively.

Change in Fair Value of Redemption Liabilities on Equity Shares

Our change in fair value of redemption liabilities on equity shares primarily represented change in the fair value of our redemption liabilities in relation to our equity shares. See "— Indebtedness — Redemption Liabilities on Equity Shares." We recorded fair value change on redemption liabilities on equity shares of RMB2.6 million, RMB40.2 million and RMB11.1 million in 2023, 2024 and 2025, respectively. See Note 28 of the Accountants' Report set out in Appendix I to this document.

Income Tax Expense

Our income tax expense was RMB17.9 million, RMB6.2 million and RMB18.0 million in 2023, 2024 and 2025, respectively.

During the Track Record Period, the general corporate income tax rate in the PRC was 25%. See Note 11 of the Accountants' Report set out in Appendix I to this document.

During the Track Record Period and up to the Latest Practicable Date, we had made all required tax filings with the relevant tax authorities in the PRC, and we were not aware of any outstanding or potential disputes with such tax authorities.

YEAR-TO-YEAR COMPARISON OF RESULTS OF OPERATIONS

Year Ended December 31, 2025 Compared with Year Ended December 31, 2024

Revenue

Our total revenue increased by 17.1% from RMB3,263.7 million in 2024 to RMB3,822.8 million in 2025, primarily due to an increase in revenue from our pharmaceutical direct supply and distribution services and integrated diagnosis and treatment solutions.

Our revenue from our pharmaceutical direct supply and distribution services increased by 19.8% from RMB2,527.4 million in 2024 to RMB3,027.5 million in 2025, primarily due to the expanded customer base, as well as the increase in the number of orders and the average revenue per order of this business line in 2025 as compared to 2024. The increase was primarily driven by our heightened customer value through our further enriched SKUs and continuous business development efforts. See "Business — Our Services and Solutions." In particular, our revenue from common pharmaceutical business increased by 45.7% from RMB686.8 million in 2024 to RMB1,000.4 million in 2025, mainly because we ramped up relevant sales efforts.

Our revenue from integrated diagnosis and treatment solutions increased by 8.7% from RMB666.7 million in 2024 to RMB724.9 million in 2025, primarily due to our expanded customer base and increased average revenue per order as a result of further optimized solutions and diversified SKUs, continuous business development efforts and the assumption of customer relationships from Sichuan Medical Trade. See "Business — Our Services and Solutions" and "Business — Our Services and Solutions — Integrated Diagnosis and Treatment Solutions." Our integrated diagnosis and treatment solutions achieved meaningful outcomes and gained strong market acceptance and recognition.

Our revenue from testing and diagnostic solutions remained relatively stable at RMB69.5 million in 2024 and RMB69.5 million in 2025.

Cost of Sales

Our cost of sales increased by 22.7% from RMB2,403.1 million in 2024 to RMB2,948.3 million in 2025, in line with revenue growth.

In particular, our cost of sales for pharmaceutical direct supply and distribution services increased by 20.6% from RMB2,001.9 million in 2024 to RMB2,415.2 million in 2025, generally in line with the increase in revenue from the relevant business segment.

Our cost of sales for integrated diagnosis and treatment solutions increased by 37.1% from RMB359.9 million in 2024 to RMB493.5 million in 2025, primarily due to the increase in revenue from the relevant business segment.

Our cost of sales for testing and diagnostic solutions remained relatively stable at RMB41.2 million in 2024 and RMB39.2 million in 2025.

Gross Profit and Gross Profit Margin

As a result of the foregoing, gross profit remained relatively stable at RMB860.6 million in 2024 and RMB874.5 million in 2025. Our gross profit margin decreased from 26.4% in 2024 to 22.9% in 2025, primarily due to decreases in gross profit margin of integrated diagnosis and treatment solutions.

Our gross profit from pharmaceutical direct supply and distribution services increased by 16.5% from RMB525.5 million in 2024 to RMB612.3 million in 2025. Our gross profit margin of pharmaceutical direct supply and distribution services remained relatively stable at 20.8% in 2024 and 20.2% in 2025. In particular, our gross profit margin of common pharmaceutical business, which contributed a minority portion of our total revenue from pharmaceutical direct supply and distribution services, increased from 1.1% in 2024 to 3.9% in 2025, primarily because we ramped up sales efforts and sold a higher proportion of high-margin products.

Our gross profit from integrated diagnosis and treatment solutions decreased by 24.6% from RMB306.8 million in 2024 to RMB231.4 million in 2025. Our gross profit margin of integrated diagnosis and treatment solutions decreased from 46.0% in 2024 to 31.9% in 2025, primarily due to the assumption of customer relationships from Sichuan Medical Trade, after which we started to serve these assumed customers with solution packages with relatively lower gross profit margins. See "Business — Our Services and Solutions — Integrated Diagnosis and Treatment Solutions."

Our gross profit from testing and diagnostic solutions remained relatively stable at RMB28.3 million in 2024 and RMB30.3 million in 2025. Our gross profit margin of testing and diagnostic solutions increased from 40.7% in 2024 to 43.6% in 2025, primarily due to our stronger bargaining power against our suppliers mainly as a result of the favorable supply-demand dynamic and our enhanced brand reputation among suppliers, which allowed us to effectively control the cost of sales of testing and diagnostic solutions.

Other Income and Gains

Our other income and gains increased by 38.2% from RMB27.0 million in 2024 to RMB37.4 million in 2025, primarily because of an increase in platform promotion and usage fee, as we encouraged more suppliers to use our platform promotion services.

Selling and Marketing Expenses

Our selling and marketing expenses remained relatively stable at RMB697.6 million in 2024 and RMB674.9 million in 2025, primarily as a result of decreased marketing and promotional expenses mainly due to (i) stronger bargaining power against certain CSOs as a result of long-term trust and our enlarged business scale (ii) decreased use of CSO services as our business grows and our customer network effect deepens; and (iii) the implementation of our internal cost and expense control policies in 2024. See "— Year Ended December 31, 2024 Compared with Year Ended December 31, 2023 — Selling and Marketing Expenses." This was partially offset by an increase in employee benefit expenses in line with our revenue growth.

Administrative Expenses

Our administrative expenses increased by 40.0% from RMB96.9 million in 2024 to RMB135.6 million in 2025, primarily due to (i) an increase in employee expenses as a result of increased administrative personnel, in line with our business growth; (ii) an increase in [**REDACTED**] expenses associated with the [**REDACTED**]; (iii) an increase in depreciation, amortization and rental related expenses, in line with our expanded business scale; and (iv) an increase in payment processing fees primarily due to higher rates charged by third-party payment platforms for processing payments received for our services and solutions.

