
BUSINESS

OVERVIEW

Our Vision

Make Hope Happen.

Our Mission

Let there be good physician and no illness for centenarians. Let there be good drugs and no poverty for diseases.

Who We Are

Since our establishment, we have been focusing on supplying and dispensing drugs, particularly prescription drugs, to patients in need. As China’s demographic structure evolves, we have recognized the growing demand among patients for innovative drugs and have accordingly strengthened our innovative drug dispensing capabilities while diversifying our business around full-chain services for the commercialization of innovative drugs. Our leading position in China’s specialty pharmacy market and our service capabilities built around services to participants in the value-chain of healthcare industry made us China’s largest full-chain service provider for the commercialization of innovative drugs by both revenue and annual delivery value of innovative drugs in 2024. Leveraging a unique closed-loop ecosystem that connects patients, pharmaceutical companies, healthcare professionals (HCPs), and insurance companies, we offer comprehensive services for the commercialization of innovative drugs in China, covering industry promotion, drug dispensing, patient management, and payment solutions. We focus on, and mainly generate our revenue from, supplying and dispensing drugs, primarily innovative drugs, providing professional pharmaceutical and medical services to patients through offline pharmacies and online internet hospitals. At the same time, we provide comprehensive insurance services ranging from insurance product design and marketing to insurance cost control, and from insurance claims to personal health management, as well as innovative drug marketing services based on real-world research and HCP networks. Leveraging insights and real-world data accumulated from drug dispensing and insurance services, we are in a good position to help with the issues of accessibility and affordability of innovative drugs by gradually providing a series of connection and empowerment support to all participants in the innovative drug industry chain, including pharmaceutical companies, HCPs, medical institutions, and insurance companies.

Our full-chain service capabilities are specifically reflected in the following three key areas:

Professional Channel and Patient Management Network: Unlike community pharmacies focusing on over-the-counter and general prescription drugs, our drug dispensing network, centered on *Yuanxin Pharmacy*, specializes in professional medical and pharmaceutical services for complex diseases across multiple fields. Through a nationwide network of hospital-adjacent pharmacies and our online *Miaoshou Physician*, we have built a precise patient outreach and management system. Our 201 offline pharmacies are strategically located around 321 Class III Grade A hospitals, effectively handling the outflow of prescriptions from hospitals, while our online platform provides online consultations, prescription services, and patient management, ensuring efficient drug dispensing and sustained patient adherence. Our integrated online and offline professional channels serve as a platform for drug dispensing, patient management, and the connection of “physician-drugs-insurance-patient,” meeting patients’ needs for high-quality drugs, especially innovative drugs.

Payment Innovation and Risk Control Services: Our *Yuanxin Huibao* collaborates extensively with insurance companies to jointly develop a variety of innovative health insurance products, including commercial health insurance and *Huimin Bao*, effectively lowering payment barriers for innovative drugs and helping to build a multi-level medical security system, while also providing risk control tools for payers. We empower insurance service scenarios with the *Huizhi AI* model, which, compared to traditional manual customer service, significantly improves problem-solving capabilities and shortens the claims review process. As of December 31, 2025, we have cumulatively managed 246.6 million insurance policies since rolling out such services in 2018, with a cumulative managed premium scale of RMB20.3 billion.

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Data Insights and Evidence Finding Capability: Based on deep insights accumulated from drug dispensing and patient services, we provide professional patient management support to pharmaceutical companies and offer real-world data and academic marketing services to other industry chain participants. We transform data on patients’ medication behaviors and clinical outcomes into real clinical and commercial insights, providing key evidence for the inclusion of innovative drugs in medical and commercial insurance.

These three core capabilities have created efficient connections among patients, HCPs, medical institutions, insurance companies, and pharmaceutical companies, forming our two main business segments in relation to innovative drugs: a commercialization fulfillment network centered on drug dispensing, and commercialization acceleration services focused on payment and promotion. Through our commercialization fulfillment network, we provide out-of-hospital pharmacy services, out-of-hospital medical services and wholesale pharmacy services focusing on the innovative drug’s reach to the patients, while our commercialization acceleration services facilitates the commercialization of innovative drugs through our services to other participants in the medical industry value chain, including insurance services, and marketing services to pharmaceutical companies. We also have, as a less significant part of our business, a healthcare technology business line, under which we provide services to hospitals to enhance patients’ in-hospital experience and address the significant unmet need for care continuum in China.

Our Service Capacity

We achieve full-channel out-of-hospital drug dispensing and patient management, and facilitate efficient and timely communication between patients and HCPs through our commercialization fulfillment network. In 2023, 2024, and 2025, the number of orders for innovative drugs we dispensed was 0.7 million, 0.8 million and 1.2 million, respectively, through our nationwide offline *Yuanxin Pharmacies* and online *Miaoshou Physician*. Our offline *Yuanxin Pharmacies* are strategically located near hospitals to better serve our patients, covering 321 Class III Grade A hospitals, and among them, 115 are dual-channel pharmacies for major disease and social health insurance as of December 31, 2025. For the years of 2023, 2024 and 2025, approximately 56%, 64% and 70% of our retail sales, respectively, were derived from sales of innovative drugs. We continue to promote the digital upgrade of offline pharmacies and pharmacist training to improve the operational efficiency and fulfillment capabilities of our offline pharmacies. As our online medical service platform, *Miaoshou Physician* not only provides online drug dispensing functions but also serves as an important platform for patient consultations, prescription issuance, patient management, doctor-patient connection, and HCP communication and training. Through our commercialization fulfillment network, we have acquired a vast pool of patient and HCP resources and accumulated a large amount of real-world data. This accumulation will effectively improve the service quality and accuracy of our commercialization acceleration services.

Based on the patient and HCP network and insights we have gained through our fulfillment network, we collaborate with insurance companies and local governments to provide comprehensive commercial health insurance solutions to a broad range of patients through the *Yuanxin Huibao*, thereby reducing patients’ payment burdens and better supporting the commercialization of innovative drugs. At the same time, leveraging our existing HCP network, we conduct comprehensive academic marketing and promotion for more innovative drugs.

- Based on our analysis of patient treatment and medication data, we assist insurance companies in launching a variety of insurance products through our insurance technology platform *Yuanxin Huibao*, including multiple insurance products for innovative drugs, making innovative drugs more affordable for more patients and promoting their commercialization. As of December 31, 2025, we have assisted insurance and reinsurance companies in launching insurance services in more than 180 cities, managed 246.6 million policies in total. During the Track Record Period, claims with respect to drug usage for a total amount of RMB3.6 billion was made through our services, and compensation in the amount of RMB1.1 billion was made by insurance companies pursuant to the terms of the corresponding policies, including the applicable coverage rate for the given insurance products. As of December 31, 2025, we have cooperated with 230 insurance companies and 10 reinsurance companies, including all of the top ten insurance companies in China by policy volume, according to Frost & Sullivan.

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- Our commercialization fulfillment network has enabled us to build an HCP network of over 310,000 active physicians, including approximately 23,000 contributing specialists in oncology, hematology, immunology, neurology, and infectious diseases. Based on this network, we can reach physicians through digital and academic marketing, build our Hospital-Transaction-Platform (HTP) network, form a stable and reliable HCP channel, provide academic marketing services for HCPs, and facilitate mutual understanding and communication between pharmaceutical companies and the clinical field. In addition, our offline pharmacy network and online *Miaoshou Physician* serve as entry points for drug dispensing and patient management, providing us with channels to reach patients and accumulate medication data, enabling us to better assist all parties in the innovative drug industry chain in managing and serving patients. As of December 31, 2025, we have cumulatively provided related services to 506 pharmaceutical companies, covering 19 of the top 20 domestic pharmaceutical companies in China and 19 of the top 20 global pharmaceutical companies in terms of revenue in 2024, according to Frost & Sullivan.

Our AI Capabilities

As a cornerstone for further strengthening our digital capabilities, we launched our *Yuanquan* Patient Management Large Model and *Huizhi* AI Large Model in 2023. The *Yuanquan* Model, covering 175 diseases and specialty drugs, focuses on full-course patient management, improving medication adherence, and increasing patient duration of therapy (DOT). Since its launch, our staff have interacted with patients with the assistance of the *Yuanquan* Model, generating over 7.5 million high-quality doctor-patient dialogues and enabling the management of over 1.3 million patients. By managing patient DOT, it prevents patient drop-off and ensures treatment effectiveness, while increasing the patient retention rate within our service system to 67%, which, according to Frost & Sullivan, is significantly higher than the industry average.

Our Improving Financial Performance

Our financial performance has continued to grow during the Track Record Period. Our revenue increased from RMB9.7 billion in 2023 to RMB10.2 billion in 2024, and further to RMB10.4 billion in 2025. Our gross profit slightly decreased from RMB0.9 billion in 2023 to RMB0.8 billion in 2024, and then increased to RMB1.0 billion in 2025. Our net loss increased from RMB719.0 million in 2023 to RMB1,094.1 million in 2024, and then narrowed significantly to RMB400.9 million in 2025. Our cash flow performance steadily improved during the Track Record Period, with net cash outflow from operating activities of RMB347.0 million in 2023 improving to net cash inflow from operating activities of RMB42.7 million in 2024, and further increasing to RMB138.2 million in 2025. At the same time, our negative adjusted EBITDA increased from RMB430.3 million in 2023 to RMB696.6 million in 2024, and decreased to RMB52.0 million in 2025.

Our Industry Opportunities

Demographic changes and accelerated new drug approvals drive growth in China’s innovative drug industry from both demand and supply sides. An aging population has triggered continuous increase in demand for chronic disease management and for drugs (especially innovative drugs) targeting major diseases such as cancer, immune system diseases, and cardiovascular diseases. In answering thereto, regulatory authorities such as the NMPA have accelerated new drug approvals and issued multiple policies to promote the launch of more innovative drugs, leading to a rapid increase in the variety of innovative drugs.

The penetration rate of commercial insurance is gradually increasing, and policies supporting innovative drugs through commercial insurance continue to be introduced, providing support for the adoption of innovative drugs. Under the dual influence of an aging population and medical inflation, cost control and efficiency improvement have become long-term themes of medical insurance policy. In recent years, reforms such as Diagnostic-Related Group/Diagnosis-Intervention Packet payment methods have led to an increase in demand for mid- to high-end medical services such as special medical care, out-of-hospital drug purchases, and post-operative rehabilitation among some patients, indirectly catalyzing strong demand for mid- to high-end

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medical insurance. As an important component supporting national medical security, China’s commercial health insurance is also expected to benefit from the continuous expansion of the innovative drug market. The market size of commercial health insurance in China was RMB977.3 billion in 2024, and is expected to reach RMB2,356.8 billion by 2030 and RMB4,634.8 billion by 2035. In December 2025, China launched its first Commercial Health Insurance Catalog for Innovative Drugs, providing a major industry development opportunity for innovative drugs to be covered by commercial insurance. As an important component supporting national medical security, China’s commercial health insurance is expected to provide back-end support for the continuous expansion of the innovative drug market.

With the rapid expansion of the innovative drug market, all parties in the industry chain urgently need more efficient industry chain empowerment and support. The number of innovative drug pipelines in China continues to grow. Notably, in 2025, China completed 157 BD overseas licensing deals for innovative drugs, with a total transaction value of US\$135.7 billion, accounting for 49% of the global total as a record high, making China number one in the world. The drug R&D capabilities of Chinese pharmaceutical companies have been recognized by the international market. However, due to high payment thresholds and a lack of real-world data leading to difficulties in medical insurance access, some pharmaceutical companies are eager to seek assistance to commercialize their products in the Chinese market. Our full-chain commercialization services for innovative drugs are well positioned to benefit from these industry opportunities. Such support includes more efficient drug launch assistance, broad and in-depth patient insights, rapid connections with patients and HCPs, efficient drug dispensing, lowering payment barriers for innovative drugs, and post-treatment outcome tracking.

OUR STRENGTH

Professional drug dispensing and post-dispensing management capabilities enable us to efficiently undertake and accelerate the commercialization of innovative drugs

Our commercialization fulfillment network focuses on innovative drug dispensing, out-of-hospital patient management, and doctor-patient connectivity. We are committed to dispensing innovative drug products to patients promptly and efficiently, while also providing a platform for patient management and doctor-patient communication. This enhances communication efficiency, ensures medication safety and continuity, and addresses the challenges of managing patients outside the hospital, thereby making us China’s largest full-channel innovative drug dispensing platform, providing convenient and fast out-of-hospital drug sales services:

- Based on our insights into patient medication needs, we offer a wide variety of innovative drug products in our offline pharmacies. As of December 31, 2025, our offline pharmacies offered 347 out of 453 innovative drugs (excluding vaccines and diagnostic reagents) approved by the NMPA since 2015, as well as 182 out of the 207 innovative oncology drugs approved by the NMPA since 2015. According to Frost & Sullivan, the number of innovative drug SKUs in our offline pharmacies leads the industry. In addition to innovative drug dispensing, our overall drug dispensing network supplies more than 42,000 drug products. For the years of 2023, 2024 and 2025, approximately 56%, 64% and 70% of our retail sales, respectively, were derived from sales of innovative drugs. According to Frost & Sullivan, the number of innovative drugs we dispensed in 2025 ranked leading in the industry.
- Our 201 offline *Yuanxin Pharmacies* and online pharmacies distribute across 27 provinces and covering 321 Class III Grade A hospitals, provide a stable and reliable dispensing platform for innovative drug companies and offer subsequent patient management and feedback connections. We strategically position our offline pharmacies near hospitals, especially Class III Grade A hospitals, to better serve patients. Of our offline pharmacies, 183 are within a one-kilometer radius of a hospital, and 147 are within 300 meters. Additionally, 177 *Yuanxin Pharmacies* are designated for social health insurance, 115 are designated as dual-channel pharmacies for major disease and social health insurance and 104 are designated as pharmacies for risk-pooling outpatient services. In 2023, 2024, and 2025, the number of orders for innovative drugs we

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dispensed was 0.7 million, 0.8 million and 1.2 million, respectively. According to Frost & Sullivan, both the number of prescriptions handled and the number of patients served in 2025 ranked leading in the industry.

- We provide convenient and fast out-of-hospital drug sales services for patients after their hospital visits. We are among the first companies nationwide to apply for “dual-channel” qualification, connecting with national/regional social insurance payment platforms and opening up independent social insurance payment channels. This enables fully electronic payment channels for out-of-hospital drug purchases, consistent with in-hospital purchases, greatly improving the convenience of out-of-hospital payments for patients. Our offline pharmacies provide specialty drug services for *Huimin Bao* in over 180 cities nationwide, with some pharmacies already achieving direct drug payment, significantly enhancing the convenience and experience of patient claims.
- Our online internet hospital, *Miaoshou Physician*, is an important and beneficial supplement to *Yuanxin Pharmacies*. In 2025, *Miaoshou Physician*’s average monthly visits exceeded 27 million. Through *Miaoshou Physician*, we have expanded our patient coverage, providing medical and pharmaceutical services to a broader group with medication needs. Patients can choose to order drugs through *Miaoshou Physician* for express dispensing or local dispensing from offline *Yuanxin Pharmacies*.

Our efficient patient management and doctor-patient connectivity platform, built through various means, enables us and HCPs to instantly track patient medication status, reduce drop-out rates, and help HCPs and innovative drug companies obtain real-world data on related drugs.

- Patients purchasing innovative drugs outside the hospital often lack immediate communication channels, making it difficult to promptly report changes in their condition or adverse reactions, which may lead to doubts about drug efficacy and in turn discontinuation of treatment, ultimately harming their health interests. We provide full-cycle patient management services through offline pharmacy pharmacists, WeChat mini-programs, WeChat corporate account, and other means. Based on our patient and medication database, we can promptly and accurately analyze patients’ medication questions and provide corresponding solutions, thereby improving patient medication adherence. During the Track Record Period, we cumulatively followed up with over 510,000 patients, with more than 3.2 million follow-up visits.
- We offer patient management and electronic medical record functions, enabling physicians to promptly understand patient conditions and improve medical accuracy. We also regularly send physicians medication analysis reports to help optimize clinical practice and research, and support clinical decision-making. Additionally, we organize online and offline patient education activities to build a communication platform between doctors and patients.
- Through patient management and doctor-patient connections, we ensure medication safety and continuity for patients, effectively extending patients’ DOT, enhancing medication adherence, and increasing patient retention within our service system. This allows us to obtain first-hand data on patient conditions and adverse reactions. Such capabilities help innovative drug companies obtain real-world data and patient feedback on their drugs, which not only aid in drug development and iteration but also support their real-world research, national reimbursement negotiations, and clinical implementation. We have accumulated over 570,000 high-quality, structured out-of-hospital patient data through patient management services, establishing disease-specific databases for five core disease areas of oncology, hematology, immunology, neurology, and infectious diseases. Currently, we have signed a cooperation agreement with the National Healthcare Security Research Institute of Capital Medical University to conduct real-world research based on our strong IT and data accumulation.

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We empower the industry chain with insurance technology to solve innovative drug payment challenges.

With the deepening of China’s “Healthy China 2030” strategy, the integration and innovation of the pharmaceutical, medical, and insurance sectors have become an important industry trend. Based on our accumulated data on patient management and medication information, our *Yuanxin Huibao*, a leading insurance technology company in China, can support insurance product design, product promotion, operations and claims, and ultimately health management services for relevant populations in the commercial health insurance field, helping to achieve the goal of “payment accessibility” for drugs, in particular, innovative drugs. Leveraging our rich knowledge of the healthcare industry, valuable insights, proprietary analytical capabilities, and access to differentiated medical and transaction data, we can deeply understand drug efficacy and actual treatment courses, thereby understanding health insurance product risk profiles and modeling. Based on this, we provide a series of insurance technology-related services to insurance institutions, promoting the expansion of commercial health insurance to cover patients with pre-existing conditions, and accelerating the inclusion of innovative drugs.

- As of December 31, 2025, we have cooperated with 230 insurance companies and 10 reinsurance companies, including the top ten insurance companies in China by policy volume, according to Frost & Sullivan. We have assisted insurance companies in launching inclusive commercial health insurance in over 180 cities, managing 246.6 million policies and a cumulative premium scale of RMB20.3 billion since the service was launched.
- Relying on insights into patient disease progression and medication accumulated from our commercialization fulfillment network, we have collaborated with insurance companies to launch innovative commercial health insurance products such as specialty drug insurance, accelerating the coverage inclusion of 580 innovative drugs. Over 90% of our insurance products each covers at least one innovative drug. During the Track Record Period, claims with respect to drug usage for a total amount of RMB3.6 billion was made through our services, and compensation in the amount of RMB1.1 billion was made by insurance companies pursuant to the terms of the corresponding policies, including the applicable coverage rate for the given insurance products. We also provide value-added services for full-cycle health management, and from the start of this service to the end of 2025, we have served 5.4 million people through our related health management services.
- In 2024, we launched a commercial insurance intelligent agent cluster. Through the empowerment of this group, we enable our insurance company clients to have leading service capabilities. We help clients improve claims processing efficiency. After using our technology, our clients can increase the automatic review rate of claims applications. At the same time, we enable clients to accurately identify claims applications. With our *Huizhi AI Model* having over 718,000 audit control points, our claims review accuracy reaches approximately 92%.

With deep industry insights, we offer multi-channel support for innovative drug promotion.

Our commercialization fulfillment network has enabled us to accumulate vast amounts of pharmaceutical and treatment data. Leveraging our extensive patient and HCP network, as well as our deep understanding of patient behaviors and medical needs, we are committed to providing various forms of support to participants across the innovative drug industry chain through our commercialization acceleration services. This includes empowering innovative pharmaceutical companies through services such as academic marketing, while continuously advancing real-world study services.

- We provide innovative pharmaceutical companies with a “one-stop, platform-based” comprehensive solution, covering the entire chain from commercial insurance inclusion, academic marketing, patient management, to data empowerment. As of December 31, 2025, we have cumulatively provided marketing services to 506 pharmaceutical companies.

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- Through our online *Miaoshou Physician*, our offline pharmacies, and our vast patient data accumulated therefrom, we are able to conduct detailed analyses and interact with HCPs using real-world data, thereby establishing our unique HCP network. As of December 31, 2025, we have built an HCP network of approximately 23,000 contributing specialists across five major disease areas: hematology, oncology, immunology, neurology, and infectious diseases. Leveraging this HCP network, we are able to efficiently promote innovative drugs.
- Through online science popularization content and other methods, we enable more practitioners and patients to learn about innovative drug products, thereby increasing their recognition in professional fields and promoting industry collaboration.
- After generating real-world medication reports, we present these findings to top hospital experts at national academic conferences, serving physicians in the role of “physician assistant” to deepen their clinical understanding of drugs. This not only better serves patients but also helps physician improve the efficiency and effectiveness of patient diagnosis and treatment.

Our proprietary AI reshapes our industry chain serving capability.

We firmly believe that AI and large models will greatly enhance our value creation capabilities and transform the way value is created. We continued to invest in AI large model research, and in November 2023, we officially launched our *Yuanquan* Patient Management Large Model and *Huizhi AI* Large Model. Currently, we have integrated AI technology into the entire service chain, including in-hospital patient services, out-of-hospital patient management, patient education, and health protection. We have accumulated a wealth of valuable patient and insurance-related data assets.

- Our *Yuanquan* Model has 23.5 billion active parameters. Its training data is primarily derived from knowledge bases generated by extracting key information from over seven million real doctor-patient conversations, and incorporates RAG technology to improve response accuracy and timeliness in medical scenarios. With specialized disease and specialty drug databases as its knowledge base, the *Yuanquan* Model is mainly used for patient health management, medication tracking, and medication Q&A. It covers 19 major disease types, over 220 disease subtypes, more than 1,000 symptom entries, over 80 known targets, and a large number of new and specialty drug varieties, including targeted drugs, immunotherapies, and ADCs. It has cumulatively managed over 1.3 million patients. Specifically:
 - Through a multi-agent collaborative architecture, our large model can handle the standardized life management and adverse reaction interactions, and automatically trigger manual follow-up mechanisms when complex situations such as medication discontinuation are identified. By combining AI and human intervention, we have extended patient DOT and increased drug repurchase rates in complex treatment scenarios, resulting in better treatment adherence and continuity, which translates into survival benefits and improved quality of life. In a patient management program for a urothelial cancer treatment at a multinational pharmaceutical company, the retention rate of enrolled patients was significantly higher than that of non-enrolled patients. The retention rate for enrolled patients reached as high as 30% after six months, whereas all non-enrolled patients dropped out within three months. Additionally, the duration of therapy for enrolled patients was one month longer than the overall market average.
 - We utilize our large model to assist our personnel in analyzing the characteristics of patient groups targeted by specific drugs prior to their launch. Based on such characteristics and in combination with the user profiles we have accumulated, we are able to identify target patient groups who may benefit from such drugs, thereby improving the efficiency of our marketing activities.

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- By deploying the model locally, we promote the informatization of medical institutions, integrating functions such as triage, appointment scheduling, and report interpretation to enhance patient convenience.
- Our *Huizhi AI Model* is mainly aimed at insurance scenarios. Based on our accumulated experience in the insurance and medical industries, the *Huizhi AI Model* reconstructs the claims and health service chain through AI, achieving dual improvements in efficiency and experience. The *Huizhi AI Model* can also empower insurance agents as a business development tool, enabling them to quickly become professional health insurance managers with expertise in marketing, claims, and health management, thereby enhancing service capabilities. Our *Huizhi AI Model* has over 718,000 audit control points, ensuring intelligent claims review accuracy of approximately 92% while controlling claims risk. In insurance scenarios, our large model assists our staff in reviewing claims materials, helping shorten the review time and improve the overall efficiency of the claims review process. By using the AI system for automatic identification and preliminary review of claims materials, the average processing time has been reduced from 2 hours to approximately 35 minutes.

Our management team has deep industry insight and vision.

We believe that our success is largely attributable to the leadership and vision of our management team. Under the leadership of our founder, chairman, and CEO, Mr. He, we have assembled a management team with strong backgrounds and extensive relevant industry experience. Mr. He is a serial entrepreneur with over 20 years of experience in the healthcare industry, including traditional community pharmacies, e-commerce medical platforms, and medical institutions. He is dedicated to exploring new opportunities to provide better medical services for Chinese patients. From May 2009 to December 2014, Mr. He served at J1.com, one of China’s earliest online platforms for the sale of pharmaceuticals and medical devices. From July 2001 to May 2006, Mr. He was the investment management department manager at Shenzhen Sanjiu Pharmaceutical Chain Co., Ltd. His ambition and perseverance have attracted many highly intelligent and experienced industry professionals to join us. Our senior management team has extensive experience in medical services, medical products, innovative drugs, hospital operations, and the pharmaceutical industry. The team also has broad backgrounds in finance, investment, and operations, laying a solid foundation for our long-term development.

OUR STRATEGY

We plan to adopt the following strategies to further enhance our full-chain commercialization services for innovative drugs, and to better serve patients and participants across the healthcare industry chain:

Continue investing in Insurtech service sectors and deepen our Insurtech presence.

As a crucial component supporting the commercialization of innovative drugs, commercial insurance is an important means to reduce patients’ medication burden and accelerate the adoption of innovative drugs. We plan to further deepen our presence in the Insurtech sector, leveraging our patient pool and healthcare data as well as our extensive historical service experience, to continue investing resources and strengthen our ability to support both patients and insurance companies. We plan to roll out our commercial insurance payment platform and network to better connect insurance companies, pharmaceutical companies and patients by promoting commercial insurance products that help patients in need of drugs and treatments. We also plan to take following measures.

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Firstly, we plan to fully utilize the vast data accumulated from our services to assist in launching more insurance products. Our plans include improving data quality and credibility through advancements in algorithms and technology, to better support product modeling and recruiting more qualified professionals to help design more insurance products related to innovative drugs.

Secondly, we plan to strengthen our service capabilities across all business segments for both patients and insurance companies. Our plans include enhancing our digital service capabilities through technology R&D and product development and recruiting more qualified business personnel to strengthen our online and offline customer service capabilities.

Thirdly, we plan to invest in the commercialization and promotion of domestic innovative drug commercial insurance and inclusive insurance. By leveraging opportunities presented by the Commercial Health Insurance Catalog, we will focus on promoting and developing the commercialization of this catalog, vigorously develop risk control capabilities, and increase our absolute influence in the industry.

Further enhance out-of-hospital capabilities for innovative drugs dispensing and medical services.

To meet the needs of patients, and to be more competitive in the hospital-adjacent pharmacy sector, we will expand our pharmacy network coverage and strengthen our nationwide out-of-hospital patient services, primarily through the establishment of new pharmacies (not traditional community pharmacies).

Firstly, we will increase the number of our offline pharmacies to enhance dispensing capabilities. We plan to further expand our offline pharmacy network, increasing the number of pharmacies, broadening geographic coverage, and seeking more locations near medical institutions, especially Class III Grade A hospitals.

Secondly, we will expand and improve the quality of our pharmacist team. Pharmacists in our pharmacies are a key entry point for serving patients, providing medication guidance and management. Our plans include further increasing the number of pharmacy pharmacists to match the scale of our new pharmacies, and, as needed, assigning more pharmacists to individual pharmacies and enhancing the overall quality of our pharmacist team through training and online assistants to improve pharmacy service levels.

Thirdly, we will strengthen our supply chain management to provide more efficient inventory management. Our plans include facilitating the integration of more innovative and other prescription drugs into the *Yuanxin Pharmacy* system, expanding high-tech warehousing and logistics capabilities and building more storage facilities to meet timely drug dispensing needs, and introducing industry-leading logistics software and hardware to meet the storage requirements of different drugs, while strengthening our logistics and dispensing service capabilities.

Fourthly, we will enhance the digital management capabilities of offline pharmacies to improve dispensing efficiency. We plan to further upgrade the digital operations of our offline pharmacies through software development and digital hardware updates.

Continue to improve our AI-based service capabilities to benefit the industry chain.

Our *Yuanquan* Partner AI agent cluster, composed of the *Yuanquan* Model and the *Huizhi AI* Model, has become a key tool for efficiently serving patients, restructuring medical service processes, and improving industry efficiency. We will further increase our R&D investment in our AI agent cluster, enhance the large models’ computational and language output capabilities, broaden their application scenarios, and better leverage our accumulated data to empower external partners.

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Our plans include:

- building multifunctional, high-computing-power large models, optimizing training infrastructure, enhancing parameter invocation capabilities, and improving model responsiveness and answer accuracy;
- further expanding our knowledge bases, enlarging our cooperative medical databases, and expanding our specialized disease databases to improve the language and symptom recognition capabilities of the AI agent cluster;
- further strengthening our AI capabilities in the commercial health insurance sector to improve claim process efficiency, achieve precise cost control, and enhance user experience;
- further exploring industry chain empowerment scenarios for our AI agent cluster, broadening the application of AI technology in patient services, medical institution informatization, insurance actuarial and claims, and better integrating the advantages of large models into industry chain applications.

Continuously enhance data insight capabilities to solidify the foundation for our commercialization acceleration services.

Our ongoing investment in data analytics capabilities helps improve our overall business efficiency and enables us to generate greater synergy for healthcare industry participants. Our commercialization fulfillment network has accumulated a large amount of valuable data, and analyzing and processing this data to generate valuable insights is crucial for empowering external partners through our commercialization acceleration services. We will further enhance our data analysis and insight capabilities, continuously improve related technical capabilities, especially data analysis and machine learning algorithms. Our plans include investing in software and algorithm development, and developing or investing in more algorithms tailored to the healthcare industry, and attracting and retaining outstanding talent in artificial intelligence and data science, experienced professionals with deep understanding of the healthcare industry, and top experts across multiple specialties.

OUR SERVICES

We focus on supplying and dispensing drugs, primarily innovative drugs, providing professional pharmaceutical and medical services to patients through offline pharmacies and online internet hospitals while our commercialization acceleration services facilitates the commercialization of innovative drugs through our services to other participants in the medical industry value chain, including insurance services, and marketing services to pharmaceutical companies. We also have, as a less significant part of our business, a healthcare technology business line, under which we provide services to hospitals to enhance patients’ in-hospital experience and address the significant unmet need for care continuum in China.

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	For the Year Ended December 31,					
	2023		2024		2025	
	RMB	%	RMB	%	RMB	%
	<i>(in thousands of RMB, except percentages)</i>					
<i>Commercialization Fulfillment Network</i>						
Out-of-hospital pharmacy services and out-of-hospital medical services	6,059,406	62.2	6,644,799	65.1	8,109,105	78.1
Wholesale pharmacy services	3,151,824	32.4	3,019,775	29.6	1,635,560	15.8
Subtotal	9,211,230	94.6	9,664,574	94.7	9,744,665	93.9
<i>Commercialization Acceleration Services</i>						
Insurance services	289,054	3.0	267,826	2.7	334,885	3.2
Marketing services to pharmaceutical companies	186,516	1.9	208,640	2.0	214,143	2.1
Subtotal	475,570	4.9	476,466	4.7	549,028	5.3
<i>Healthcare Technology Services</i>	50,507	0.5	63,603	0.6	83,044	0.8
Total	9,737,307	100.0	10,204,643	100.0	10,376,737	100.0

COMMERCIALIZATION FULFILLMENT NETWORK

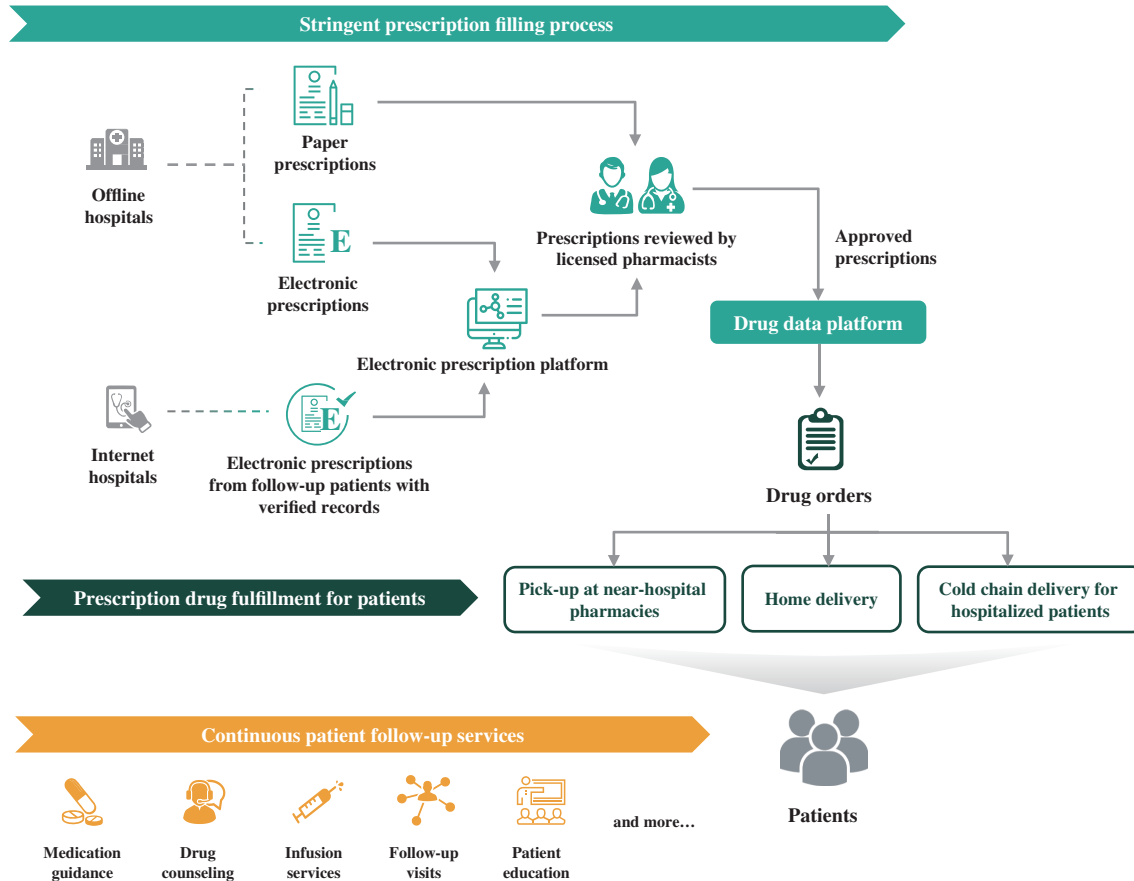
Under our commercialization fulfillment network we provide out-of-hospital pharmacy services, out-of-hospital medical services and wholesale pharmacy services. Our out-of-hospital pharmacy services focus on providing patient customers with convenient access to prescription drugs, especially innovative drugs, and a wide assortment of health and wellness products. Our out-of-hospital medical services primarily include online consultation, infusion assistance, pharmacist counseling, drug utilization management, adherence and counseling programs to complement their clinical strategies. Physicians involved in online consultation services are primarily external physicians who hold the required multi-site practice registration while pharmacists are our internal employees. We also offer wholesale pharmacy services from time to time to third-party retail pharmacies and pharmaceutical product resellers.