Research and Development Expenses

Our research and development expenses increased by 73.3% from RMB7.5 million in 2024 to RMB13.1 million in 2025, primarily due to an increase in employee expenses as a result of R&D activities in relation to our AI Good Doctor Diagnosis and Treatment Support System.

Impairment Losses on Financial Assets under Expected Credit Loss Model ("ECL"), Net

Our net impairment losses on financial assets under ECL significantly increased from RMB0.4 million in 2024 to RMB1.3 million in 2025, primarily due to an increase in trade and bills receivables.

Change in Fair Value of Redemption Liabilities on Equity Shares

Our change in fair value of redemption liabilities on equity shares was losses of RMB40.2 million in 2024 and losses of RMB11.1 million in 2025.

Income Tax Expense

Our income tax expense increased by 191.3% from RMB6.2 million in 2024 to RMB18.0 million in 2025, primarily due to the modifications in preferential tax policy application.

Profit for the Year

As a result of the foregoing, our profit for the year increased by 43.0% from RMB37.8 million in 2024 to RMB54.1 million in 2025.

Year Ended December 31, 2024 Compared with Year Ended December 31, 2023

Revenue

Our total revenue increased by 6.5% from RMB3,064.9 million in 2023 to RMB3,263.7 million in 2024, primarily due to an increase in revenue from our integrated diagnosis and treatment solutions.

Our revenue from pharmaceutical direct supply and distribution services remained relatively stable at RMB2,448.5 million in 2023 and RMB2,527.4 million in 2024. Revenue from sales of pharmaceuticals under both our private-label pharmaceutical business and common pharmaceutical business remained relatively stable with slight increases.

Our revenue from integrated diagnosis and treatment solutions increased by 31.4% from RMB507.2 million in 2023 to RMB666.7 million in 2024. Such increase was primarily because we expanded our customer base as a result of our enhanced solutions with more diversified SKUs for targeted symptoms and conditions. See "Business — Our Services and Solutions." We launched the integrated diagnosis and treatment solutions in 2023, and it gradually gained traction upon launch.

Our revenue from testing and diagnostic solutions decreased by 31.2% from RMB101.1 million in 2023 to RMB69.5 million in 2024, primarily due to intensified market competition, resulting in a decrease in sales orders and a decrease in sales prices for our relevant solutions.

We recorded revenue from others of RMB8.1 million in 2023 and nil in 2024, primarily because we disposed of our former subsidiary, Sichuan Huzhijia Human Resource Management Co., LTD., in 2023, which stopped generating revenue in 2024. See Note 32 of the Accountants' Report set out in Appendix I to this document.

Cost of Sales

Our cost of sales increased by 11.9% from RMB2,148.2 million in 2023 to RMB2,403.1 million in 2024, in line with revenue growth.

In particular, our cost of sales for pharmaceutical direct supply and distribution services increased by 7.2% from RMB1,867.7 million in 2023 to RMB2,001.9 million in 2024, generally in line with the increase in revenue from the relevant business segment.

Our cost of sales for integrated diagnosis and treatment solutions increased by 64.8% from RMB218.5 million in 2023 to RMB359.9 million in 2024, generally in line with the increase in revenue from the relevant business segment.

Our cost of sales for testing and diagnostic solutions decreased by 23.6% from RMB53.9 million in 2023 to RMB41.2 million in 2024, generally in line with the decrease in revenue from the relevant business segment.

We recorded cost of sales from others of RMB8.1 million in 2023 and nil in 2024, in line with the decrease in revenue from the relevant business segment.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit decreased by 6.1% from RMB916.7 million in 2023 to RMB860.6 million in 2024. Our gross profit margin decreased from 29.9% in 2023 to 26.4% in 2024, primarily due to a decrease in the gross profit margin of our pharmaceutical direct supply and distribution services.

Our gross profit from pharmaceutical direct supply and distribution services decreased by 9.5% from RMB580.8 million in 2023 to RMB525.5 million in 2024. Our gross profit margin of pharmaceutical direct supply and distribution services decreased from 23.7% in 2023 to 20.8% in 2024, primarily due to strong pharmaceutical demand in 2023, as a result of the residue effect of the COVID-19 pandemic, which led to higher sales prices and an increased gross profit margin in early 2023. In 2024, sales prices and gross profit margin returned to normal levels.

Our gross profit from integrated diagnosis and treatment solutions increased by 6.2% from RMB288.7 million in 2023 to RMB306.8 million in 2024. Our gross profit margin of integrated diagnosis and treatment solutions decreased from 56.9% in 2023 to 46.0% in 2024, primarily because (i) market competition intensified, leading to decreased sales prices; and (ii) certain of our suppliers temporarily halted the supply of products with high gross profit margins due to its own reasons. The supply of these products started to pick up at the end of 2024.

Our gross profit from testing and diagnostic solutions decreased by 40.0% from RMB47.2 million in 2023 to RMB28.3 million in 2024. Our gross profit margin of our testing and diagnostic solutions decreased from 46.7% in 2023 to 40.7% in 2024, primarily because we lowered the sales prices to maintain our competitiveness in light of the intensified market competition.

Our gross loss from others was RMB0.0 million in 2023 and nil in 2024, in line with revenue and cost of sales being nil in 2024.

Other Income and Gains

Our other income and gains increased by 75.8% from RMB15.4 million in 2023 to RMB27.0 million in 2024, primarily due to (i) an increase in bank interest income as a result of increased bank deposits; (ii) an increase in others, primarily as a result of increased gains from the sales of recyclable materials; (iii) an increase in platform promotion and usage fees, as we provided more product promotion services to certain suppliers; and (iv) an increase in gains on financial assets at FVTPL as a result of fair value changes of our wealth management products.

Selling and Marketing Expenses

Our selling and marketing expenses decreased by 6.6% from RMB746.8 million in 2023 to RMB697.6 million in 2024, mainly due to (i) stronger bargaining power against certain CSOs as a result of long-term trust and our enlarged business scale (ii) decreased use of CSO services as our business grows and our customer network effect deepens; and (iii) the implementation of our internal cost and expense control policies in 2024.

Administrative Expenses

Our administrative expenses increased by 4.8% from RMB92.5 million in 2023 to RMB96.9 million in 2024, primarily due to (i) an increase in [**REDACTED**] expenses; and (ii) an increase in professional service fees, mainly in relation to business strategies and financing activities consultation. Such increases were offset by a decrease in employee benefit expenses, as compensation in relation to certain system maintenance personnel was not recognized as administrative related expenses as they conducted R&D activities in 2024.