Services under our commercialization fulfillment network accounted for 94.6%, 94.7% and 93.9% of our total revenue in 2023, 2024 and 2025, respectively. Sales of prescription drugs, especially innovative drugs, and pharmaceutical products represented our Company’s core business. During the Track Record Period, revenue from out-of-hospital medical services accounted for an insignificant portion of our total revenue.

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Out-of-Hospital Pharmacy Services

According to Frost & Sullivan, as measured by revenue, we are China’s largest full-chain service provider for the commercialization of innovative drugs in 2024. Our pharmacy fulfillment services focus on providing patient customers with convenient, omni-channel access to prescription drugs, especially innovative drugs, and a wide assortment of health and wellness products. The work flow process of our out-of-hospital pharmacy services is encapsulated in the following diagram.



Our pharmacy fulfillment services include the following key features.

Wide Drug Assortment of Prescription Drugs with a Focus on Innovative Drugs

As of December 31, 2025, we offered on our offline and online pharmacy network approximately 42,585 SKUs of products. The main pharmaceutical and healthcare products that we offer can be divided into the following categories:

- *Prescription drugs with a focus on innovative drugs.* For the years of 2023, 2024 and 2025, approximately 86%, 89% and 92% of our retail sales, respectively, were derived from sales of prescription drugs, and approximately 56%, 64% and 70% of our retail sales, respectively, were derived from sales of innovative drugs. This category primarily consists of prescription medication for complex disease treatments. Our innovative drugs largely cover broad therapeutic areas with a focus on five specialty areas including oncology, hematology, immunology, neurology and infectious diseases. For example, as of December 31, 2025, our product portfolio covered 182 of the 207 innovative oncology drugs approved by the NMPA since 2015, and 347 out of 453 innovative drugs (excluding vaccines and diagnostic reagents) approved by the NMPA since 2015.

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- *OTC remedies, wellness products and medical devices.* Our pharmacies also offer a wide selection of over-the-counter remedies, health and wellness products such as dietary products, immune-boosting products and supplements, as well as medical supplies and devices for home healthcare, aftercare and health monitoring such as ventilators for sleep disorders and blood pressure monitors.

There was a certain overlap in terms of the medicines offered between our offline pharmacies and our online pharmacy. Certain limited distribution drugs are only available for purchase through our offline pharmacy due to the requirements of the pharmaceutical manufacturers. We seek to have the same pricing for the same prescription drug with the same labeling and packaging sold through our offline and online pharmacies, but currently price difference exists due to different regional pricing strategies and offline and online promotions. For the same prescription drug with a different packaging, the pricing is different depending on the packaging options at our offline pharmacies and online pharmacy.

Nationwide Pharmacy Network with Close Proximity to Hospitals

The number of our pharmacies was 335, 237 and 201, respectively, as of December 31, 2023, 2024 and 2025. During the Track Record Period, in order to better implement our policy of focusing on high-quality hospital-adjacent pharmacies, we proactively closed certain pharmacies to alleviate operational pressure and improve the overall operational efficiency of our pharmacy network. We strategically place our pharmacies near hospitals to serve patients’ growing needs for post-discharge healthcare services. As of December 31, 2025, we owned and operated all of these 201 pharmacies. Among these 201 pharmacies, 183 are placed adjacent to hospitals within a one kilometer radius, 147 are located within 300 meters of a hospital, 177 pharmacies are designated pharmacies for social health insurance, and 115 are designated major disease and social health insurance “dual-channel” pharmacies. As we focus on those high-quality pharmacies with better business potentials, we have seen in the Track Record Period an improved average business performance per pharmacy.

The following table sets forth the data with respect to our offline pharmacies during the Track Record Period.

	As of December 31,		
	2023	2024	2025
Total number of pharmacies.	335	237	201
Number of cities covered by our pharmacies	99	65	60
Number of provinces covered by our pharmacies	30	28	27
Number of covered Class III, Grade A hospitals ⁽¹⁾	398	329	321
Pharmacies located within 300 meters of a hospital	231	169	147
Dual-channel pharmacies	138	127	115

Note:

- (1) The number was calculated using the criteria for Class III, Grade A hospitals as of December 31, 2025.

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The following table sets forth a breakdown of the number of our pharmacies and the number of our “dual-channel” pharmacies by geographical location as of December 31, 2025.

	Number of our pharmacies	Number of our dual-channel pharmacies
Geographical Location:		
East China	61	39
South China	43	31
Southwest China	39	16
North China	58	29
Total	201	115

Our pharmacies are focused on serving both as a direct destination for patients after their visits to hospitals and as a key entry point for patients to navigate their out-of-hospital disease or healthcare management. We will continue to assess the appropriateness of our national footprint and identify more accessible locations to execute our growth strategies for our pharmacy network.

Online + Offline Pharmacy Fulfillment System

Revolving around patients, we have built an extensive offline specialty pharmacy network with a philosophy of “*being physically closest to prescriptions*,” which help funnel outflow prescriptions from hospitals to our online-and-offline pharmacy network, thereby building up a vast patient base. Our online pharmacy, serving as a convenient contact point enhances accessibility for patients who have visited our offline pharmacies to fulfill or refill their prescriptions, thereby converting offline traffic to online traffic for our online pharmacy, or vice versa. Both the offline pharmacies and online pharmacy help us promote brand awareness among patients and gain valuable insight about the patients, and serve as an entry point for us to connect the patients to address their various healthcare service needs.

We design our offline pharmacies to provide a convenient, private and informative purchase experience. As of December 31, 2025, our pharmacies were equipped with an average of approximately two professional pharmacists in each store, which is above the industry average according to Frost & Sullivan, reflecting our emphasis on professional pharmaceutical services. We are able to provide multiple offline medical services to patients to help them manage overall pharmacy and healthcare costs in an appropriate manner. Our pharmacist team provides continuous support to our prescription management and patient care services, such as offline and online consultation about medication, dosage, common side effects and other information about innovative drugs and health-related products. Our pharmacists have an average professional service experience of over five years.

We have built our online pharmacy to further execute our patient customer-centric approach and to enable us to interface with our patients not only face-to-face in our offline pharmacies but also through online channels. The online pharmacy can be accessed through the mobile app and the website *miaoshou.com*, WeChat mini program, public account and video account. We believe our online + offline model vastly increases the reach of our pharmacy network, enabling our in-house pharmacists and professionals to serve a wide patient base.

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Stringent Prescription Filling Process

We place great emphasis on stringent and professional prescription filling process. In 2023, 2024 and 2025, we processed approximately 10.8 million, 9.6 million and 10.2 million prescriptions through our pharmacy network, respectively. We accept authorized prescriptions and employ licensed pharmacists to review prescriptions. Depending on the particularities of the patient’s medical condition, our well-trained pharmacists provide detailed medication guidance, such as differences on similar drugs, most appropriate dose and treatment to adverse reaction. Patients can ask our pharmacists about medications and receive other information about prescriptions drugs and health-related products. We believe such information is quite valuable and necessary for patients to complete their duration of therapy with innovative drugs.

We have a strict prescription verification system to manage the risk of selling prescription drugs. Our pharmacists verify the validity and completeness of prescription drug orders utilizing our verification matrix. We divide prescription drugs into different categories according to their risk levels. The higher the risk level, the more scrutiny a prescription will go through. The pharmacist will contact the physician if there is any reason to question the validity, accuracy or authenticity of any order. In addition, our pharmacists verify that all legally required information is recorded on the prescription drug order and utilize a database to verify physician identifying information, if necessary. We provide ongoing training to our pharmacists to enhance their prescription review expertise.

In addition, we have put together a team of licensed pharmacists to serve as the touch point of our seamless patient management, ensuring a professional and personalized patient customer service at our offline and online pharmacies. As of December 31, 2025, our clinical pharmacist team consisted of 509 professional pharmacists, including 33 MTM- and CMTM-certified pharmacists, and our pharmacies are equipped with an average of approximately two professional pharmacists in each store. We require our in-house pharmacists to maintain relevant professional certifications. We provide ongoing training and professional development programs to our in-house pharmacists. These programs encompass general and specialized pharmacy knowledge, case studies and corporate culture, which are designed to enhance their professional knowledge and management skills and improve their performance. We conduct monthly evaluations of our pharmacists in respect of quality of service, user feedback and efficiency. Compensation for our pharmacists consists of a base salary and performance-based bonus, which is typically calculated based on monthly evaluations. We have also established a rigorous in-house quality control system. As an integral part of our pharmacy network, this pharmacist team provides continuous support to our prescription filling process. Furthermore, patients who fill their prescriptions through our online platform can access their secure, individual medication profiles at any time, allowing them to review their records of prescription purchases for medical and insurance purposes. We keep records of pharmacists’ online prescription review process.

Effective and Efficient Pharmacy Supply Chain Management

Our size, scale and years of expertise in China’s specialty pharmacy industry help us effectively and efficiently source, warehouse and distribute innovative drugs and other pharmaceutical and healthcare products within our nationwide network.

Centralized product sourcing

Our national presence makes us a market player in China’s specialty pharmacy industry with centralized procurement capabilities. Our centralized purchasing enables us to leverage the national purchasing power of our operations, reduces our dependence on any one supplier and gives us a strong bargaining position to lower costs. Our centralized product sourcing capabilities contain the following characteristics.

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- *Streamlined central procurement by standard operating procedures (“SOP”).* To streamline our centralized merchandise sourcing process, we have put in place a standardized SOP, covering the procedures of purchase and sale contract filing, purchase broker, internal approval, etc. All pharmacies we operate and related personnel follow the SOP in their sourcing and supply chain activities. Our unified implementation of the SOP, together with our centralized purchasing, enables us to reduce the price of the products and supplies we offer.
- *Direct sourcing from pharmaceutical product manufactures.* We seek to direct source innovative drugs from manufacturers, which eliminates multiple layers of middlemen and provides us with more favorable terms given the volume of our large-scale procurement. Direct sourcing from manufacturers is an important component of our supply chain management to maintain quality, stable supply and cost advantage.

Reliable warehousing and delivery network with cold chain management capabilities

Our placement of our regional distribution centers and warehouses across China enables us to cost-efficiently ship merchandise to our offline pharmacies and ultimately our patients. We currently use reputable third-party logistics providers for line haul transportation of our pharmacies’ products, and we use our own staff in our nationwide pharmacy network for last-mile delivery to hospitals and clinics.

In addition, as drug logistics requires better temperature control during storage and delivery process, we pay particular attention to cold chain logistics partner selection to ensure a smooth drug supply. Our cold chain logistics capabilities are organized based on different temperature ranges for optimum temperature control of certain drugs. For same-city delivery, our own pharmacy delivery personnel are equipped with refrigerators embedded with temperature monitoring and recording devices. For long distance delivery, we work with reputable third-party cold chain logistics providers to leverage their warehouses and vehicles designated for pharmaceuticals and medical instruments and equipped with control and monitoring systems to comply with specific environmental parameters.

Out-of-Hospital Medical Services

We also provide patient customers with various specialized medical services, primarily including online consultation, infusion assistance, pharmacist counseling, drug utilization management, adherence and counseling programs, aiming to complement their clinical strategies and serve as an accessible treatment environment between hospital and home. These healthcare services are primarily designed to promote better health outcomes and to help avoid inappropriate medication utilization and non-adherence to medication, each of which may result in adverse medical events that negatively affect treatment result and medical spend. Our outpatient clinics are self-owned and primarily provide medical services that would need in-person services, such as infusion assistance, while our online medical services are mainly focused on providing medical services that could be performed virtually, such as online consultation and prescription renewal. Most of our outpatient clinics are not included in the national health insurance scheme and therefore cannot be reimbursed by the national health insurance scheme. To the best of our knowledge, our Group and the responsible medical team staff (apart from our offline outpatient clinics) have obtained the relevant licenses in the provision of specialized offline and online medical services during the Track Record Period and up to the Latest Practicable Date. During the Track Record Period, revenue from out-of-hospital medical services accounted for an insignificant portion of our total revenues.

As of December 31, 2025, we had a pharmacist and medical team of 552 staff. The licensed physicians in our in-house team had on average over ten years of experience as physicians. Our in-house physicians are on our online *Miaoshou Physician* full-time, providing patients with consultation services of fast turnaround times, while external physicians on our online *Miaoshou*

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Physician can respond to patients' consultation requests at their convenience, supplementing large numbers of consultation needs that may not be fulfilled by our in-house team. We provide ongoing training and professional development programs to our in-house physicians and medical assistants. These programs encompass general and specialized medical knowledge, case studies and corporate culture, which are designed to enhance their professional knowledge and management skills and improve their performance. We conduct monthly evaluations of our in-house physicians and medical assistants in respect of quality of service, patient customer feedback and efficiency.

In addition to our in-house medical team, we host a large number of external physicians some of whom are medical experts in their specialty areas on our online medical services platform to provide consultation services to our patient customers. External physicians registered with us are required to comply with both our specified work scope and quality requirements and the applicable rules and regulations. In particular, external physicians are required to provide evidence of their professional qualifications and can only issue prescriptions on our platform after they have completed multi-site practice registration for our verification. Specifically, external physicians need to file multi-site practice registration before beginning to practice at other hospitals, including internet hospitals, other than their main institutions of practice. We and our external physicians enter into service agreements. The provision of online consultation services by our external physicians is subject to relevant rules and regulations. In addition, we have the right to deal with and settle medical complaints and claims arising from external physicians' services, for which they may be subject to medical liabilities. We have the right to terminate the service agreement and seek indemnification if the external physician provides us with false personal or professional information, is liable for medical malpractice claims in connection with the services provided on our platform, violates the terms thereof, or under any other circumstances that we deem fit. The service agreements typically provide that the external physicians will receive the net consultation fees after we deduct commissions from the gross amount.

We also carry and pay for professional liability insurance covering medical malpractice claims for our in-house physicians and external physicians that provide follow-up prescription services on our platform. We may be subject to medical liability as a result of any actual or alleged medical malpractice in connection with the services provided by our external physicians. We carry professional liability insurance covering medical malpractice claims in amounts that we believe are appropriate to cover the potential liabilities that we may face in relation to the services provided by our external physicians. However, adequate professional malpractice insurance coverage may not be available to our in-house medical team, external physicians or us in the future on commercially acceptable terms, or at all, in the event that our in-house medical team and external physicians provide sub-standard services, mishandle sensitive information, engage in other misconduct or commit medical malpractice. See also "Risk Factors – We may become subject to medical liability claims in connection with our online healthcare services, which could cause us to incur significant expenses and be liable for significant damages if any claim is not covered by insurance."

Our in-house physicians are our employees, who get compensated pursuant to their respective employment agreements with our company and typically receive monthly salaries and discretionary, performance-based bonus. Our external physicians get compensated pursuant to their respective service agreements with our company, and they typically receive the net consultation fees after we deduct commissions from the gross amount of patients' consultation fees. We typically settle payments with our external physicians on a monthly basis. Frost & Sullivan is of the view that the commission rate we charge on external physicians consultation is in line with the industry norm. We only allow those external physicians that have completed the Multi-site Practice Filing to provide services on our platform.

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Wholesale Pharmacy Services

We started our wholesale pharmacy services in 2017 to primarily make available certain innovative drugs and, to a lesser extent, other prescription drugs and OTC drugs, to third-party retail pharmacies and pharmaceutical product resellers. Our wholesale customers primarily include independent pharmacies, pharmacy chains and regional pharmaceutical product resellers. We had 129,503, 88,856 and 79,589 customers for our wholesale pharmacy services in 2023, 2024 and 2025, respectively. During the Track Record Period, we chose to gradually reduce the scale of our wholesale pharmacy services to better focus on our out-of-hospital pharmacy business. Revenue from our wholesale pharmacy services accounted for 32.4%, 29.6% and 15.8% of our total revenue for the years ended December 31, 2023, 2024 and 2025, respectively.

We recognize revenue on wholesale products when our performance obligations are satisfied, meaning at the point of delivery of products when we transfer control of a product to a wholesale customer. Our revenue from wholesale pharmacy services is recognized on a gross basis, net of discounts and return allowances.

We generally do not set any minimum purchase amount or a minimum sales target for our wholesale customers. Drug products we sold are typically non-refundable upon delivery except for quality reasons. Such return policy is in line with the industry practice, according to Frost & Sullivan.

Below is a summary of our transaction arrangements for wholesale pharmacy services.

- *Term.* We generally enter into a one-off wholesale agreement for each order with our wholesale customers with no specified term.
- *Minimum sales or purchase amount.* We generally do not set any minimum purchase or sales amounts for our wholesale customers.
- *Sales restriction.* We typically do not impose geographical restriction or other sales restriction on our wholesale customers.
- *Pricing.* We sell products to our customers at an agreed price, and we do not mandate selling price for our customers.
- *Delivery.* We arrange delivery to the designated places of our customers at our own cost.
- *Prepayment and credit term.* We generally require customers to make prepayments for orders placed or determine the credit term on a case-by-case basis based on our assessment of customer's procurement amount, credibility and business scale and generally grant our customers a credit term of no more than 90 days.
- *Product return.* We generally do not accept product return or refund except for quality reasons.