Research and Development Expenses

Our research and development expenses decreased by 11.1% from RMB8.5 million in 2023 to RMB7.5 million in 2024, primarily due to a decrease in employee benefit expenses as a result of capitalization of relevant expenses. This was because certain system development and upgrade activities in relation to our services, solutions and operations met the criteria for capitalization.

Impairment Losses on Financial Assets under Expected Credit Loss Model ("ECL"), Net

Our net impairment losses on financial assets under ECL increased by 361.5% from RMB0.1 million in 2023 to RMB0.4 million in 2024, primarily due to an increase in the gross carrying amount of trade receivables and average loss rate following the periodic assessment of trade receivables.

Change in Fair Value of Redemption Liabilities on Equity Shares

Our change in fair value of redemption liabilities on equity shares was a loss of RMB2.6 million in 2023 and a loss of RMB40.2 million in 2024, primarily due to a significantly faster appreciation in the fair value of the liabilities we are required to bear for the potential future redemption of these shares. See "— Indebtedness — Redemption Liabilities on Equity Shares" and Note 28 of the Accountants' Report set out in Appendix I to this document.

Income Tax Expense

Our income tax expenses decreased by 65.4% from RMB17.9 million in 2023 to RMB6.2 million in 2024 in line with a decrease in profit before tax.

Profit for the Year

As a result of the foregoing, profit for the year decreased by 39.5% from RMB62.5 million in 2023 to profit of RMB37.8 million in 2024.

DISCUSSION OF SELECTED ITEMS FROM THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The following table sets forth our non-current assets and liabilities from our consolidated statements of financial position as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	(RMB in thousands)		
Non-current assets			
Property, plant and equipment	45,465	51,878	70,492
Right-of-use assets	14,738	31,386	46,353
Deferred tax assets	5,321	209	5,040
Prepayments, deposits and other receivables	1,191	2,540	4,632
Goodwill	–	–	10,407
Intangible assets	1,304	14,497	46,086
Total non-current assets	**68,019**	**100,510**	**183,010**
Non-current liabilities			
Lease liabilities	5,590	17,286	28,929
Redemption liabilities on equity shares	155,690	24,019	–
Deferred tax liabilities	909	822	2,577
Total non-current liabilities	**162,189**	**42,127**	**31,506**
NET ASSETS	**175,582**	**215,728**	**16,993**

Property, Plant and Equipment

Our property, plant and equipment consisted of (i) machinery, mainly representing machines and equipment used in our warehouses; (ii) buildings, mainly used as offices, see "Business — Properties — Owned Properties;" (iii) office equipment used in our daily business operations and POCT equipment we provided under diagnosis and testing solutions; (iv) leasehold improvements, mainly relating to completed construction and modifications made to our leased properties primarily used for warehouses; (v) motor vehicles used in daily business operations; and (vi) construction in progress, mainly relating to ongoing construction and modifications of our leased properties primarily used for warehouses.

The following table sets forth a breakdown of our property, plant and equipment as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	(RMB in thousands)		
Machinery	30,512	29,991	39,020
Office and electronic equipment	3,704	12,005	10,187
Motor vehicles	1,220	1,305	885
Buildings	5,598	5,287	4,976
Leasehold improvement	4,431	3,290	14,885
Construction in progress	–	–	539
Total	**45,465**	**51,878**	**70,492**

Our property, plant and equipment increased by 14.1% from RMB45.5 million as of December 31, 2023 to RMB51.9 million as of December 31, 2024, primarily due to an increase in office and electronic equipment, as we acquired additional office equipment to meet increased business needs and procured POCT equipment in line with the business initiatives of our diagnosis and testing solutions. See "Business — Our Services and Solutions — Testing and Diagnostic Solutions."

Our property, plant and equipment increased by 35.9% from RMB51.9 million as of December 31, 2024 to RMB70.5 million as of December 31, 2025, primarily due to increases in leasehold improvement and machinery, mainly as a result of our newly leased warehouses in Chongzhou and Tianjin.

Right-of-use Assets

Our right-of-use assets primarily represented leases relating to our warehouses and office space. Our right-of-use assets increased by 113.0% from RMB14.7 million as of December 31, 2023 to RMB31.4 million as of December 31, 2024, primarily due to the new leases entered into to expand our warehouse premises in Chongzhou and new leases for our office premises in Chengdu, Sichuan, in 2024. Our right-of-use assets further increased by 47.7% to RMB46.4 million as of December 31, 2025, primarily due to the commencement of operations of the warehouses in Tianjin, which is subject to a long-term lease and accordingly resulted in an increase in the balances of right-of-use assets.

Goodwill

Our goodwill arose from the acquisition of Hangzhou Good Doctor Trizen (formerly known as Hangzhou Diagnosis Chain Technology Co., Ltd. (杭州診鏈科技有限公司). We did not have any goodwill as of December 31, 2023 and 2024. Our goodwill amounted to RMB10.4 million as of December 31, 2025. See Note 19 of the Accountants' Report set out in Appendix I to this document.

Intangible Assets

Our intangible assets primarily represented our (i) software, (ii) deferred development costs, representing the development costs that meet the criteria for capitalization but are still under research and development, and (iii) patents. Our intangible assets increased by 1,011.7% from RMB1.3 million as of December 31, 2023 to RMB14.5 million as of December 31, 2024 and further increased by 217.9% to RMB46.1 million as of December 31, 2025, primarily due to (i) additions of software in 2024 and 2025, and (ii) the increase in our deferred development costs as a result of the capitalization of R&D expenses in 2024 and 2025, which will be transferred to software upon completion. See Note 18 of the Accountants' Report set out in Appendix I to this document.

Net Current Assets/(liabilities)

The following table sets forth our current assets and liabilities as of the dates indicated:

	As of December 31,			As of February 28,
	2023	2024	2025	2026
	(RMB in thousands)			
Current assets				
Inventories	464,181	603,075	568,297	489,076
Trade and bills receivables	29,858	77,935	154,473	151,957
Prepayments, other receivables and other assets	139,972	142,115	135,956	125,373
Financial assets at fair value through profit or loss ("**FVTPL**")	81,799	64,994	309,633	325,054
Pledged deposits	473,186	593,377	667,130	704,678
Cash and cash equivalents	90,070	127,519	58,517	48,729
Total current assets	**1,279,066**	**1,609,015**	**1,894,006**	**1,844,867**
Current liabilities				
Trade and bills payables	731,648	942,464	1,119,001	1,121,580
Other payables and accruals	224,536	252,196	186,997	154,913
Lease liabilities	9,379	13,916	18,303	18,215
Contract liabilities	26,096	42,435	64,668	44,847
Redemption liabilities on equity shares	–	191,890	623,323	633,030
Income tax payable	17,655	8,769	16,225	17,294
Total current liabilities	**1,009,314**	**1,451,670**	**2,028,517**	**1,989,879**
Net current assets/(liabilities)	**269,752**	**157,345**	**(134,511)**	**(145,012)**

Our net current assets decreased by 41.7% from RMB269.8 million as of December 31, 2023 to RMB157.3 million as of December 31, 2024. The decrease primarily reflected (i) an increase in trade and bills payables from RMB731.6 million as of December 31, 2023 to RMB942.5 million as of December 31, 2024; and (ii) the reclassification of redemption liabilities on equity shares from non-current to current of RMB191.9 million. Such decrease was partially offset by (i) an increase in inventories from RMB464.2 million as of December 31, 2023 to RMB603.1 million as of December 31, 2024; and (ii) an increase in pledged deposits from RMB473.2 million as of December 31, 2023 to RMB593.4 million as of December 31, 2024.

We recorded net current assets of RMB157.3 million as of December 31, 2024 and net current liabilities of RMB134.5 million as of December 31, 2025. The change primarily reflected (i) the increase in redemption liabilities on equity shares from RMB191.9 million as of December 31, 2024 to RMB623.3 million as of December 31, 2025; and (ii) the increase in trade and bills payables from RMB942.5 million as of December 31, 2024 to RMB1,119.0 million as of December 31, 2025. These increases were partially offset by the increase in financial assets at FVTPL from RMB65.0 million as of December 31, 2024 to RMB309.6 million as of December 31, 2025.

Our net current liabilities increased by 7.2% from RMB134.5 million as of December 31, 2025 to RMB145.0 million as of February 28, 2026, the increase primarily reflected the decrease in inventories from RMB568.3 million as of December 31, 2025 to RMB489.1 million as of February 28, 2026. The increase was partially offset by (i) the increase in pledged deposits from RMB667.1 million as of December 31, 2025 to RMB704.7 million as of February 28, 2026; and (ii) the decrease in other payables and accruals from RMB187.0 million as of December 31, 2025 to RMB154.9 million as of February 28, 2026.

Inventories

Our inventories primarily consisted of pharmaceuticals and other healthcare products.

The following table sets forth a breakdown of our inventories as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	(RMB in thousands)		
Pharmaceutical products	463,794	602,568	567,766
Raw materials	387	507	531
Total	**464,181**	**603,075**	**568,297**

Our inventories increased by 29.9% from RMB464.2 million as of December 31, 2023 to RMB603.1 million as of December 31, 2024, primarily attributable to an increase in pharmaceutical products. This was a result of strategic stockpiling as well as an expansion of the categories and SKUs of our pharmaceuticals and other healthcare products to meet increased demand for our products, in line with the growth of our revenue from pharmaceutical direct supply and distribution services and integrated diagnosis and treatment solutions from 2023 to 2025. In addition, at the end of 2024, we were in the process of relocating inventories to newly-leased warehouses in Chongzhou, Sichuan Province, resulting in a temporary increase in our inventory during the move. To ensure that both the old and new warehouses are stocked for flexible order fulfillment and timely delivery, we increased inventory during the transition period. Our inventories decreased by 5.8% from RMB603.1 million as of December 31, 2024 to RMB568.3 million as of December 31, 2025, primarily because of (i) the high level of inventories as of December 31, 2024, and (ii) the enhanced inventory management policies discussed below.

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

	As of December 31,		
	2023	2024	2025
	(RMB in thousands)		
Within 1 year	463,815	603,075	528,692
1-2 years	366	–	39,605
Total	**464,181**	**603,075**	**568,297**

The following table sets forth the turnover days of our inventories for the years indicated:

	Year ended December 31,		
	2023	2024	2025
		(days)	
Inventory turnover days[(1)]	61.3	81.1	73.1

Note:

(1) Inventory turnover days for a year equals the average of the gross value of the opening and closing inventory balance divided by the cost of sales for the relevant year and multiplied by the number of days in the relevant year, which is 365 days for each year.

Our inventory turnover days increased from 61.3 days in 2023 to 81.1 days in 2024, primarily because we increased the types and SKUs of our products sold under pharmaceutical direct supply and distribution services and integrated diagnosis and treatment solutions. As we continue to enrich our SKU diversity, a wider variety of products requires holding more inventory to meet demand, resulting in slower turnover. In addition, the transfer of inventories between the two warehouses at the end of 2024 also increased the inventory level and led to longer turnover days in 2024. Our inventory turnover days decreased from 81.1 days in 2024 to 73.1 days in 2025, primarily due to (i) the new warehouses in Chongzhou and Tianjin have commenced operations and successfully completed their ramp-up phase. As a result, daily operations including inventory management are now running smoothly, leading to a reduction in turnover days; and (ii) our enhanced inventory management policies, achieved by establishing a rigorous procurement control mechanism to optimize inventory structure and reduce inventory levels. Specific measures included setting precise procurement triggers and implementing tiered and more refined approval processes for procurement, allowing us to be well-positioned to dynamically adjust inventory levels based on sales forecasts.

As of February 28, 2026, approximately RMB296.9 million, or 52.2% of our inventories as of December 31, 2025 had been utilized or sold.

Trade and Bills Receivables

Our trade and bills receivables primarily represented outstanding amounts due from commercial companies for their procurement of our pharmaceutical products. See "Business — Our Services and Solutions — Pharmaceutical Direct Supply and Distribution Services."

The following table sets forth a breakdown of our net trade and bills receivables as of the dates indicated:

	As of December 31,		
	2023	2024	2025
		(RMB in thousands)	
Trade receivables	30,112	65,344	138,337
Bill receivables at fair value through other comprehensive income ("**FVTOCI**")	–	13,288	18,083
Less: Impairment losses	(254)	(697)	(1,947)
Trade and bills receivables, net	**29,858**	**77,935**	**154,473**

Our trade and bills receivables, net of allowance, increased by 161.0% from RMB29.9 million as of December 31, 2023 to RMB77.9 million as of December 31, 2024 and further increased by 98.2% to RMB154.5 million as of December 31, 2025, primarily in line with increased sales to direct wholesale customers and distributors. See "Business — Sales and Marketing — Sales Channel."

We normally grant credit terms of 30 to 60 days to direct wholesale customers and distributors and require prepayments from primary healthcare terminal customers. The following table sets forth an aging analysis of our trade and bills receivables based on the invoice dates as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	(RMB in thousands)		
Within one year	29,786	77,886	153,764
One to two years	29	49	676
Two to three years	43	–	33
Over three years	–	–	–
Total	**29,858**	**77,935**	**154,473**

We seek to maintain strict control over outstanding trade and bills receivables and have dedicated credit risk management staff to control and mitigate credit risk. Our senior management team assesses the recoverability of trade and bills receivables on a regular basis taking into account the historical settlement records of customers. During the Track Record Period, a majority of our trade and bills receivables, being 99.8%, 99.9% and 99.5% as of December 31, 2023, 2024 and 2025, respectively, were aged within one year.