One of the wholesale customers has been controlled by a former director of our Company since March 2025, and our Group held approximately 10% indirect interest in such wholesale customer between April 2024 and May 2025. Such wholesale customer contributed to less than 0.1% of our total revenue in each year of the Track Record Period and has not had any transactions with us since May 2025. Except as disclosed above, during the Track Record Period and up to the Latest Practicable Date, to the best of our knowledge after due enquiries, (i) all of our customers from the wholesale pharmacy services were Independent Third Parties; (ii) none of such customers are owned by our former employees; (iii) none of our Directors or Shareholders has any equity interest in such customers; (iv) none of such customers or their beneficial owners has any past or present relationship outside the scope of wholesale pharmacy business, including without limitation, employment or financing relationship with our Company or our Directors or Shareholders; and (v) none of such customers or their beneficial owners has any family relationship with our Directors and Shareholders or trust relationship with our Company or our Directors or Shareholders. Our wholesale business contemplates a buyer/seller relationship rather than a principal/agent relationship. We have no ownership or management control over any of our

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pharmaceutical product resellers. We recognize revenue on the wholesale of products when performance obligations are satisfied, meaning when we transfer control of a product to a wholesale customer. Products we sold were all non-refundable upon delivery except for quality reasons.

Our suppliers in our out-of-hospital pharmacy and wholesale pharmacy business are primarily pharmaceutical companies or their sales agents.

Set forth below is a summary of the key terms of the supply agreements that we enter into with our suppliers:

- *Term.* Typically one year, during which we can place orders when needed.
- *Pricing.* A fixed purchase price is stipulated in each wholesale orders pursuant to the agreement.
- *Delivery.* Our suppliers are required to deliver the products to our designated place pursuant to the supply agreement at their own costs.
- *Inspection and Acceptance.* Products are subject to our inspection upon arrival and we have rights to refuse any defective products. In case of any quality defects not caused by us, we are entitled to product replacements or refunds pursuant to the supply agreement.
- *Credit term.* Our suppliers generally grant us credit terms of one to three months.
- *Payment.* We typically settle payments with our suppliers once a month.

For a limited proportion of our products of which we obtain regional distribution rights, including certain popular prescription drugs or OTC drugs, the purchase price will vary depending on sales volume we achieve. We may receive rebates from these suppliers if we achieve a targeted sales volume.

The Directors of our Company are of the view that, based on the characteristics of our wholesale pharmacy business, our arrangement in place with the wholesale customers is not the typical “distributorship model” contemplated under Chapter 4.5 of the Guide for New Listing Applicants.

Based on the independent due diligence work conducted by the Sole Sponsor, nothing has come to the Sole Sponsor’s attention that would cause the Sole Sponsor to disagree with the Directors’ view.

We believe that the risk that our wholesale suppliers will directly approach hospitals and pharmacies for medicine sales or our suppliers and customers transact directly without us (the “**disintermediation risk**”) is low, because of the values we provide with respect to our wholesale pharmacy services, as set forth below:

- *Ability to leverage nationwide pharmacy network and centralized procurement capabilities to reduce distribution cost of our suppliers.* Our centralized procurement capabilities and our nationwide pharmacy network enable us to leverage our consolidated purchasing power and reduce the distribution cost of our suppliers, giving us a relatively favorable bargaining power with our suppliers, which, in turn, renders us a competitive advantage.
- *Value-added services beyond product selling to enhance trust and reliance from pharmaceutical manufactures.* We provide marketing services to pharmaceutical companies to help them achieve superior growth and productivity. For example, we

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provide pharmaceutical companies with patient follow-up services leveraging our nationwide pharmacy network and our vast patient base. This value-added service enables pharmaceutical companies to actively track the health conditions of patients, provide education services to patients on drug usage, and collect full longitudinal key metrics relating to patients to enable long-term studies with large sample sizes. Through providing these value-added services, we are able to further promote our brand awareness and trust with our pharmaceutical suppliers.

- *Qualified seller for certain pharmaceutical manufacturers.* Certain pharmaceutical manufacturers have specific criteria for selection of pharmacies to sell certain limited distribution drugs. The specific selection criteria typically include: qualified team, data reporting and disease management capabilities, proven history, desired pharmacy coverage and patient outreach, integration of payment methods and value-added services such as management of PAP philanthropic project and RWE support. Many pharmacy do not meet the selection criteria, giving us a competitive advantage.
- *Well-established relationship with our supplier.* Built on our years of dealings with our suppliers, our suppliers tend to trust us with sales of their products and we have developed a sound, long-term business relationship with them.

Our Directors are of the view that the risk of disintermediation for our wholesale pharmacy services is low in light of the reasons set forth above. Based on the independent due diligence work conducted by the Sole Sponsor, nothing has come to the Sole Sponsor’s attention that would cause the Sole Sponsor to disagree with the Directors’ view.

Although the risk of disintermediation is low, we have put in place certain measures to prevent such risk. Firstly, we will continue to develop and enhance our value-added services to pharmaceutical companies to enable us to compete smartly and make us a go-to partner with our pharmaceutical suppliers. Secondly, we will further upgrade the system integration with our pharmaceutical suppliers to ensure end-to-end visibility for transactions, further solidifying our competitive edge and enhancing transaction and operational efficiency.

COMMERCIALIZATION ACCELERATION SERVICES

Insurance Services

To help alleviate the burden of medical expense on patients and address significant unmet need to enhance patients’ paying capabilities in China, we built our insurance technology platform, *Yuanxin Huibao* (圓心惠保). We focus our insurance services on four types of insurance products offered by our insurer partners, namely, insurance products designed for innovative drugs, inclusive commercial health insurance, health insurance with pre-existing conditions and pharmacy benefit insurance. For these insurance products, we primarily provide (i) pharmaceutical reimbursement management services, (ii) health insurance product marketing services, (iii) insurance claims processing and third party administration service and (iv) health management services. As of December 31, 2025, we had served 230 insurance companies and 10 reinsurance companies, which covered 580 innovative drugs approved by the NMPA and helped launch an inclusive commercial health insurance in more than 180 cities. Since the roll-out of our insurance services in 2018 and as of December 31, 2025, we have managed 246.6 million insurance policies and served approximately 4.8 million people through our related health management services. During the Track Record Period, claims with respect to drug usage for a total amount of RMB3.6 billion was made through our services, and compensation in the amount of RMB1.1 billion was made by insurance companies pursuant to the terms of the corresponding policies, including the applicable coverage rate for the given insurance products. We have obtained required licenses to provide insurance services in China. As of December 31, 2023, 2024 and 2025, we had served 186, 207 and 230 insurance companies, respectively.

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For the years ended December 31, 2023, 2024 and 2025, revenue from insurance services was RMB289.1 million, RMB267.8 million and RMB334.9 million, respectively.

Pharmaceutical Reimbursement Management Services

Our rich healthcare industry knowhow, our own valuable insights and our proprietary analytics capabilities give us differentiated access to medical and transactional data. We have accumulated a large amount of drug usage insights through our pharmacy services and online medical services. These high-value insights generate in-depth understanding of the drug efficacy and actual duration of therapy, and hence, health insurance products’ risk profiles and modeling. Such understanding in turn empowers us to work with insurance companies to design health insurance products for optimum selection of innovative drugs, drug dose and patient life expectancy. Health insurance products so designed would help enhance medication services for better treatment outcome, reduce likelihood of side effects, while helping insurance companies reduce the cost of the insurance product as well as the cost of claim. Meanwhile, as such insurance products effectively enhance the patients’ capabilities to have drug costs covered, we facilitate the commercialization of the innovative drugs by assisting their patient reach.

Leveraging the business volume within our own ecosystem and that of insurance policies from the insurance companies we serve and our highly knowledgeable pharmacist team, we are able to identify the right target customer pool of the insurance products. With the scale of such a customer pool, we are well positioned to help insurance companies to optimize the duration of therapy for each medication covered and negotiate prescription medication prices with pharmaceutical manufacturers on behalf of insurance companies.

Through our services, we are able to help insurance companies control the growth of drug costs without reducing the quality of health insurance services, ultimately improving the usage efficiency of health insurance funds. We typically generate revenue from pharmaceutical reimbursement management services based on a fixed percentage of saved medication spend for the risk control and pharmaceutical reimbursement management services we provide.

Health Insurance Product Marketing Services

To raise patients’ awareness of more healthcare payment options, in particular, commercial health insurance, we provide health insurance product marketing services. Our online+offline pharmacy network and medical services present multiple scenarios for health insurance product marketing. Typically, once a particular prescription drug or innovative drug is associated with a particular patient, we will recommend to the patient relevant health insurance products that would not only cover medication needs, but also provide services such as healthcare consultation and medical examinations. The insurance products marketed on our platform are underwritten by insurance companies and we do not take insurance underwriting risk. We own an Insurance Brokerage License to conduct the operations of this service line. We offer insurance products through our offline and online pharmacy network and do not rely on a brokers team to conduct offline customer engagement. We earn marketing fee for helping insurance companies underwrite insurance policies through our network.

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Insurance Claims Processing and Third Party Administration Services

To enhance patients’ claim processing experience and address the need for high-quality out-of-hospital medical payment claim settlement services, we provide claims processing services for insurance companies by leveraging our data analytics capability, nationwide pharmacy, hospital service network and centralized pharmacist team. After receiving a claim settlement application from a customer, we review relevant materials provided by the customer, assist with preparing necessary documents and information required by customer’s claim, submit the claim to the insurance company on the customer’s behalf, and handle all communications with the insurance company. During the Track Record Period, claims with respect to drug usage for a total amount of RMB3.6 billion was made through our services, and compensation in the amount of RMB1.1 billion was made by insurance companies pursuant to the terms of the corresponding policies, including the applicable coverage rate for the given insurance products. Our expertise in the health insurance industry equips us with a clear understanding in the claim requirements set by insurance companies, thus allowing us to effectively help patients prepare all necessary documents, complete claim processing and obtain the medication covered by the insurance policy. We help patients better understand the insurance policies and their rights and obligations, fill in the information truthfully and objectively, and reduce the occurrence of false reports, under reports, and insurance fraud. The long-term cooperative relationships we have established with our insurance companies allow us to settle claims effectively and ensure that the claim processing will not delay the routine medical services a patient receive. In addition, claim processing enables us to acquire and accumulate additional valuable insights which, in turn, further enhance our analytics capabilities. We typically charge insurance companies a fixed fee per policy for providing claims processing services.

On the other hand, we help health insurance companies improve risk management and control capabilities. Our ultimate goal is to improve the operating efficiency of insurance companies and reduce their costs. We typically charge insurance companies a fixed percentage or amount of the insurance premium for the third party administration services we provide.

Health Management Service

Beyond direct insurance claims services, we also provide comprehensive health management services centered on patients’ health conditions, aimed at reducing the incidence of disease and medical expenditures among insureds through proactive management, thereby enhancing the overall health value that relevant insurance policies deliver to customers. Leveraging our accumulated health data and our medical service capabilities, our comprehensive health management services encompass health record management, prescription identification, health risk assessment, chronic disease management, drug compliance management, health and rehabilitation guidance, and long-term care services.

Set forth below is a summary of the key terms of our agreements with insurance companies for provision of our various insurance services.

Key term	Description
Scope of services	Depending on the agreed-upon scope and could include (i) insurance claim processing services, (ii) third party administrator services (such as insurance product co-development, insurance risk management, drug compliance management, and digitization of medical records and prescription identification), (iii) pharmaceutical reimbursement management services and (iv) health insurance product marketing services.

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Key term	Description
Payment term	For the insurance claim processing services, we typically charge insurance companies a fixed fee per policy for providing claims processing services. For the third party administrator services, we typically charge insurance companies a fixed percentage or amount of the insurance premium for the third party administration services we provide. For the pharmaceutical reimbursement management services, we typically charge insurance companies a fixed percentage of the saved medication spend as a result of the risk control and pharmaceutical reimbursement management services we provide to insurance companies. For the health insurance product marketing services, we earn marketing fee for helping insurance companies that underwrite insurance policies through our network. We normally settle our fees with the insurance companies on a periodical basis.
Termination of agreement	The agreement with insurance companies typically has a term of one year. Typically, any amendment or termination of the agreement needs to be mutually agreed by both parties or as a result of a material breach by a party, unless otherwise agreed.

Marketing Services to Pharmaceutical Companies

In today’s healthcare market, the commercial promotion of innovative drugs will increasingly depend on the effective two-way flow of information between pharmaceutical companies and members of the HCP network, as well as both parties’ comprehensive understanding of real-world data regarding drug performance. Through our pharmacy network and online *Miaoshou Physician*, we have accumulated a vast amount of data on medications and treatments, and connected with approximately 23,000 contributing specialists in the fields of hematology, oncology, immunology, neurology, and infectious diseases. On one hand, we can assist pharmaceutical companies in conducting effective academic marketing to frontline physicians within the HCP network, helping those physicians stay informed about the latest developments in the field of innovative drugs, providing them with comprehensive information for their prescription choices. We had reached in total over 310,000 active physicians to provide them with relevant information as of December 31, 2025. On the other hand, we can relay real-world research data collected from the HCP network and our platform back to pharmaceutical companies, assisting them in real-world studies and helping them enhance their marketing efficiency. We started our marketing services to pharmaceutical companies in late 2019 to help them achieve superior growth and productivity. As of December 31, 2025, we had served 506 pharmaceutical companies with our marketing services, covering 19 of the top 20 domestic pharmaceutical companies in China and 19 of the top 20 global pharmaceutical companies in terms of revenue in 2024, according to Frost & Sullivan.

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Leveraging our nationwide pharmacy network and its vast patient base, our pharmacist can collaborate with hospital department during the course of treatment for patient follow-up, which form our solid capability for marketing services. Our pharmacy team follows up with patients upon their authorization and collect patient feedback outside hospitals. Our patient follow-up center allows our pharmacists to actively track the health conditions of patients, provide education services to patients on drug usage, and collect full longitudinal key metrics relating to patients to enable long-term studies with large sample sizes. The insights accumulated and systematic process management can support both physicians and pharmaceutical companies to further enhance the efficacy and safety of the therapies under investigation. We also assist hospitals' departments to provide and manage patient follow-up by providing patient education and drug combination therapy. Through follow-up, we are able to increase a patient's drug compliance, thereby enhancing treatment outcome and increasing brand awareness. Providing patient follow-up and patient education also enhances patient's trust on our pharmacy services, thereby increasing the commercial value of our platform.

Depending on the types of service, we charge pharmaceutical companies a fixed fee or on a per patient basis for our provision of marketing services.

HEALTHCARE TECHNOLOGY SERVICES

To enhance patients' hospital visit experience and improve hospitals' operations, beginning in 2019, we introduced a suite of standardized, modular services and solutions that we developed in-house to hospitals, enabling them to establish their online hospital management system and conduct intelligent hospital operations. We provide these standardized products and services based on (i) a well-developed product portfolio, including, among others, internet hospitals, prescription outflow management platform and hospital alliance collaboration platform and (ii) our proprietary code behind product modules are applicable to many hospital customers and can be deployed upon customization of certain features. We deliver in the form of mobile app, WeChat mini program or public account, our online medical services platform that empowers hospital to achieve full digitalization for each step of a patient's hospital visit process. Such platform digitalizes most activities a patient needs to carry out during a hospital visit, such as booking appointments, viewing medical examination reports and, making payment. We also developed a suit of infrastructure and management solutions in mobile format, which are designed to improve intra-hospital operational efficiency and minimize manual work where process can be digitized.

We had collaborated with 487, 511 and 537 hospitals as of December 31, 2023, 2024 and 2025, respectively, to develop their internet hospitals. As of December 31, 2025, we had collaborated with a total of 537 hospitals, including over 220 Class III, Grade A hospitals. We typically charge hospitals a project-based service fee for each project and, in less common cases, also charge a take rate of the revenue generated from online consultation services of the hospitals to which we help build internet hospitals. During the Track Record Period, revenue from our healthcare technology services accounted for an insignificant portion of our total revenues.

OUR REVENUE RECOGNITION, PRICING AND PAYMENT POLICY

Revenue Recognition Policy

We recognize revenue when control of goods or services is transferred to the customers at an amount that reflects the consideration to which we expect to be entitled in exchange for those goods or services.

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

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

Pricing and Payment Policy for Our Services

Out-of-Hospital Pharmacy Services

We provide a wide range of drugs, healthcare products and medical supplies to customers through offline pharmacies and online pharmacy network. We charge customers the fixed retail price of such drugs, products and supplies.

Wholesale Pharmacy Services

We derive revenue from wholesale pharmacy services through rendering wholesale pharmacy services to third-party retail pharmacies and pharmaceutical product resellers. We charge such wholesale customers the fixed wholesale price of the drugs and products we sell.

Out-of-Hospital Medical Services

We provide customers with various specialized medical services through our online *Miaoshou Physician*. We typically charge our customers a fixed fee based on the service package that customers choose.

Insurance Services

We provide insurance services primarily including insurance product marketing service and earn commissions and service fees from the insurance companies, which are generally calculated as a percentage of the total insurance premium for the related insurance policy.

We provide third party administration services, including claim process and pharmacy benefit management, and typically charge insurance companies a fixed fee or a fixed percentage of total insurance premium.

Marketing Services to Pharmaceutical Companies

We provide comprehensive marketing services to pharmaceutical companies. We typically charge pharmaceutical companies a fixed fee for the service rendered.

Healthcare Technology Services

We assist hospitals to establish their online hospital management system and develop a suite of infrastructure and management solutions that enhance hospital's operational efficiency and elevate patient experience. We typically charge hospitals a fixed fee which is usually determined with reference to the prevailing market price and consideration of various factors.

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SUSTAINABILITY OF OUR BUSINESS AND PATH TO PROFITABILITY

Since our founding, we have achieved improvement in our results of operations and cash flow position. Benefiting from the solid foundation we have built and the momentums we have achieved, we believe we are able to maintain sustainability and growth of our business.

China’s pharmaceutical industry continues to grow, with out-of-hospital innovative drug dispensing leading in growth

China has a major healthcare economy with sizable and steadily increasing healthcare expenditure. According to Frost & Sullivan, China has the world’s second largest pharmaceutical market in 2024, which grew from RMB1,447.9 billion in 2020 to RMB1,629.7 billion in 2024, representing a CAGR of 3.0%, and is expected to reach RMB2,129.7 billion in 2030 and RMB3,103.4 billion in 2035, representing a CAGR of 4.6% from 2024 to 2030 and 7.8% from 2030 to 2035, respectively. Particularly, the out-of-hospital segment is expected to grow at a CAGR of 7.6% from 2024 to 2030, and a CAGR of 9.7% from 2030 to 2035. Among all segments of China’s pharmaceutical market, the innovative pharmaceutical market has been a faster growing one in answering to the increasing demand from aging population and increasing cancer incidents and other chronic diseases.

As China’s largest full-chain innovative drug commercialization service provider, we are well-positioned to capture industry opportunities.

- Our commercialization fulfillment network focuses on innovative drug dispensing, out-of-hospital patient management, and doctor-patient connectivity. As of December 31, 2025, our offline pharmacies offered 347 out of 453 innovative drugs (excluding vaccines and diagnostic reagents) approved by the NMPA since 2015, as well as 182 out of the 207 innovative oncology drugs approved by the NMPA since 2015. For the years of 2023, 2024 and 2025, approximately 56%, 64% and 70% of our retail sales, respectively, were derived from sales of innovative drugs. Our 201 offline *Yuanxin Pharmacies* and online pharmacies distribute across 27 provinces and cover 321 Class III Grade A hospitals, provide a stable and reliable dispensing platform for innovative drug companies and offer subsequent patient management and feedback connections. Of our offline pharmacies, 183 are within a one-kilometer radius of a hospital, and 147 are within 300 meters. Additionally, 177 *Yuanxin Pharmacies* are designated for social health insurance, 115 are designated as dual-channel pharmacies for major disease and social health insurance and 104 are designated as pharmacies for risk-pooling outpatient services. In 2023, 2024 and 2025, the number of orders for innovative drugs we dispensed was 0.7 million, 0.8 million and 1.2 million, respectively. Meanwhile, our efficient patient management and doctor-patient connectivity platform, built through various means, enables us and HCPs to instantly track patient medication status, reduce drop-out rates, and help HCPs and innovative drug companies obtain real-world data on related drugs. During the Track Record Period, we cumulatively followed up with over 510,000 patients, with more than 3.2 million follow-up visits.
- Based on our accumulated data on patient management and medication information, our *Yuanxin Huibao*, a leading insurance technology company in China, can support insurance product design, product promotion, operations and claims, and ultimately health management services for relevant populations in the commercial health insurance field, helping to achieve the goal of “payment accessibility” for drugs, in particular, innovative drugs. As of December 31, 2025, we have cooperated with 230 insurance companies and 10 reinsurance companies, including the top ten insurance companies in China by policy volume, according to Frost & Sullivan. We have assisted insurance companies in launching inclusive commercial health insurance in over 180 cities, managing 246.6 million policies and a cumulative premium scale of RMB20.3 billion since the service was launched. Over 90% of our insurance products each covers at least

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one innovative drug. During the Track Record Period, claims with respect to drug usage for a total amount of RMB3.6 billion was made through our services, and compensation in the amount of RMB1.1 billion was made by insurance companies pursuant to the terms of the corresponding policies, including the applicable coverage rate for the given insurance products.

- Leveraging our extensive patient and HCP network, as well as our deep understanding of patient behaviors and medical needs, we are committed to providing various forms of support to participants across the innovative drug industry chain through our commercialization acceleration services. As of December 31, 2025, we have built an HCP network of approximately 23,000 contributing specialists across five major disease areas: hematology, oncology, immunology, neurology, and infectious diseases. Leveraging this HCP network, we are able to efficiently promote innovative drugs. As of December 31, 2025, we have cumulatively provided empowerment services to 506 pharmaceutical companies.

Our various business lines maintain continuous revenue growth

Apart from the strategic contraction of lower-margin wholesale pharmacy business, our various business lines have maintained continuous revenue growth.

Revenue from our out-of-hospital pharmacy services maintains continuous growth, with gross margin remaining relatively stable. We provide a wide range of drugs, healthcare products and medical supplies to customers through offline pharmacies and online pharmacy network. We charge customers the fixed retail price of such drugs, products and supplies. Revenue from our out-of-hospital pharmacy services and out-of-hospital medical services increased from RMB6,059.4 million in 2023 to RMB6,644.8 million in 2024 then to RMB8,109.1 million in 2025, primarily due to the introduction of a greater number of innovative drugs within our ecosystem, which enhanced our ability to meet patients' demand for innovative drugs. We recorded a gross profit margin for our commercialization fulfillment network of 6.6%, 5.7% and 6.7%, respectively, for 2023, 2024 and 2025. As we have a strong pharmacy network across 27 provinces and covering 321 Class III Grade A hospitals and 347 out of 453 innovative drugs (excluding vaccines and diagnostic reagents) approved by the NMPA since 2015, as well as 182 out of the 207 innovative oncology drugs approved by the NMPA since 2015, we believe we possess solid pharmacy operation capability to continue to grow our business with a stable profit margin.

Revenue from the higher-margin innovative drug commercialization acceleration services has been increasing in general.

- For our insurance services, we primarily charge service fees for each service we provide to insurance companies, including claims processing, third party administration, pharmacy benefits management services and health insurance product marketing services to insurance companies. Revenue from our insurance services was RMB289.1 million in 2023, RMB267.8 million in 2024 and RMB334.9 million in 2025. The decrease of our insurance service revenue in 2024 was in part due to the delay in recognition of revenue for certain service due to project execution changes. As of December 31, 2023, 2024 and 2025, we had served 186, 207 and 230 insurance companies, respectively. We believe there are various opportunities to expand our insurance services. There are increased needs for more tailor-made health insurance products that integrate with personalized healthcare service, real world data, data analytics and marketing means. We are in a good position to accommodate such needs as (i) we can help design insurance products on novel metrics supported by our data analytics capability and derived from our accumulated industry knowhow and insight about patients and (ii) we can take advantage of our data analytics capability, nationwide pharmacy and medical service network and centralized pharmacist team to assist the insurance promotion and administration.

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- We charge service fees for marketing services we provide to pharmaceutical companies. During the Track Record Period, our revenue from marketing services to pharmaceutical companies increased from RMB186.5 million for in 2023 to RMB208.6 million in 2024 and further to RMB214.1 million in 2025, which was driven by the increased need for our services. We believe we are well-positioned to continuously improve our marketing services to pharmaceutical companies going forward. As we continue to accumulate real-world data from our resources of patients, physicians and insurance companies, we can offer valuable insight on the real-world performance and issues for commercialized innovative drugs. Those insights can both enhance physician’s understanding of new drugs and assist pharmaceutical companies in making well-informed decisions on marketing and post-launching studies. Meanwhile, as we expand our coverage on treatment areas and enhance our capability in connection with complex diseases, we can give more targeted advices on pharmaceutical companies’ efforts with respect to a particular type of drugs, which can better establish the value of our services and drive the increase of our related business.

Continuous improvement in pharmacy profitability, adjustment of loss-making stores

During the Track Record Period, we continued to optimize the operational performance of our pharmacy network. As a result, the number of profit-making pharmacies increased by approximately 42.9%, from 70 as of December 31, 2023 to 100 as of December 31, 2025, while the number of loss-making pharmacies decreased by approximately 61.9%, from 265 as of December 31, 2023 to 101 as of December 31, 2025, reflecting our strong ability to gain operating leverage as we continued to capture industry tailwind and expand patient base while further improving operating efficiency.

Although the number of our pharmacies has decreased, because of the significant growth in demand for out-of-hospital drugs (especially innovative drugs), our continuous expansion of drug category coverage, and the support of our insurance technology business for patient payments, our average revenue per pharmacy has increased substantially. During the Track Record Period, our average revenue per pharmacy grew from RMB18.1 million in 2023 to RMB40.3 million in 2025. In particular, as dual-channel pharmacies can provide more affordable and convenient payment methods to patients and thereby have a unique competing edge, our dual-channel pharmacies achieved more significant growth in per-store revenue. The substantial growth in our per-pharmacy revenue also benefited from our deep cooperation with leading pharmaceutical companies. During the Track Record Period, the category coverage of innovative drugs for which we served as designated retail pharmacies in cooperation with pharmaceutical companies continued to grow, and the annual sales revenue generated from innovative drug sales grew from RMB3,417.7 million in 2023 to RMB5,678.2 million in 2025. Meanwhile, the revenue contributed by our top 50 best-selling products each year grew from RMB2.2 billion in 2023 to RMB3.3 billion in 2025.

Our ability to turn losses into profits

In 2024, we undertook a series of adjustments, including closing persistently loss-making pharmacies, reducing costs and improving efficiency through enhanced digital capabilities, and contracting lower-margin businesses (including significantly reducing wholesale business and strategically ceasing cooperation with certain healthcare technology service clients). As a result, our gross margin improved from 7.8% in 2024 to 9.9% in 2025. Our net loss narrowed significantly from RMB1,094.1 million in 2024 to RMB400.9 million in 2025.

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We will continue to optimize profitability through the following strategies:

- *Expanding our patient base.* During the Track Record Period, our out-of-hospital patient service had experienced continuous growth. Such growth was primarily driven by our success in attracting new patient customers and driving additional purchases of products and services from existing customers. We maintained a stable patient base as represented by the number of prescriptions processed by our pharmacy network and the number of orders from our out-of-hospital pharmacy and medical services. During the Track Record Period, the number of orders for innovative drugs we dispensed was 0.7 million, 0.8 million and 1.2 million, respectively for 2023, 2024 and 2025. According to Frost & Sullivan, both the number of prescriptions handled and the number of patients served in 2025 ranked leading in the industry. We will continue to expand our patient base by expanding coverage of prescription drugs, particularly innovative drugs, broadening the product and services offerings on our online pharmacy, and increasing the number of our offline pharmacies. Leveraging our scale of offline and online pharmacy network, cooperation of insurance companies and local government in solving medical payment challenges and offering of drugs and services across a patient’s journey from consultation to follow-up and ongoing monitoring, we believe we are well positioned to further attract and retain more patients to our services.
- *Continuing to optimize our business mix.* During the Track Record Period, although our commercialization fulfilment network, in particular revenue from our out-of-hospital patient services, contributed the majority of our business revenue, we have been committed to diversifying our business. Specifically, revenue from our innovative drug commercialization acceleration services achieved steady growth, and as we continued to diversify the services we offer, its profitability also improved significantly in 2025 compared to 2024. For example, in 2025 we increased cooperation with insurance companies to promote health management services, which have significantly higher gross margins than our other businesses, thereby improving our overall profitability. Our innovative drug commercialization acceleration services recorded segment losses of RMB77.6 million, RMB185.6 million and RMB50.7 million in 2023, 2024 and 2025, respectively. Going forward, we will continue to diversify our business around innovative drug commercialization and improve our overall profitability. Specifically: (i) we plan to further develop insurance technology and innovative drug marketing services, in particular by diversifying the services provided to industry chain participants. For example, we plan to build a digitally-enabled commercial insurance payment platform and diversified direct claims settlement services for medical and pharmaceutical services, enhancing our service capabilities to insurance companies, thereby strengthening our business competitiveness and improving profitability by increasing the proportion of service revenue; (ii) increasing the market share of our existing service businesses, including further expanding the city coverage of our *Huimin Bao* business and promoting our patient health management services to more insurance companies; and (iii) enhancing our data insight and real-world research service capabilities through improving our large language model and data R&D capabilities, strengthening our service capabilities for pharmaceutical companies’ innovative drug commercialization, and thereby increasing our market share in innovative drug commercialization.
- *Improving operation efficiency through AI tools.* We aim to further improve our operation efficiency by (i) improving the digital management capabilities of offline pharmacies and optimizing supply chain and inventory management; and (ii) enhancing large language model and data R&D capabilities, including continuous iteration and upgrading of existing large language models.

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Continuous improvement in operating cash flow

As (i) our net loss showing an overall declining trend, with net losses increasing from RMB719.0 million in 2023 to RMB1,094.1 million in 2024, and then significantly decreasing to RMB400.9 million in 2025, (ii) our continued reduction in cooperation with slower-paying customers, particularly certain wholesale business customers, and strengthened accounts receivable management capabilities, with accounts receivable turnover days declining continuously during the Track Record Period, (iii) our digital capabilities continued to improve, and we continuously strengthened inventory management capabilities, with inventory turnover days declining continuously during the Track Record Period, and (iv) as business scale expanded and service capabilities improved, we enhanced bargaining power with suppliers, effectively increasing accounts payable turnover days through extending payment cycles and utilizing bank acceptance bills, our operating cash flow improved continuously, turning from a net operating cash outflow of RMB347.0 million in 2023 to a net inflow of RMB42.7 million in 2024, and further increasing to RMB138.2 million in 2025.

Based on the growth momentum we have seen for all of our major service lines, in particular, the services lines with higher margins, during the Track Record Period, we estimate that we will be able to continue to increase the cash inflows from operations.

Working capital sufficiency

Our Directors believe that our business is sustainable, and it possesses sufficient cash and liquidity assets, supplemented by strong fund-raising capability, to meet our present requirements and for the next 12 months from the date of this document, estimated based on our revenue growth and cash flow conditions during the Track Record Period. We believe that the [REDACTED] will provide additional funding to our operation until we become profitable.

Taking into account the financial resources available to us, including our cash and cash equivalents on hand and the estimated net [REDACTED] from the [REDACTED], our Directors are of the view that we have sufficient working capital to meet our present needs and for the next twelve months from the date of this document. For details, please see “Financial Information.”

The foregoing forward-looking statements on our future revenue and profitability are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Our business growth and long-term profitability are subject to known and unknown risks, uncertainties and other factors, some of which are beyond our control, which may cause the actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements set out above. For related risks, see “Risk Factors—Risks Related to Our Business and Industry.”

OUR TECHNOLOGY

Technology is a key component of our strength. Built upon an open platform that is constantly being refined, our technological infrastructure is flexible, high-performing and highly reliable. The main features of our technology capability include:

Effective application of large model technology. Our platform’s knowledge base is derived from the extraction of key elements from over seven million doctor-patient dialogues over the years, which enables us to effectively fine-tune our large language models. This made our model be able to understand patient inquiries and needs, as well as the reliability of their responses. By covering disease-related indicators such as patient samples, diseases, disease subtypes, symptoms, locations, diagnoses, targets, and drug-related indicators, including adverse events for targeted drugs, as well as multiple efficacy indicators calculated from follow-up results, such as overall survival, our specialized disease database enables us to cover 19 major disease categories, over 220 disease

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subtypes, more than 80 known targets, and over 1,000 symptom entries. Through professional knowledge, we improve the timeliness and accuracy of data used by large models in medical scenarios, reduce hallucinations in answers, and lower unpredictability, thereby truly achieving the effective application of large model technology in our business operations.

AI-driven high efficiency. We have introduced retrieval-augmented generation technology, which allows us to maintain the text-generation capabilities of large language models while enabling the utilization of our real-time business data. This achieves a balance between investment and efficiency.

Hybrid cloud open infrastructure. Our technological architecture is based on a hybrid cloud deployment – private cloud in the hospital environment and public cloud for storage and processing outside the hospital. Public clouds have advantages for processing large amount of data, while private clouds are able to meet high level of privacy and security requirements. Our hybrid cloud infrastructure takes advantages from both sides, with computing power covered by the public cloud while using private cloud to meet the strict security requirements of hospitals.

Standardization. We adopt a standardized engineering structure, and utilize standardized interfaces for hospitals’ internal needs. Standardization allows software developers to more efficiently meet their development needs and improves the efficiency of intra- and inter-hospital technology developments.

High performance. Based on our microservice architecture and caching capability, our application development platform can be easily and quickly expanded to meet various use cases and achieve high performance, high load and high concurrency.

Low code, high scalability. The low-code, visualized development environment and modular assembly capability of *Running Doctor*, our intra-hospital management platform, enable physicians and regular hospital staff to conveniently develop features and functions. This allows us to provide flexible and customizable options that suit different hospitals’ needs under different healthcare scenarios, without requiring coding skills.