The following table sets forth the turnover days of our trade and bills receivables for the years indicated:

	Year ended December 31,		
	2023	2024	2025
	(days)		
Trade and bills receivables turnover days[(1)]	2.7	6.1	11.2

Note:

(1) Trade and bills receivables turnover days for a year equals the average of the opening and closing balance of trade and bills receivables for the relevant year divided by revenue for the relevant year and multiplied by the number of days in the relevant year, which is 365 days for each year.

Our trade and bills receivables turnover days increased from 2.7 days in 2023 to 6.1 days in 2024, and further increased to 11.2 days in 2025, primarily in line with increased sales to direct wholesale customers and distributors.

As of February 28, 2026, approximately RMB98.4 million, or 63.7% of our trade and bills receivables as of December 31, 2025, had been settled.

Prepayments, Other Receivables and Other Assets

Our prepayments, other receivables and other assets primarily consisted of the non-current portion, including (i) deposits, mainly representing lease deposits for warehouses; and the current portion, primarily including (ii) prepayments for our procurement of pharmaceuticals and other healthcare products; (iii) value-added tax recoverable and other assets; (iv) other receivables, mainly representing the amount of rebate we were to receive from our suppliers as a result of our large procurement level; (v) deferred [**REDACTED**] expenses, primarily representing the amount of [**REDACTED**] expenses paid; (vi) advances to employees, mainly representing petty cash advanced to our employees across various departments to engage in business activities proactively and flexibly, enhancing overall work efficiency. We require the funds to be used solely for their designated intent and not be diverted, lent to others or utilized for any other purpose; (vii) deposits, mainly representing lease deposits for warehouses and deposits paid to suppliers where required pursuant to our procurement agreement; and (viii) others, mainly representing (a) the outstanding amount from Sichuan Huzhijia Human Resource Management Co., LTD. for the advances we provided to support this then-subsidiary's business operations. We disposed of this entity in 2023. As of December 31, 2024, such advances have been fully repaid; and (b) the outstanding amount from Chengdu Benzhong Information Technology Co., LTD. for the advances we provided to support this then-subsidiary's business operations. We disposed of this entity in 2024. We expect that outstanding balances will be settled before the [**REDACTED**]. See Note 32 of the Accountants' Report set out in Appendix I to this document.

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

	As of December 31,		
	2023	**2024**	**2025**
	(RMB in thousands)		
Non-current:			
Prepayments for purchase of items of property, plant and equipment	–	–	795
Deposits	1,191	2,540	3,837
Current:			
Prepayments	88,070	74,196	87,458
Value-added tax recoverable and other assets	33,685	56,527	27,373
Other receivables	7,082	6,862	12,658
Deferred [**REDACTED**] expenses	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Advances to employees	2,291	1,081	748
Deposits	290	1,986	2,749
Others	8,554	529	1,560
Total	**141,163**	**144,655**	**140,588**

Our prepayments, other receivables and other assets remained relatively stable at RMB141.2 million as of December 31, 2023 and RMB144.7 million as of December 31, 2024, primarily due to an increase in value-added tax recoverable and other assets. This arose mainly from a rise in the amount of deductible value-added tax related to the transfer of inventories to new warehouses in Chongzhou, Sichuan Province. This intra-group relocation of inventories was deemed sales and purchase transactions pursuant to the tax regulations, thereby increasing our value-added tax payable and value-added tax recoverable and other assets concurrently, which could not be offset. The increase was partially offset by (i) a decrease in prepayments, primarily due to the relatively higher balance of prepayments at the end of 2023, and (ii) a decrease in others, primarily because of the repayment of advances we made to our then-subsidiaries.

Our prepayments, other receivables and other assets remained relatively stable at RMB144.7 million as of December 31, 2024 and RMB140.6 million as of December 31, 2025. This was primarily due to a decrease in value-added tax recoverable and other assets as we received some previously anticipated VAT invoices. The decrease was offset by an increase in prepayments for procurements in line with our revenue growth.

As of February 28, 2026, approximately RMB30.2 million, or 22.2% of our prepayments, other receivables and other assets as of December 31, 2025, had been settled.

Financial Assets at Fair Value Through Profit or Loss ("FVTPL")

Our financial assets at fair value through profit or loss ("**FVTPL**") primarily represented wealth management products. Our financial assets at fair value through profit or loss decreased by 20.5% from RMB81.8 million as of December 31, 2023 to RMB65.0 million as of December 31, 2024, primarily because we redeemed a portion of wealth management products. Our financial assets at fair value through profit or loss further increased by 376.4% from RMB65.0 million as of December 31, 2024 to RMB309.6 million as of December 31, 2025, primarily as we increased the purchase of wealth management products in order to improve our cash management and to better utilize the idle cash.

Under our investment policy on the purchase of such financial assets, namely wealth management products, we employ a comprehensive set of internal policies and guidelines to manage our investments in order to monitor investment risks associated with our portfolio of financial assets. According to our internal capital management policy, payments for investment operations shall be processed following the relevant approval authority. The maximum daily balance for financial assets must not exceed the amount approved by the Board of Directors. For financial assets of less than RMB10 million, authorization from the Chairwoman of the Board is required after a review of the wealth management plan, when the finance department will execute it. For financial assets exceeding RMB10 million, the head of the financial department must review the wealth management plan and obtain approval from the Chairwoman of the Board. The cash management team of the finance department is responsible for the daily management of financial investments, with key responsibilities including (i) continuously monitoring net value changes of financial assets. In case of anomalies, timely reporting is required so that effective measures can be taken, such as redemptions, to mitigate losses; (ii) executing purchases and redemptions based on the nature of financial assets and overall wealth management plan; and (iii) establishing and managing the financial assets ledger. Our internal audit department is responsible for auditing and supervising purchase and redemption activities. Our management, including our finance department, has extensive experience managing the financial aspects of our operations.

Our investment strategy related to such products focuses on minimizing financial risks, including market, credit and liquidity risk, while generating desirable investment returns. Our investment horizon is typically equal to or less than 12 months.

Upon [**REDACTED**], we intend to continue our investments, such as wealth management products, strictly in accordance with our internal policies (which include approval by the Chairwoman of the Board) and Articles of Association, and, to the extent that an investment in wealth management products is a notifiable transaction under Chapter 14 of the Listing Rules, we will comply with the relevant requirements under Chapter 14 of the Listing Rules, including the announcement, reporting and/or shareholders' approval requirements (if applicable).