RESEARCH AND DEVELOPMENT

Our research and development efforts focus on enhancing our product and service offerings capabilities. We allocate a substantial portion of our operating expenses to research and development and incurred RMB192.8 million, RMB140.7 million and RMB114.0 million of research and development expenses in 2023, 2024 and 2025, respectively.

Our research and development personnel primarily consist of data scientists, software engineers, technology infrastructure architects, pharmacists and healthcare specialists. As of December 31, 2025, we had 253 employees dedicated to research and development. Our pharmacist team also actively participate in our research and development efforts.

Our research and development efforts have contributed to the enhancement of our service capabilities. These enhancements include hiring research and development personnel and other talent, expanding our intellectual property portfolio, and constantly upgrading our current data processing technology and machine learning algorithms. We intend to invest in several research and development projects involving (i) data analytics, (ii) machine learning and (iii) specialty medical areas.

In addition, we plan to cooperate with technology companies, universities and research centers that possess cutting-edge technologies such as machine learning, big data analytics and other technologies that would allow us to enhance our data analytics and machine learning abilities.

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We integrate information from prescriptions and electronic medical records into insights in areas including disease epidemiology, treatment effectiveness and safety, and health economic value and impact. Currently, we use the insights generated from our RWE studies to guide our internal service offering strategies. In the future, we believe our RWE studies provide mission critical business insights into clients’ products, services, customers and the dynamics of a rapidly changing healthcare industry and enabling various participants in the healthcare value chain to better understand the value of healthcare products and services.

On the front of insurance product design services, our technology team and insurance product design team work together to design and develop differentiated insurance products for insurance companies. These two teams include both technology and insurance experts. We believe that the pace of change in the insurance industry requires a steady stream of the continuous delivery of upgrades to our solutions, which incrementally improve the customer experience, service processes and insurance products. We address this need by team collaboration and model-driven methods.

DATA PRIVACY AND SECURITY

Type of Data and Scope of Usage

We have access to (i) data arising from purchase of pharmaceutical and healthcare products through our offline and online pharmacies, such as customer personal information and transaction information; (ii) data arising from our provision of offline and online medical services, such as patients’ symptoms, conditions and other medical records; (iii) insurance product data arising from our cooperation with insurance companies, such as data regarding their insurance types and claims situation and (iv) data arising from provision of patient management services, such as patients’ symptoms, conditions and other feedback. Our data are saved on certified cloud servers. Other than described above, we do not have access to or store any data of the hospitals, insurance companies and pharmaceutical companies we collaborate with in our various service lines. Our revenue-generating services that require us to process and analyze the data in our database primarily include (i) provision of insurance product design services to insurance companies and pharmaceutical companies and (ii) provision of patient follow-up services to pharmaceutical companies.

Data Privacy

We collect, store, process and analyze certain personal information of the individual customers that use our various services described above, upon their authorizations. Prior to providing related services to individual customers, we will obtain their prior consent to providing certain personal information relevant to the services offered. The customer also authorizes us to collect, store, process and analyze certain behavioral data, such as customer spending details for the purpose of optimizing our services, marketing activities and real-world research. We are allowed to access, store, integrate, process and analyze in our database the related personal information provided by the individual customers, unless we are required to delete such personal information in accordance with applicable laws and regulations, our internal data retention and deletion policies, or at the request of the relevant users.

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Data Security

The security and protection of personal information in accordance with the PRC Cyber Security Law are one of our highest priorities. To the extent necessary for our business, we collect, store and handle a large amount of personal data for the stated purpose authorized by our users or otherwise pursuant to the applicable rules, in connection with compliance and risk management and as otherwise required by applicable laws and regulations.

We have put in place internal policies on protecting data security and have established a cybersecurity and data compliance committee. Our internal control system focuses on data security and personal information protection. This includes our policies regarding data security, management of data security, and data classification and categorization. Our internal control protocols cover the full lifecycle of data processing including data collection, data quality management, data encryption and transportation, data storage security, data backup and recovery, data processing and analytics, proper use of data, data destruction and disposition.

Set forth below are the details of the measures we have taken to protect data security.

- *Extensive data governance and related internal control measures.* We have achieved complete data desensitization at the storage level and put in place an employee confidentiality system, data usage approval procedures, and internal audit mechanism for data tracing to ensure security of our database. We have established an all-round information system in compliance with the proper level data security requirements. As the laws and regulations relating to data security evolve, we will adjust our internal policy and procedures with respect to data security protection to ensure compliance.
- *Strict data retention policy, data architecture and encryption measures.* We use various encryption technologies at software and hardware levels to protect the transmission and storage of personal data, and conduct periodic testing and assessment to determine the efficiency of our data processing and management technologies. We have implemented logging and monitoring, data encryption, regular security audits to ensure proper recording of data operation and compliance with national data security standards. In respect of the encryption technologies and method, we assign a code for each personal data through irreversible encryption of the related identification information field, which will be used as the master index and does not contain any personally identifiable information itself. Encrypted data are indexed using the code instead of identifiable information. In addition, the encryption process is purely automatic, as our algorithm model can accurately detect personal information to be encrypted into the code without human supervision, thereby protecting personal information from human access without compromising our ability to analyze the underlying data. To minimize the risk of data loss or leakage, we maintain contingency, redundancy and conduct regular data backup and data recovery tests.
- *Strict data access and processing policies and related internal control measures.* We manage access to personal data based on strict necessity and maintain records of data access. Access to and operation of data will be logged and monitored and subject to review. To process data for a particular purpose, such as provision of insurance product design services, the related employees in charge of the project are required to submit an application for internal review and obtain an access approval with a definite expiration date, normally by the end of the relevant project.
- *Strict enforcement of data security policies.* Our information security department will investigate the event in a timely manner if the platform sends out any automatic warning or alert and evaluate the impacts. We take appropriate security measures against any abnormal or suspicious requests or behaviors if the automatic warning or alert signals any real problems. In addition, we require our employees to acknowledge and sign confidentiality agreements before entering into employment contracts.

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- *Certification and accreditation of our data security management.* Our Yinchuan Miaoshou Internet Hospital information platform system has obtained national information-security certification under the PRC information security grade protection scheme (Category 3/MLPS Level III), which has also completed the filing for the Multi-Level Protection Scheme with the Yinchuan Municipal Public Security Bureau. In addition, our information security management system, quality management system and information technology service management system have been certified under the ISO standard. Specifically, we have passed ISO27001 (Information Security Management System Certification), ISO9001 (Management System Certification) and many other international security certifications.
- *Data privacy management measures for external physicians on our platform.* We have employed methods and procedures to ensure that (i) the data we collected from external physicians and experts have been obtained with prior consent, and (ii) the external physicians and experts registered with us are in compliance with both internal policies on protecting data security and the applicable rules and regulations. We have the right to terminate the service agreement service agreement if the external physicians and experts violates the terms thereof.

During the Track Record Period, one of our subsidiaries operating insurance brokerage business was subject to administrative penalties, including fines and warnings, for failing to fully deploy cybersecurity equipment and protocols in accordance with applicable regulations, resulting in high-risk network security vulnerabilities and the leak of business data. The subsidiary subsequently undertook the relevant remedial measures, including among others (i) engaging third-party organizations to conduct security assessments of business systems and remediate identified vulnerabilities; (ii) applying data masking to sensitive information in core business systems; (iii) segregating relevant business modules and deploying them securely to the cloud, adding relevant security components and configuring enhanced security rules to strengthen the security of the cloud operating environment; and (iv) issuing risk warnings to the institutions involved and potentially at-risk customers. Pursuant to our communication with competent authority, such remedial measures were recognized as efficient, and such administration penalties were confirmed to be not material. We were advised by our PRC Legal Adviser that the likelihood of the above administrative penalties having a material adverse impact on our business is relatively low.

In the opinion of our PRC Data Compliance Adviser, as of the Latest Practicable Date, except as otherwise disclosed in this document, we had complied in all material respects with relevant applicable laws and regulations in the PRC on data privacy, and we have not been subject to any related legal or regulatory proceedings which results in a major adverse effect.

SALES AND MARKETING

We believe that the most effective form of marketing is to continually enhance our customer satisfaction, which will engender word-of-mouth referrals and more uses of our service lines. Specifically, our sales and marketing strategy is designed to enhance our brand recognition, build strong customer stickiness and increase customer traffic to our platform.

Our online marketing campaigns are focused on search engines, health-related websites, frequently visited Internet portals, social media and direct-to-user marketing programs relating to trending events. We also employ a variety of offline marketing programs and promotions, such as direct-to-user exhibitions, healthcare-related promotion activities, distribution of brochures, etc.

We have different return policies for drugs and non-drugs for merchandise sold through our offline and online pharmacy network. For drugs, we generally do not allow users to return or exchange given the special nature of drugs, unless the products are defective. For non-drugs, our customers enjoy a seven-day unconditional return policy, as long as the products delivered maintain intact. We did not experience any customer complaints, product returns or product liability claims that materially and adversely affected our business during the Track Record Period and up to the Latest Practicable Date.

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COMPETITION

We believe our services encompass the entire healthcare value chain for patients and entire post-commercialization journey of innovative drugs, which is unique. We face competition in certain aspects of our business, in particular, offline and online pharmacies, digital health service providers, and service providers to hospitals, pharmaceutical and insurance companies, and other players in the healthcare value chain.

We believe that our ability to compete effectively depends on many factors, including the breadth and depth of our products and service offerings, our pricing competitiveness, our ability to form and retain a closed-loop business model, our supply chain capabilities, our technological capabilities, quality control of our product and service offerings, our partnership with third parties, our marketing efforts and the strength and reputation of our brand. Our service offerings form a closed loop because our services together aim to cover the healthcare service cycle of a patient and entire post-commercialization journey of innovative drugs. Each of our service lines complements and reinforces each other and serves as an entry point for us to connect our patients with our platform and other key participants to the healthcare industry.

Furthermore, as our business continues to grow rapidly, we face significant competition for highly skilled personnel, including management, pharmacists, engineers, product managers and risk management personnel. The success of our growth strategy depends in part on our ability to retain existing personnel and attract additional highly skilled employees.

Although we face intense competition, we believe our business model entails the following features that render us a competitive edge over our competitors.

- *Comprehensive services to undertake and accelerate the commercialization of innovative drugs.* Through our commercialization fulfillment network and commercialization acceleration services, we provide services that cover the entire lifecycle of innovative drugs after commercialization, including more precise and effective marketing, patients’ actual access to medications, payment of drug costs, and ongoing drug optimization and development based on real-world evidence. As a market participant actively involved in the full-chain services, we have a natural advantage in terms of insights into the commercialization process and the comprehensiveness and accuracy of related data. This enables the services we offer to deliver greater practical value to all market participants, including pharmaceutical companies, patients, physicians, and insurance companies, and place us in a better position to contribute to the commercialization process of innovative drugs in China.
- *An offline plus online healthcare platform providing total care solution to patients.* According to Frost & Sullivan, there are few integrated players able to offer offline plus online products and services that cover the healthcare service cycle of a patient. We strategically place our pharmacies in proximity to hospitals, establish an offline and online pharmacy network, provide convenient online health insurance payment services, and connect in-hospital and out-of-hospital markets through healthcare technology services. Our offerings together aim to cover the healthcare service cycle of a patient. Each of our service lines complements and reinforces each other and serves as an entry point for us to connect our patients with a one-stop, panoramic access to their healthcare service needs, creating a healthcare platform that ensures customized and caring services are provided to patients.

BUSINESS

- *Nationwide out-of-hospital patient services fulfillment network.* Our out-of-hospital patient services fulfillment network, with close proximity to hospitals, supported by our professional pharmacy service team and equipped with efficient pharmacy management and delivery capabilities, provide a wide product assortment of prescription drugs with a focus on innovative drugs and various healthcare services. For the years of 2023, 2024 and 2025, approximately 56%, 64% and 70% of our retail sales, respectively, were derived from sales of innovative drugs.
- *Strong insurance service capabilities powered by data and technology.* Our insurance claim processing services take advantage of our data analytics capability as well as our nationwide network and centralized pharmacist team. This allows us to effectively help patients prepare all necessary documents, complete claim processing and obtain medication covered by insurance policy. For the insurance product design process, we utilize novel calculation metrics that are supported by our data analytics capabilities and derived from our accumulated industry knowhow and insight about patients. Accumulated through our services to patients, our in-depth understanding about differences and nuances among various different diseases, empower us to design differentiated insurance products for insurance companies.
- *Online ecosystem empowering commercialization fulfillment.* Our nationwide offline and online pharmacy network and medical services platform empower patients to navigate their out-of-hospital pharmacy experience. Our services provide a one-stop digitalization process covering a patient's medical experience, and have been continuously enhanced to enable convenient online settlement services for social health insurance.
- *Strong technology and R&D capabilities.* We have established strong technology capabilities in areas closely related to our business, which have enhanced our competitive advantage in the rapidly growing digital healthcare market. We place a strong focus on continuous improvement and have assembled a research and development team, primarily consisting of software engineers, data scientists, technology infrastructure architects and healthcare specialists. We believe our ability to develop differentiated services and enhance our service offerings is the key to maintaining our market leadership.

HEALTH, SAFETY AND ENVIRONMENTAL MATTERS

We do not operate any production facilities. For our pharmacy services, we engage third-party logistics service providers for line haul delivery of products. Therefore, we are not subject to significant health, safety or environmental risks. To ensure compliance with applicable laws and regulations, from time to time, our human resources department would, if necessary and after consultation with our legal advisers, adjust our human resources policies to accommodate material changes to relevant labor and safety laws and regulations. We strive to operate our workplace in a manner that protects the environment and the health and safety of our employees, patients and communities. Occupational health checks are organized. We have not had any significant workplace accidents in the history of our company. During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any material penalties due to non-compliance with health, safety or environmental regulations.

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ENVIRONMENTAL, SOCIAL AND GOVERNANCE

Governance

ESG Governance

We have deeply integrated ESG principles into our strategy and operations, establishing and continuously improving our ESG governance system. Our board of directors serves as the highest oversight and decision-making body for our ESG governance, overseeing and making decisions on major ESG matters and issues. We have established an ESG Task Force composed of personnel from key functional departments, responsible for overall coordination and advancing specific initiatives. The Task Force regularly reports progress to our board of directors, and all functional departments implement routine management accordingly.

Simultaneously, we value board diversity and are committed to achieving a balanced mix in terms of gender, age, culture, education, and professional background. This principle is deeply integrated into the nomination, evaluation, and strategic decision-making processes of the Board.

Risk Management

Through comprehensive assessment of the probability, potential impact and mitigation feasibility of various ESG issues across different time horizons, we have identified ESG topics of material significance to our operations, as well as ESG risks that may substantially affect our business model and value chain. Moreover, we have integrated ESG risk management into the overall enterprise risk management framework, ensuring that the Board and senior management are kept informed of critical ESG risks and their management status.

Material ESG Issues and Risks

Key ESG Issues	Potential Risks and Opportunities	Action Plan
Climate Change Mitigation and Adaptation	The frequency and intensity of extreme weather events triggered by climate change may increase.	By assessing the vulnerability of critical facilities, developing business continuity plans, and establishing backup power and communication systems, we aim to enhance our resilience to extreme climate events.
Environmental Management	We face risks of regulatory penalties, rising operational costs, and reputational damage due to issues such as excessive resource consumption, waste discharge, and pollution.	Advance energy saving, emission reduction, and resource circularity; optimize production processes; and strengthen compliant waste disposal.

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Key ESG Issues	Potential Risks and Opportunities	Action Plan
Business Ethics and Anti-Corruption	Bribery, corruption, and other unethical business conduct directly infringe upon the legitimate rights and interests of stakeholders such as customers and business partners, and may lead to regulatory penalties and other consequences.	Continuously improve internal compliance systems and oversight mechanisms, and strengthen integrity awareness and ethical standards among all employees.
Protection of Labour Rights	Inadequate protection of labour rights may adversely affect employee satisfaction, potentially leading to the loss of key talent.	Ensure full compliance in employment practices and commit to providing employees with clear career development pathways and growth support.
Product Quality and Safety	Lapses in product quality control may lead to risks such as damage to brand reputation and regulatory penalties.	By improving the whole-process quality and safety management system, we systematically mitigate risks.

Business Ethics

We strictly comply with laws and regulations such as the *Anti-Unfair Competition Law of the People’s Republic of China* and the *Interim Provisions on Banning Commercial Bribery*. We have formulated internal policies including the *Employee Diligence and Integrity Manual* and the *Anti-Money Laundering and Anti-Fraud Management System*, established a clear anti-corruption management framework with well-defined responsibilities, and implemented a Three Lines of Defence control system to comprehensively mitigate compliance risks. We have established a business ethics review mechanism, conduct regular specialized reviews, implement graded controls and closed-loop rectification in high-risk areas, and carry out *ad hoc* specialized training on business ethics risks to comprehensively enhance employees’ compliance awareness. During the Track Record Period, we continued to conduct regular integrity and compliance training for our employees and directors, and no significant business ethics violations occurred. Furthermore, we have formulated and implemented the *Whistleblowing and Complaint Management Measures*, providing multiple reporting channels. Our audit department independently conducts confidential investigations, drives issue rectification, and strictly protects whistleblowers.