Pledged Deposits

Our pledged deposits primarily represented the deposits we pledged at banks for the issuance of bills payables to our suppliers. Our pledged deposits increased by 25.4% from RMB473.2 million as of December 31, 2023 to RMB593.4 million as of December 31, 2024, and further increased by 12.4% to RMB667.1 million as of December 31, 2025, primarily in line with the growth of our bills payables, which, in turn, is in line with our business growth.

Trade and Bills Payables

Our trade and bills payables primarily represented our trade payables and bills payables to our suppliers for the procurement of pharmaceuticals and other healthcare products. Our trade and bills payables increased by 28.8% from RMB731.6 million as of December 31, 2023 to RMB942.5 million as of December 31, 2024, and further increased by 18.7% to RMB1,119.0 million as of December 31, 2025, mainly because we increased our procurement of pharmaceuticals and other healthcare products to expand and enrich our product offerings. We also started to use bills to settle procurement amounts since 2023, which increased the balance of trade and bills payables.

The following table sets forth a breakdown of our trade and bills payables as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	(RMB in thousands)		
Trade payables	210,320	298,081	387,644
Bills payables	521,328	644,383	731,357
Total	**731,648**	**942,464**	**1,119,001**

The following table sets forth an aging analysis of the trade and bills payables based on the invoice dates as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	(RMB in thousands)		
Within one year	730,688	917,927	1,081,849
Over one year	960	24,537	37,152
Total	**731,648**	**942,464**	**1,119,001**

The following table sets forth the turnover days of our trade and bills payables for the years indicated:

	Year ended December 31,		
	2023	2024	2025
	(days)		
Trade and bills payables turnover days(1)	72.2	127.1	127.6

Note:

(1) Trade and bills payables turnover days for a year equals the average of the opening and closing balance of trade and bills payables for the relevant year divided by the cost of sales for the relevant year and multiplied by the number of days in the relevant year, which is 365 days for each year.

Our trade and bills payables turnover days increased from 72.2 days in 2023 to 127.1 days in 2024, primarily due to an increased level of procurement of pharmaceuticals and other healthcare products from suppliers granting us credit terms. We also started to use bills to settle procurement amounts since 2023, which increased the balance and led to longer turnover days. Our trade and bills payables turnover days subsequently remained relatively stable at 127.6 days in 2025.

As of February 28, 2026, approximately RMB236.9 million, or 21.2% of our trade and bills payables as of December 31, 2025 had been settled.

Other Payables and Accruals

Our other payables and accruals primarily consisted of (i) payroll payables, mainly representing employee salaries and bonuses recognized and to be paid as of the dates indicated; (ii) accrued expenses, mainly representing expenses incurred for sales and marketing activities, logistics, packaging and daily operational activities and to be paid as of the dates indicated; (iii) accrued **[REDACTED]** expenses; (iv) other tax payables, mainly representing tax liabilities to be paid as of the dates indicated; (v) amount due to related parties, mainly including (a) amount due to related parties of trade nature, primarily representing amounts to be paid to Sichuan Medical Trade as of the dates indicated. Before certain businesses of Sichuan Medical Trade were transferred to us, the relevant businesses were operated under the legal entity of Sichuan Medical Trade, where the procurement agreements were entered into by this entity and respective suppliers. Related procurement payments were made by this entity. Accordingly, after the business transfer, we were obligated to pay the relevant procurement amount and a certain additional amount as service fees to Sichuan Medical Trade for such procurement. The amount not yet paid by us to Sichuan Medical Trade as of the dates indicated was recorded as amounts due to related parties of trade nature. In addition, amounts due to related parties of trade nature also included the amount of procurement costs yet to be paid by us to Sichuan Medical Trade for procuring services directly from it; and (b) amount due to related parties of non-trade nature, mainly representing loans made to us by our Controlling Shareholder for our business operations. Such loans are interest-free, unguaranteed and payable on demand. See Note 26 of the Accountants' Report set out in Appendix I to this document.

The following table sets forth a breakdown of our other payables and accruals as of the dates indicated:

	As of December 31,		
	2023	**2024**	**2025**
	(RMB in thousands)		
Payroll payables	31,658	30,671	45,870
Accrued expenses	124,643	120,040	77,172
Accrued [REDACTED] expenses	[REDACTED]	[REDACTED]	[REDACTED]
Other tax payables	29,895	64,167	16,783
Amount due to related parties	37,455	31,369	32,635
Others[(1)]	885	1,866	11,665
Total	**224,536**	**252,196**	**186,997**

Note:

(1) Primarily represents the amount of compliance deposits made by our sales and customer service personnel to encourage compliant business development activities.

Our other payables and accruals increased by 12.3% from RMB224.5 million as of December 31, 2023 to RMB252.2 million as of December 31, 2024, primarily because of the one-off increase in other tax payables. We transferred some inventories from our original warehouse to the new warehouse in Chongzhou, Sichuan Province, which, in accordance with relevant laws and regulations, is accounted for as a sale from one subsidiary to another subsidiary, thereby generating the corresponding tax payables.

Our other payables and accruals decreased by 25.9% from RMB252.2 million as of December 31, 2024 to RMB187.0 million as of December 31, 2025, primarily due to (i) a decrease in accrued expenses in line with our decreased use of services from CSOs. See "Year-to-Year Comparison of Results of Operations — Year Ended December 31, 2025 Compared with Year Ended December 31, 2024 — Selling and Marketing Expense" and (ii) a decrease in other tax payables, primarily as a result of the one-off increase in other tax payables as of December 31, 2024 for the reason discussed above.

As of February 28, 2026, approximately RMB136.6 million, or 73.0% of our other payables and accruals as of December 31, 2025, had been settled.

Contract Liabilities

Our contract liabilities primarily represented advance payments from our customers upon which performance obligations have been established while the underlying products and services are yet to be provided. Our contract liabilities increased by 62.6% from RMB26.1 million as of December 31, 2023 to RMB42.4 million as of December 31, 2024 and further increased by 52.4% to RMB64.7 million as of December 31, 2025, primarily due to our business growth and therefore increasing sales orders at hand as of December 31, 2024 and 2025.

KEY FINANCIAL RATIOS

The following table sets forth our key financial ratios for the years indicated:

	Year ended/As of December 31,		
	2023	2024	2025
Revenue growth (%)[1]	62.8	6.5	17.1
Gross profit margin (%)[2]	29.9	26.4	22.9
Net profit margin (%)[3]	2.0	1.2	1.4
Current ratio[4]	1.3	1.1	0.9

Notes:

(1) Revenue growth equals the current year's revenue minus the previous year's revenue, divided by the previous year's revenue and multiplied by 100%.