Privacy Protection

We strictly adhere to laws and regulations, including the *Cybersecurity Law of the People’s Republic of China*, and have established corresponding internal systems accordingly. We continuously improve our artificial intelligence product review mechanisms, as well as our rectification and tracking mechanisms, to effectively ensure software product security and user privacy. Currently, our subsidiary, Yuanxin Huibao, obtained ISO 27001 Information Security Management System certification, the Level 3 Information Security Grade Protection Certificate for Information Systems, and the Communication Network Security Protection Grading Filing Certificate. We regularly conduct information security training for all employees to strengthen their awareness of data security and customer privacy protection.

BUSINESS

Environment

Climate Change Response

We actively respond to climate change and the national goal of “carbon peaking and carbon neutrality,” integrating climate-related issues into our development strategy. We treat greenhouse gas emissions as a key indicator for measuring climate change impact. In line with minimum regulatory requirements, we continuously deepen efforts to reduce greenhouse gas emissions, lower energy consumption and carbon emissions in our operations, and have established a three-tier climate governance structure. This structure features our board of directors overseeing decision-making, the ESG Working Group identifying and assessing issues, and various business departments responsible for specific implementation. We systematically analyse climate-related risks and opportunities, with a focus on physical risks such as extreme weather and policy transition risks. We assess their potential impact across different time horizons, formulating and implementing response measures to strengthen risk management and seize opportunities presented by the low-carbon transition.

Identification and Response to Climate Risks and Opportunities

Risk Type		Risk Description	Response Measures
Transition Risks	Policy Risk	Failure to adapt to policy changes in a timely manner may lead to higher operational compliance costs.	Continuously track the latest compliance policy requirements, monitor our own greenhouse gas emissions, dynamically optimize emission reduction pathways, and participate in collaborations with relevant government bodies and organizations to jointly address challenges.
	Technology Risk	Failure to adopt new energy-saving and carbon-reduction technologies in a timely manner will lead to increased energy consumption and compliance costs.	Continuously evaluate low-carbon technologies, regularly assess potential risks arising from technological lag, and formulate corresponding contingency plans.
	Reputation Risk	Growing stakeholders’ focus on climate change issues. Inadequate response in climate action may damage brand reputation.	Continuously enhance transparency in climate and carbon emissions disclosures, proactively maintain communication with stakeholders, and systematically manage potential reputational impacts.

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Risk Type		Risk Description	Response Measures
Physical Risks	Acute Risk – Extreme Weather	May impact production bases, causing operational disruptions, affecting employee safety, and threatening business continuity.	Develop and implement systematic measures, formulate targeted emergency plans, and regularly conduct emergency drills to enhance response capabilities.
	Chronic Risk – Rising Average Temperatures	May lead to decreased operational efficiency of equipment, increasing long-term energy consumption and operational costs.	Upgrade physical protection facilities to reduce equipment maintenance costs.
Opportunities	Policy Support	Policies promote the development of clean energy and data markets, supported by dedicated funding.	Actively respond to policy direction, leverage relevant support measures, and advance low-carbon transformation practices.
	Market Development	Market preferences are gradually shifting towards green products and services.	Advance packaging optimization and logistics emission reductions and continuously provide consumers with green products.

Greenhouse Gas Emissions Status

Metric	Unit	2023	2024	2025
Scope 1	tCO ₂ e	258.60	282.32	283.92
Scope 2	tCO ₂ e	4,619.37	4,401.04	3,958.85
Scope 3 ¹	tCO ₂ e	1,975.21	2,206.90	1,805.41
Total GHG Emissions	tCO ₂ e	6,853.17	6,890.26	6,048.18

Note:

¹ Our Scope 3 emissions inventory includes Category 6 (Business Travel) and Category 7 (Employee Commuting).

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Resource Management

We strictly comply with application laws and regulations such as the *Environmental Protection Law of the People’s Republic of China* and the *Energy Conservation Law of the People’s Republic of China*. We have established a comprehensive and systematic internal management system to continuously enhance our environmental management level and resource utilization efficiency.

Our daily water consumption is primarily for domestic use in office premises, and our energy consumption mainly comes from electricity use in office premises. We improve energy and water resource efficiency in office areas through measures such as office water conservation and the use of reusable packaging.

Resource Usage

Metric	Unit	2023	2024	2025
Water Consumption ²	tonnes	41,064.56	38,011.13	33,054.06
Gasoline	tonnes	86.34	94.26	94.79
Purchased Heat	GJ	1,880.85	1,722.68	1,535.29
Purchased Electricity	kWh	8,223,018.99	7,848,573.01	7,062,927.80
Total Energy Consumption	tonnes of SCE	1,201.82	1,162.06	1,059.89

Emissions Management

We strictly comply with applicable laws and regulations, including the *Law of the People’s Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes*, and implement systematic management of the waste. We strive to reduce waste generation at the source and ensure all discharges undergo compliant, centralized treatment to minimize environmental impact.

Given the nature of our business, we do not operate manufacturing facilities and therefore, we do not generate significant volumes of wastewater, exhaust gases, or solid waste. During the Track Record Period, our hazardous³ waste amounted to 7,279.71 kilograms, 8,607.33 kilograms, and 9,070.31 kilograms, respectively. Our non-hazardous⁴ waste amounted to 791.70 kilograms, 949.68 kilograms, and 1,023.50 kilograms, respectively.

Notes:

- 2 Water resources include freshwater and purchased reclaimed water.
- 3 Hazardous waste includes used printer cartridges, used ink cartridges, medical waste, waste electronic equipment and waste batteries.
- 4 Non-hazardous waste includes general office waste and office paper.

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Society

Labour Rights

Protection of Employee Rights

We strictly comply with applicable laws and regulations. We have formulated and implemented internal policies, including the *Employee Handbook* and the *Recruitment and Probation Management System*, to comprehensively regulate the entire process from hiring to employment. Upholding the principles of “Openness, Fairness, Impartiality and Merit-based Selection” in recruitment, we strictly prohibit the discrimination based on ethnicity, race, age, gender, marital status, association membership and religious beliefs during the hiring process, ensuring equal opportunities for all candidates.

Employee Profile

Indicator		2023	2024	2025
Total Number of Employees		3,682	2,992	2,674
Number of Employees by Gender	Male Employees	1,208	985	889
	Female Employees	2,474	2,007	1,785
Number of Employees by Age Group	Aged 30 or Below	1,336	1,027	809
	Aged 31 to 50	2,268	1,884	1,798
	Aged Above 50	78	81	67
Employee Turnover Rate		35.29%	35.00%	26.50%

Employee Training and Development

We strictly comply with applicable laws and regulations and have established internal policies, such as the *Promotion Management System*, to define career development pathways and evaluation criteria, building a fair and transparent talent development and motivation framework.

We provide high-calibre talent with broad career development opportunities and market-competitive compensation. A goal-oriented performance management system has been implemented, where assessment results are effectively linked to remuneration, benefits, career progression and diversified incentives, driving shared growth for both employees and us. Furthermore, we adhere to the “Internal First” principle, prioritizing internal selection and providing employees with development and promotion opportunities when vacancies arise. We uphold the training principles of “learning through assessment, effectiveness first,” designing programs focused on addressing frontline business challenges to tangibly support performance improvement. During the Track Record Period, the total number of training attendances for all of our employees reached 33,423.

Occupational Health and Safety

We comply with all applicable occupational safety laws and regulations. We have established a comprehensive Occupational Health and Safety (OHS) management system, conduct ongoing daily awareness campaigns to enhance safety consciousness among all employees and empower frontline employees to participate in safety supervision. We systematically prevent safety hazards through measures such as regular fire safety training for all employees and no-smoking campaigns in office areas. During the Track Record Period, we recorded zero work-related accidents.

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Product Innovation and Safety

We strictly adhere to the *Food Safety Law of the People’s Republic of China*, the *Medicinal Product Administration Law of the People’s Republic of China*, the *Good Supply Practice for Pharmaceutical Products*, and other applicable regulations and industry standards. We have established a comprehensive quality management framework, documented in system documents such as the *Quality Management System*, *Quality Management Responsibilities* and *Standard Operating Procedures*. This framework is reinforced by dedicated management positions, regular inspections, risk monitoring and company-wide training to ensure effective implementation. Specific emergency response procedures and contingency plans are in place for pharmaceuticals and food products, respectively, clearly defining the organizational structure, tiered response processes, personnel duties and coordination mechanisms for emergency situations.

Furthermore, we are continuously advancing the development and application of digital solutions. We have built a pharmacy traceability system centred on a unique drug traceability code, achieving “universal one-code application, end-to-end traceability, and collaborative data governance.” We are also steadily implementing electronic medical records, insurance-adapted cost control systems, and integrated “multi-code-in-one” settlement platforms. We have developed the *Yao Quan* (藥全) series of platforms, enabling end-to-end digital management from pharmaceutical pipeline monitoring and new drug data support to regional introduction and assessment. In 2025, we were honored as one of the “2025 China AI Large Model Enterprise Commercialization Top 20.”

Supply Chain Management

We strictly comply with all applicable laws and regulations. We have formulated and implemented the *Supplier Management System*, drawing on and promoting the adoption of best practices associated with suppliers of listed pharmaceutical companies, establishing a full-lifecycle management system covering supplier onboarding, assessment, monitoring and exit. During the supplier onboarding stage, we have established a rigorous evaluation mechanism. In subsequent collaboration, if a supplier consistently fails to meet agreed requirements and shows no effective improvement after communication, we will terminate the business relationship based on assessment findings. We have implemented a dynamic supplier management system, conducting annual comprehensive evaluations and grade reviews for all cooperative suppliers. Outstanding performers are given opportunities for grade promotion. As of December 31, 2025, we have signed the *Anti-Commercial Bribery Agreement* with all our suppliers.

Community Engagement and Investment

We are a long-term contributor to public welfare initiatives. We demonstrate care through targeted philanthropic donations and encourage our employees to participate in volunteer services, actively giving back to society with concrete actions.

CUSTOMERS

Our customers primarily consist of individual customers, wholesale customers, insurance companies and pharmaceutical companies, and other companies and participants in the healthcare value chain such as hospitals. During each year for the years ended December 31, 2023, 2024 and 2025, our top five customers accounted for no more than 11.7% of our total revenue, and revenue from our largest customer alone accounted for no more than 5.3% of our total revenue in each year during the Track Record Period. Substantially all of our products and services are provided within the PRC.

During the Track Record Period, some entities of certain top customer groups also sold pharmaceutical products to us. The total amount of purchase paid to these entities was RMB280.3 million, RMB311.7 million and RMB28.3 million, accounting for 3.2%, 3.4% and 0.3% of our total purchase for 2023, 2024 and 2025, respectively. As advised by Frost & Sullivan, such supply routine is in line with industry practice, as different pharmacies own distribution right of different products. Negotiations of the terms of our sales to and purchases from these customers were conducted on an individual basis and the sales were neither inter-connected nor inter-conditional with each other. Our Directors confirm that the transactions with these overlapping customers and suppliers were conducted in the ordinary course of business under normal commercial terms and on arm’s length basis.

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To the best of our knowledge, all of our five largest customers during each year for the years ended December 31, 2023, 2024 and 2025 are Independent Third Parties. None of our Directors, their respective associates or any shareholder who, to the knowledge of our Directors, owned more than 5% of our issued share capital as of the Latest Practicable Date, has any interest in any of our five largest customers during each year for the years ended December 31, 2023, 2024 and 2025.

SUPPLIERS

Our top suppliers are primarily pharmaceutical companies and healthcare product companies or their sales agents. Our top five suppliers in the aggregate accounted for 40.4%, 43.3% and 53.7% of our total purchase amount in 2023, 2024 and 2025, respectively. Our largest supplier accounted for 12.5%, 14.1% and 18.4% of our total purchase amount in 2023, 2024 and 2025, respectively. Our major suppliers typically grant us a credit term of up to 90 days.

During each year for the years ended December 31, 2023, 2024 and 2025, some entities of certain top supplier groups also procured pharmaceutical or non-pharmaceutical products from us. The total amount of sales to these entities was RMB303.1 million, RMB203.0 million and RMB55.1 million, accounting for 3.1%, 2.0% and 0.5% of our total revenue for 2023, 2024 and 2025, respectively. As advised by Frost & Sullivan, such supply routine is in line with industry practice, as different pharmacies own distribution right of different products. Because (i) all of our agreements with these entities were entered into under normal commercial terms and on arm's length basis, (ii) negotiations of the terms of our sales to and purchases from entities within the group of these suppliers were conducted on an individual basis and the sales were neither inter-connected nor inter-conditional with each other, and (iii) we and these entities made separate payments for purchases from each other, our Directors confirm that the terms of transactions with such top suppliers were similar to those of transactions with our other customers or suppliers.

To the best of our knowledge, all of our five largest suppliers during each year for the years ended December 31, 2023, 2024 and 2025 are Independent Third Parties. None of our Directors, their respective associates or any shareholder who, to the knowledge of such Directors, owned more than 5% of our issued share capital as of the Latest Practicable Date, has any interest in any of our top five suppliers during each year for the years ended December 31, 2023, 2024 and 2025.

We have been in good business relationship with major suppliers for pharmaceutical and healthcare products in China, and we make purchase decisions based on commercial terms we deem advisable. We believe we have sufficient alternative suppliers for pharmaceutical and healthcare products that can provide us with substitutes of comparable quality and prices. As the terms for such supply is generally standard, we do not expect the negotiation with alternative supplier will bring undue burden to us. During the Track Record Period, we did not experience any disruption to our business as a result of any significant shortage or delay in supply of the products we sourced from our suppliers.

BUSINESS

The tables below set forth the details of our five largest suppliers during each year for the years ended December 31, 2023, 2024 and 2025.

Rank	Suppliers	Year of Commencement of Business Relationship	Nature of the Supplier’s Business with Us	Product/Service Purchased	Purchase Amount	Percentage of Total Purchase (%)
For the year ended December 31, 2025						
1	Supplier A ⁽¹⁾	2018	Distributor of pharmaceutical and medical products	Purchase of pharmaceutical and medical products	1,732,630	18.4
2	Supplier B ⁽²⁾	2018	Distributor of pharmaceutical and medical products	Purchase of pharmaceutical and medical products	1,547,833	16.4
3	Supplier C ⁽³⁾	2018	Distributor of pharmaceutical and medical products	Purchase of pharmaceutical and medical products	1,353,747	14.3
4	Supplier D ⁽⁴⁾	2019	Distributor of pharmaceutical and medical products	Purchase of pharmaceutical and medical products	230,757	2.4
5	Supplier E ⁽⁵⁾	2017	Distributor of pharmaceutical and medical products	Purchase of pharmaceutical and medical products	211,152	2.2
For the year ended December 31, 2024						
1	Supplier A ⁽¹⁾	2018	Distributor of pharmaceutical and medical products	Purchase of pharmaceutical and medical products	1,295,278	14.1
2	Supplier B ⁽²⁾	2018	Distributor of pharmaceutical and medical products	Purchase of pharmaceutical and medical products	1,244,530	13.6
3	Supplier C ⁽³⁾	2018	Distributor of pharmaceutical and medical products	Purchase of pharmaceutical and medical products	919,718	10.0
4	Supplier F ⁽⁶⁾	2019	Distributor of pharmaceutical and medical products	Purchase of pharmaceutical and medical products	279,270	3.0
5	Supplier E ⁽⁵⁾	2017	Distributor of pharmaceutical and medical products	Purchase of pharmaceutical and medical products	237,852	2.6

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Rank	Suppliers	Year of Commencement of Business Relationship	Nature of the Supplier's Business with Us	Product/Service Purchased	Purchase Amount	Percentage of Total Purchase (%)
For the year ended December 31, 2023						
1	Supplier C ⁽³⁾	2018	Distributor of pharmaceutical and medical products	Purchase of pharmaceutical and medical products	1,090,831	12.5
2	Supplier B ⁽²⁾	2018	Distributor of pharmaceutical and medical products	Purchase of pharmaceutical and medical products	1,039,554	11.9
3	Supplier A ⁽¹⁾	2018	Distributor of pharmaceutical and medical products	Purchase of pharmaceutical and medical products	913,170	10.4
4	Supplier F ⁽⁶⁾	2019	Distributor of pharmaceutical and medical products	Purchase of pharmaceutical and medical products	266,913	3.0
5	Supplier D ⁽⁴⁾	2019	Distributor of pharmaceutical and medical products	Purchase of pharmaceutical and medical products	223,527	2.6

Notes:

- (1) Supplier A is a public company listed with Hong Kong Stock Exchange, established in 2003. It is nationwide drug, healthcare products and medical device distributor and retailer based in China with the annual revenue of RMB575.2 billion for the year of 2025. Supplier A was also a customer during the Track Record Period.
- (2) Supplier B is a non-public company established in 2000. It is a nationwide drug, healthcare products and medical device distributor and retailer based in China with the registered capital of RMB19.6 billion as of the date of this document. Supplier B was also a customer during the Track Record Period.
- (3) Supplier C is a public company listed with Hong Kong Stock Exchange, established in 1996. It is a nationwide pharmaceutical and drug distributor based in China with the annual revenue of RMB283.6 billion for the year of 2025. Supplier C was also a customer during the Track Record Period.
- (4) Supplier D is a public company listed with Shanghai Stock Exchange, established in 1951. It is nationwide drug, healthcare products and medical device distributor and retailer based in China with the annual revenue of RMB55.0 billion for the year of 2025.
- (5) Supplier E is a NEEQ-listed company established in 1951. It is a nationwide drug, healthcare products and medical device distributor and retailer based in China with the annual revenue of RMB58.2 billion for the year of 2025.
- (6) Supplier F is a private company established in 2016. It is an internet based drug distributor and retailer based in China with the registered capital of RMB50.0 million as of the date of this document. Supplier F was also a customer during the Track Record Period.