(2) Gross profit margin equals gross profit for the year divided by revenue for the year and multiplied by 100%.

(3) Net profit margin equals net profit for the year divided by revenue for the year and multiplied by 100%.

(4) Current ratio equals current assets as of the date indicated divided by current liabilities as of the date indicated.

LIQUIDITY AND CAPITAL RESOURCES

We have historically funded our cash requirements principally from cash generated from operations and equity financing. We monitor and maintain a level of cash and cash equivalents deemed adequate to finance our operations and mitigate any effects of fluctuations in cash flows. As of December 31, 2023, 2024 and 2025, we had cash and cash equivalents of RMB90.1 million, RMB127.5 million and RMB58.5 million, respectively. Going forward, we believe that our liquidity requirements will be satisfied by using a combination of operating cash flow, equity and debt financing and the estimated net [**REDACTED**] received from the [**REDACTED**].

Cash Flow

The following table sets forth our cash flow for the years indicated:

	Year ended December 31,		
	2023	2024	2025
	(RMB in thousands)		
Net cash flows from operating activities	24,590	32,031	112,455
Net cash flows (used in)/from investing activities	(86,014)	841	(282,352)
Net cash flows from financing activities	82,245	4,577	100,895
Net increase/(decrease) in cash and cash equivalents	20,821	37,449	(69,002)
Cash and cash equivalents at end of year	90,070	127,519	58,517

Net Cash Flows from Operating Activities

In 2025, our net cash flows from operating activities were RMB112.5 million, which were primarily attributed to our profit before tax of RMB72.1 million, as adjusted by (i) non-cash and non-operating items, primarily comprising (a) the depreciation of right-of-use assets of RMB20.9 million; and (b) the change in fair value of redemption liabilities on equity shares of RMB11.1 million; and (ii) changes in working capital, primarily comprising (a) an increase in trade and bills payables of RMB175.7 million, (b) a decrease in inventories of RMB27.0 million, and (c) an increase in contract liabilities of RMB22.2 million, partially offset by (a) an increase in trade and bills receivables of RMB77.5 million, (b) an increase in pledged deposits of RMB73.8 million, and (c) a decrease in other payables and accruals of RMB66.1 million.

In 2024, our net cash flows from operating activities were RMB32.0 million, which were primarily attributed to our profit before tax of RMB44.0 million, as adjusted by (i) non-cash and non-operating items, primarily comprising the change in fair value of redemption liabilities on equity shares of RMB40.2 million; and (ii) changes in working capital, primarily comprising an increase in trade and bills payables of RMB210.8 million, partially offset by (a) an increase in inventories of RMB139.7 million, and (b) an increase in pledged deposits of RMB120.2 million.

In 2023, our net cash flows from operating activities were RMB24.6 million, which were primarily attributed to our profit before tax of RMB80.4 million, as adjusted by (i) non-cash and non-operating items, primarily comprising (a) depreciation of property, plant and equipment of RMB7.2 million, (b) depreciation of right-of-use assets of RMB7.3 million, and (c) change in fair value of redemption liabilities on equity shares of RMB2.6 million, partially offset by (a) bank interest income of RMB7.2 million, and (b) gain on disposal of subsidiaries of RMB1.4 million; and (ii) changes in working capital, primarily comprising (a) an increase in trade and bills payables of RMB613.1 million, (b) a decrease in prepayments, other receivables and other assets of RMB87.1 million, and (c) an increase in other payables and accruals of RMB16.0 million, partially offset by (a) an increase in pledged deposits of RMB473.2 million, (b) an increase in inventories of RMB207.4 million, and (c) a decrease in contract liabilities of RMB83.6 million.

Net Cash Flows (Used in)/from Investing Activities

In 2025, our net cash flows used in investing activities were RMB282.4 million, which was primarily attributable to the purchase of financial products at FVTPL of RMB2,577.1 million, as partially offset by the proceeds from withdrawal of financial products at FVTPL of RMB2,333.0 million.

In 2024, our net cash flows from investing activities were RMB0.8 million, which was primarily attributable to the proceeds from the withdrawal of financial products at FVTPL of RMB1,107.8 million, as partially offset by the purchase of financial products at FVTPL of RMB1,091.3 million.

In 2023, our net cash flows used in investing activities were RMB86.0 million, which was primarily attributable to (i) the purchase of financial products at FVTPL of RMB315.2 million, and (ii) the purchases of property, plant and equipment of RMB30.1 million, partially offset by (i) proceeds from the withdrawal of financial products at FVTPL of RMB254.8 million, and (ii) interest received of RMB2.6 million.

Net Cash Flows From Financing Activities

In 2025, our net cash flows from financing activities were RMB100.9 million, which was primarily attributable to proceeds on issue of Series B Shares of RMB125.0 million, as partially offset by lease payments of RMB21.9 million.

In 2024, our net cash flows from financing activities were RMB4.6 million, which was primarily attributable to proceeds from the issue of capital of RMB20.0 million, as partially offset by lease payments of RMB13.2 million.

In 2023, our net cash flows from financing activities were RMB82.2 million, which was primarily attributable to proceeds from the issue of capital of RMB268.7 million, partially offset by (i) repayments of borrowings from related parties of RMB144.3 million, and (ii) payment for the acquisition of business under common control of RMB34.3 million.

INDEBTEDNESS

As of December 31, 2023, 2024, and 2025 and February 28, 2026, our indebtedness consisted of (i) redemption liabilities on equity shares; and (ii) lease liabilities. As of February 28, 2026, being the indebtedness date for the purpose of the indebtedness statement, we had a total indebtedness of RMB678.8 million. The following table sets forth the details of our indebtedness as of February 28, 2026:

	As of December 31,			As of February 28,
	2023	2024	2025	2026
	(RMB in thousands)			
Current				
Lease liabilities	9,379	13,916	18,303	18,215
Redemption liabilities on equity shares	–	191,890	623,323	633,030
Non-current				
Lease liabilities	5,590	17,286	28,929	27,578
Redemption liabilities on equity shares	155,690	24,019	–	–
Total	**170,659**	**247,111**	**670,555**	**678,823**

As of the February 28, 2026, our committed unutilized banking facilities amounted to RMB39.1 million.

Except for our indebtedness as disclosed above as of December 31, 2023, 2024, 2025 and February 28, 2026, 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), or acceptance credits, which were either guaranteed or unguaranteed, secured or unsecured. Our Directors confirm that there has not been any material change in our indebtedness since February 28, 2026, and up to the Latest Practicable Date.

Redemption Liabilities on Equity Shares

We issued redemption liabilities on equity shares to our investors before and during the Track Record Period. As of December 31, 2023, 2024, 2025 and February 28, 2026, the total carrying amount of our redemption liabilities on equity shares (including current and non-current portions) was RMB155.7 million, RMB215.9 million, RMB623.3 million and RMB633.0 million, respectively. Immediately prior to the completion of the [**REDACTED**], all redemption liabilities on equity shares will be transferred from liabilities to equity and we do not expect to recognize any future loss or gains in connection with such redemption liabilities on our consolidated statements of profit or loss and other comprehensive income. See Note 28 of the Accountants' Report set out in Appendix I to this document.

Lease Liabilities

Our lease liabilities were primarily in relation to properties we leased for warehouses and office space. As of December 31, 2023, 2024, 2025 and February 28, 2026, our total lease liabilities (including current and non-current portions) were RMB15.0 million, RMB31.2 million, RMB47.2 million and RMB45.8 million, respectively.

Our total lease liabilities increased by 108.4% from RMB15.0 million as of December 31, 2023 to RMB31.2 million as of December 31, 2024, and further increased by 51.4% to RMB47.2 million as of December 31, 2025, primarily due to the new long-term lease we entered into in Tianjin for warehouses. Our total lease liabilities subsequently remained relatively at RMB45.8 million as of February 28, 2026.

CONTINGENT LIABILITIES

As of December 31, 2023, 2024 and 2025, we did not have any material contingent liabilities.

CAPITAL COMMITMENTS

As of December 31, 2023, 2024 and 2025, we recorded capital commitments of nil, nil, and RMB2.8 million, respectively, which were related to property, plant and equipment.

CAPITAL EXPENDITURES

Our capital expenditures were related to the purchases of property, plant and equipment and the purchases of other intangible assets. The following table sets forth the details of our capital expenditures for the years indicated:

	Year ended December 31,		
	2023	**2024**	**2025**
	(RMB in thousands)		
Purchases of property, plant and equipment	30,085	13,412	27,514
Purchases of intangible assets	598	13,772	26,405
Total	**30,683**	**27,184**	**53,919**

We funded our capital expenditure requirements during the Track Record Period mainly from cash generated from operating activities. We intend to fund our future capital expenditures and long-term investments with a combination of operating cash flow, equity and debt financing and net [**REDACTED**] received from the [**REDACTED**]. See "Future Plans and Use of [**REDACTED**]." We may reallocate the fund to be utilized on capital expenditure based on our ongoing business needs.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

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

MATERIAL RELATED PARTY TRANSACTIONS

We enter into transactions with our related parties from time to time during our ordinary course of business and in terms comparable to the terms of transactions with other entities that are not related parties. For details about other related party transactions during the Track Record Period, see Note 37 of the Accountants' Report set out in Appendix I to this document.

Our Directors believe that our transactions with related parties during the Track Record Period were conducted on an arm's-length basis, and they did not distort the results of our operations or make our historical results not reflective of our future performance.

FINANCIAL RISK

Our principal financial instruments comprise lease liabilities and cash and cash equivalents. The main purpose of these financial instruments is to raise finance for our operations. We have various other financial assets and liabilities such as trade receivables and trade and bills payables, which arise directly from our operations.

The main risks arising from our financial instruments are credit risk and liquidity risk. The Board of Directors reviews and agrees on policies for managing each of these risks and they are summarized below. See Note 39 of the Accountants' Report set out in Appendix I to this document.

DIVIDENDS

No dividends have been paid or declared by our Company during the Track Record Period. Currently, we do not have a fixed dividend distribution ratio. Any future declarations and payments of dividends will be at the discretion of our Directors and will depend on our actual and expected results of operations, cash flow and financial position, general business conditions and business strategies, expected working capital requirements and future expansion plans, legal, regulatory and other contractual restrictions and other factors which our Directors consider relevant, and will also be subject to our Articles of Association and constitution documents, as well as applicable laws and regulations. No dividend shall be declared or payable except out of our profits and reserves lawfully available for distribution. Our Shareholders in a general meeting may approve any declaration of dividends recommended by our Board.

WORKING CAPITAL CONFIRMATION

Taking into account the financial resources available to us, including our cash and cash equivalents on hand, our pledged deposits, our financial assets at fair value through profit or loss, our unutilized banking facilities and the estimated net [**REDACTED**] from the [**REDACTED**], our Directors are of the view that we have sufficient working capital to meet our present requirements and for the next 12 months from the date of this document.

DISTRIBUTABLE RESERVES

As of December 31, 2025, we did not have any distributable reserves.

[REDACTED] EXPENSE

[**REDACTED**] expenses consist of professional fees, [**REDACTED**] and other fees incurred in connection with the [**REDACTED**]. We expect to incur [**REDACTED**] expenses of approximately HK$[**REDACTED**] million (based on the mid-point of the indicative [**REDACTED**] and assuming the [**REDACTED**] is not exercised), which accounts for approximately [**REDACTED**]% of the gross [**REDACTED**] from the [**REDACTED**]. We estimate the [**REDACTED**] expenses to consist of approximately HK$[**REDACTED**] million in [**REDACTED**] fees (including SFC transaction levy, Stock Exchange trading fee and AFRC transaction levy) and approximately HK$[**REDACTED**] million in non-[**REDACTED**] fees (which consist of fees and expenses of Sole Sponsor, legal advisors and our Reporting Accountant of approximately HK$[**REDACTED**] million and other fees and expenses of approximately HK$[**REDACTED**] million). Among the total [**REDACTED**] expenses, approximately HK$[**REDACTED**] million will be directly attributable to the issue of our H Shares, which will be deducted from equity upon the completion of the [**REDACTED**], RMB[**REDACTED**] million has been charged to profit or loss during the Track Record Period and the remaining HK$[**REDACTED**] million will be expensed in our consolidated statements of comprehensive income. The [**REDACTED**] expenses above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate.

UNAUDITED [REDACTED] STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

See "Appendix II — Unaudited [**REDACTED**] Financial Information."

RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

After performing sufficient due diligence work which our Directors consider appropriate and after due and careful consideration, the Directors confirm that, up to the date of this document, there had been no material adverse change in our financial or trading position or prospects since December 31, 2025, being the end date of the years reported in Appendix I to this document, and there is no event since December 31, 2025 that would materially affect the information as set out in the Accountants' Report in Appendix I to this document.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors confirm that, except as otherwise disclosed in this document, as of the Latest Practicable Date, there was no circumstance that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.