INTELLECTUAL PROPERTY

We regard our trademarks, copyrights, patents, domain names, know-how, proprietary technologies, and similar intellectual property as critical to our success, and we rely on copyright, trademark and patent law and confidentiality, invention assignment and non-compete agreements with our employees and others to protect our proprietary rights. As of the Latest Practicable Date, our material intellectual property consisted of 156 registered trademarks and 18 issued patents in the PRC, and 178 registered copyrights and 41 registered domain names.

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Intellectual property rights are important to the success of our business. We protect our intellectual property rights strictly in accordance with the relevant laws and regulations. We seek to maintain registration of intellectual property rights that are material to our business under appropriate categories and in appropriate jurisdictions. On the other hand, for proprietary know-hows that are not patentable and processes the patents for which are difficult to enforce, we expect to rely on business confidentiality agreements to safeguard our interests in this respect. We have entered into confidentiality agreements, or employment agreements with confidentiality terms, with our employees, requiring them to strictly comply with our confidentiality requirements. For details, see “Appendix IV — Statutory and General Information — B. Further Information about our Business — 2. Intellectual Property Rights.”

During the Track Record Period and up to the Latest Practicable Date, we were not aware of any material infringement (i) by us of any intellectual property rights owned by third parties, or (ii) by any third parties of any intellectual property rights owned by us.

EMPLOYEES

As of December 31, 2025, we had 2,674 full-time employees, all of whom were based in China. The following table sets forth the number of our employees categorized by function as of the date indicated:

	As of December 31,					
	2023		2024		2025	
	Number of Employees	% of Total	Number of Employees	% of Total	Number of Employees	% of Total
Function						
Store Staff	1,064	28.9	856	28.6	767	28.7
Sales and Marketing	1,045	28.4	878	29.3	734	27.4
Research and Development	375	10.2	256	8.6	253	9.5
General and Administrative	527	14.3	410	13.7	368	13.8
Pharmacist and Medical Team	671	18.2	592	19.8	552	20.6
Total	3,682	100.0	2,992	100.0	2,674	100.0

As required by laws and regulations in China, we participate in various employee social security plans that are organized by municipal and provincial governments, including, among other things, pension insurance, social health insurance, unemployment insurance, maternity insurance, on-the-job injury insurance and housing fund plans through a PRC government benefit contribution plan. We are required under PRC law to make contributions to employee benefit plans at specified percentages of the salaries, bonuses and certain allowances of our staff, up to a maximum amount specified by the local government from time to time.

We are committed to establishing a competitive and fair remuneration. In order to effectively motivate our staff, we continually refine our remuneration and incentive policies through market research. We conduct performance evaluation for our employees quarterly to provide feedback on their performance. Compensation for our staff typically consists of base salary and a performance-based bonus.

We typically enter into standard employment agreements and confidentiality agreements or clauses with our senior management and core personnel. These contracts include a standard non-compete covenant that prohibits the employee from competing with us, directly or indirectly, during his or her employment and for certain period after termination of his or her employment. We maintain a good working relationship with our employees, and we have not experienced any material labor disputes. Our employees are not currently represented by any labor union.

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We continuously invest in the training and career development of young talents. We have always striven to provide our engineers and other employees with social benefits, a diverse work environment and a wide range of career development opportunities. We are committed to providing a safe and healthy workplace, which is backed by strict policies, robust team member education, along with continued investments in technology. We support the physical and behavioral health and well-being of our team members and their families by providing an array of programs that help our people and their loved ones stay at their best level of health. Our workforce is as diverse as the community we serve, and we believe that everyone deserves respect. We are committed to the education, recruitment, development and advancement of diverse team members, and are recognized for our commitment to those efforts. We not only focus on the improvement of employees’ professional development, but have made efforts to incentivize our employees to have a “sense of goals” and “sense of fulfilment.” Additionally, we place special emphasis on the building of a talent pipeline and cohesive organizational culture. We have established a system for employee training and development, covering leadership, general competencies, professional competencies, and others. Our training program includes corporate culture, employee rights and responsibilities, team building, professional behavior, job performance, management skills, leadership, and administrative decision-making.

PROPERTIES

Our corporate headquarters is located in Beijing. As of the Latest Practicable Date, we did not own any properties and leased approximately 246 properties in the PRC with an aggregate gross floor area of approximately 78,179 square meters. Our leased properties in the PRC are primarily used for offices, warehouses and offline pharmacies. We believe that our existing facilities are generally adequate to meet our current needs, but we expect to seek additional space as needed to accommodate future growth in equipment, especially as we expand our drug fulfillment network and establish more drug fulfillment centers and warehouses.

During the Track Record Period, we are generally able to renew our leases on terms similar to our existing leases. The following table sets forth the maturity analysis of lease liabilities during the Track Record Period.

	As of December 31,					
	2023		2024		2025	
	Outstanding lease liabilities	Number of lease agreements	Outstanding lease liabilities	Number of lease agreements	Outstanding lease liabilities	Number of lease agreements
	(RMB in thousands)		(RMB in thousands)		(RMB in thousands)	
Due within one year	124,536	118	104,175	74	105,892	103
Due after one years but within five years	179,829	194	137,580	170	93,682	107
Due after five years	16,059	21	9,036	15	5,457	15
Total	320,424	333	250,791	259	205,031	225

As of the Latest Practicable Date, 115 lessors of our leased properties in China had not provided us with valid title certificates or relevant authorization documents evidencing their rights to lease the properties to us. As advised by our PRC Legal Adviser, without valid property ownership certificates or proof of authorizations from the property owners, our use of these leased properties may not be valid or may be affected by third parties’ claims or challenges against the lease. Additionally, it is the lessors’ responsibility to obtain the property ownership certificates to enter into the leases, and, as a tenant, we will not be subject to any administrative punishment or

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penalties in this regard. These statutory protections significantly mitigate our risks arising from these leased properties due to claims from the legal owners of the properties. Lastly, given that the leased properties are located in different provinces or cities across the country, we believe that the risk of being forced to vacate from all the above mentioned properties in the same time by the real estate authorities is low, and we do not expect to incur the administration burden to relocate many stores in a short time period.

As of the Latest Practicable Date, the current usage of 129 leased properties is inconsistent with their permitted usage. As advised by our PRC Legal Adviser, the relevant lease agreements may be deemed to be in breach of applicable laws and therefore be void. As advised by our PRC Legal Adviser, for the leased properties with usage defects, administrative penalties may be imposed on the owners if the properties are leased for the usage inconsistent with their permitted usage, and our usage of the leased properties aforesaid may be interrupted. However, as a tenant, we are not subject to any penalties in this regard. Our Directors are of the views that such inconsistent use of properties will not materially and adversely impact our business operation, on the grounds that: (i) we have adopted a detailed relocation plan to address the scenario where we are not able to use such properties if any dispute on the lease agreements arises, and (ii) we believe we can easily find alternative properties with reasonable relocation costs within appropriate timeline, as all these properties with defective titles are used as our offices, pharmacies or warehouses and are relatively replaceable. The details of our relocation plan are as follows: (i) we identify one or more alternative locations matching our site selection criteria based on the use of such properties, for instance, the alternative locations of our pharmacies should be within 300 meters of hospitals, (ii) we reserve necessary funds for the purpose of leasing alternative properties, and (iii) we have assigned a team in charge of the relocation plan led by our senior officers. According to Frost & Sullivan, in the event that we have to find an alternative location matching our pharmacy site selection criteria, there is generally no issue with availability of alternative locations, although the process of searching for and securing such location might involve competition from our competing pharmacies. In addition, we will adopt stricter internal control measures and check the property ownership certificates and sublease authorizations before we enter into new lease agreements in the future.

Pursuant to applicable PRC laws and regulations, property lease contracts must be registered with the local branch of the Ministry of Housing and Urban-Rural Development of the PRC. As of the Latest Practicable Date, we had not obtained lease registration for 241 properties we leased in China, primarily due to the difficulty of procuring our lessors' cooperation to register such leases. As advised by our PRC Legal Adviser, failure to complete the registration and filing of lease agreements will not affect the validity of the lease agreements. However, we might be ordered to rectify this non-compliance by competent authorities and if we do not rectify within a prescribed period, a fine ranging from RMB1,000 to RMB10,000 for each unregistered lease may be imposed on us. Our Directors believe that the non-registrations of leases described above will not, individually or in the aggregate, materially affect our business and results of operation, on the grounds that: (i) the failure of lease registration shall not directly cause the invalidity of our other material license, (ii) no penalty had been imposed on us for our failure to register and file the relevant lease agreements during the Track Record Period and up to the Latest Practicable Date, and (iii) we were advised by our PRC Legal Adviser that, if the lease registration can be completed in accordance with relevant laws and regulations within a reasonable time from the date of application or the prescribed time limit ordered by the competent governmental authorities, the risk of governmental authorities imposing a material penalty on us with respect to these leased properties is relatively low. We will take all practicable and reasonable steps to ensure that the unregistered leases are registered and take all necessary measures to renew all material licenses from time to time to comply with the relevant laws and regulations.

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As of the Latest Practicable Date, none of the properties leased by us had a carrying amount of 15% or more of our consolidated total assets. According to Chapter 5 of the Hong Kong Listing Rules and section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, this document is exempt from the requirements of section 342(1)(b) of the Companies (Winding up and Miscellaneous Provisions) Ordinance to include all interests in land or buildings in a valuation report as described under paragraph 34(2) of the Third Schedule to the Companies (Winding up and Miscellaneous Provisions) Ordinance.

INSURANCE

We consider our insurance coverage to be adequate as we have in place all the mandatory insurance policies required by Chinese laws and regulations and in accordance with the commercial practices in the industries in which we operate. We provide social security insurance, including pension insurance, unemployment insurance, work-related injury insurance, maternity insurance and social health insurance for our employees. Additionally, in relation to our out-of-hospital medical services, we provide medical liability insurance for certain registered physicians offering medical services through our online medical services. We do not maintain business interruption insurance, nor do we maintain key-man life insurance.

LEGAL PROCEEDINGS AND COMPLIANCE

Legal Proceedings

During the Track Record Period and up to the Latest Practicable Date, we had not been and were not a party to any material legal, arbitral or administrative proceedings, and we were not aware of any pending or threatened legal, arbitral or administrative proceedings against us or our Directors that could, individually or in the aggregate, have a material adverse effect on our business, financial condition and results of operations.

Compliance

Except as otherwise disclosed, as of the Latest Practicable Date, we had not been and were not involved in any material noncompliance incidents that have led to fines, enforcement actions or other penalties that could, individually or in the aggregate, have a material adverse effect on our business, financial condition and results of operations.

During the Track Record Period and up to the Latest Practicable Date, we had obtained all the requisite certificates, permits and licenses that are material to our business operations, including provision of medical services and operation of online pharmacy. During the Track Record Period and up to the Latest Practicable Date, our operating subsidiaries had obtained material licenses, permits or certificates for our business operations, and we are continuously reviewing and updating such licenses, permits, and certificates based on the needs of our business.

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During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any material product recall and return.

RISK MANAGEMENT AND INTERNAL CONTROL

We have adopted and implemented various policies and procedures to ensure rigorous risk management and internal control, and we are dedicated to continually improving these policies and procedures.

Our risk management and internal control policies and procedures cover various aspects of our business operations, such as product safety, healthcare quality and safety, operational and regulatory risk management.

Product quality and safety management

We have put in place product quality and safety policies and related internal control system to (i) maintain and monitor the product safety and quality for the products sold by us (ii) avoid inappropriate sale of prescription drugs, and (iii) protect our company against claims for unauthorized or contaminated products. Highlights of our product quality and safety policies and related internal control system include the following:

- *Product safety and quality.* We select our suppliers based on qualification, brand, business experience, reliability and volume. We perform background checks on suppliers as well as the products they provide before we enter into any agreement. We examine their business licenses and the relevant licenses and certificates for their products before entering into relationships with them. We evaluate their brand recognition and make inquiries about the market acceptance of their products among players in the same industry. We also assess and verify their location, scale of business, property and equipment, human resources, quality control system and fulfillment capability. We have also put in place stringent rules governing the operations of suppliers on our platform to ensure that the pharmaceutical and healthcare products sold by us comply with applicable PRC laws and regulations. We have established a team dedicated to the management of our suppliers on our platform with respect to product quality. We monitor data relating to logistics on our platform, and communicate with the relevant suppliers when issues arise. According to our standard agreements with suppliers, we have the right to return any sub-quality products and impose a penalty on the suppliers. Our suppliers are also subject to indemnities if the quality of their products causes any damage to us, our customers or third-parties.
- *Prescription drug management.* We accept legal prescriptions from licensed healthcare providers and also offer online prescription renewal services. Our external physicians can renew existing prescriptions only after completing their multi-site registration. We have a stringent, AI-assisted prescription verification system to manage the risks associated with the sales of prescription drugs, implemented and closely monitored by our in-house and external physicians and pharmacists. According to the system, pharmacists verifying prescriptions have the authority to deny any prescription that is illegal, irregular or unsuitable. Our system enforces a dual-pharmacist review procedure to make sure that all prescriptions comply with the relevant laws and regulations. No prescription drugs can be sold without our dedicated verification team’s sign off.

In addition, we have adopted stringent internal policies and measures to prevent over-prescription by our physicians. For example, we have put in place a strict internal prescription review system, such that the prescriptions written by our in-house and external physicians are carefully reviewed and cross-checked. We adopt a dual-pharmacist verification system for our internet hospital to ensure that physicians’ prescriptions comply with the relevant rules and regulations. After receiving

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prescriptions from physicians, our pharmacists will verify the prescriptions according to the Drug Administration Law (《藥品管理法》). If the pharmacists find any prescription written is in any potential violation of the Drug Administration Law, they will contact physicians to revise prescriptions, who must then adjust the prescriptions accordingly to ensure that it complies with the Drug Administration Law. Otherwise our pharmacists have the right to deny further processing of the prescription. In addition, we have set upper limits for prescription drug dosage pursuant to the relevant rules and regulations. Furthermore, we have adopted a review system for patients to provide ratings and feedback of their experience in order for us to monitor our physicians’ performance, including the quality of the prescriptions.

- *Combating unauthorized or contaminated products.* We also have the right to return any damaged or contaminated products and be compensated if caused by our suppliers. Other measures to prevent, detect and reduce the occurrence of unauthorized or contaminated products that we have implemented include: (i) enabling customers and suppliers to report suspicious transactions on unauthorized products; (ii) requiring the use of suppliers’ real identities when opening accounts; and (iii) analyzing transaction patterns to identify anomalies.

In addition, we regularly assess the risks associated with supplier non-compliance to adapt internal control measures accordingly. We have adopted policies and procedures governing supplier relationships, including compliance with legal regulations, the company’s policies, and ethical standards. We have implemented a thorough supplier vetting process to ensure that potential suppliers meet compliance standards before engagement. We provide training and awareness programs for our internal staff to ensure the integrity of our supply chain. We foster open communication with suppliers regarding compliance expectations and provide them with feedback on their performance. We have established clear channels for reporting any non-compliance issues and ensure that different departments, such as procurement, legal, and compliance, work closely together to enforce and monitor supplier compliance.

- *Quality control over inventory.* We store our products in accordance with the required temperature and humidity requirements. We store products with special storage requirements in separate warehouses which meet such requirements. Our warehouses are equipped with automatic temperature and humidity monitoring systems. In case the temperature and humidity of our warehouses violate relevant requirements, we will take measures to ensure product qualities or abandon quality compromised products. We also check the appearance, packing and other quality indicators of our stored products on a regular basis, and will take immediate measures to prevent selling products with doubtful quality.

Healthcare service quality and safety management

We value the quality and safety of the healthcare services we provide. We strive to minimize medical risks arising from our operations. During the Track Record Period and up to the Latest Practicable Date, we have never received any written notice or penalty for material non-compliance or violation of healthcare service quality and safety laws and regulations.

The skills, competence and attitude of our in-house medical team are essential for the quality of care that our customers receive. We continually monitor the risk in relation to services provided by our in-house medical team to ensure that the risk management policies and procedures have been strictly followed, so as to achieve effective and efficient governance, risk and control processes.

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We have adopted stringent hiring procedures for in-house physicians and pharmacists, which involve in-person interviews and assessments of technical knowledge. Our in-house medical team receives regular training on relevant safety policies, standards and work procedures and is required to strictly comply with them in all aspects of our operations. We conduct evaluations of our in-house physicians, and pharmacists to, in particular, ensure our in-house physicians authorized to issue and renew prescriptions have registered our medical institution in their licenses. For external physicians, we generally require them to provide us with their qualifications and licenses and to strictly adhere to the work scope and quality requirements specified in their service agreements in compliance with applicable legal and regulatory requirements. We only give access to the prescription renewal function to physicians who have completed their multi-site registrations.

Operational risk management

Operational risk refers to the risk of direct or indirect financial loss resulting from incomplete or problematic internal processes, personnel mistakes, IT system failures, or external events. We have established a series of internal procedures to manage such risk.

In particular, we pay close attention to risks relating to our IT, as sufficient maintenance, storage and protection of user data and other related information is critical to us. Sensitive user information in our business operations is stored on public clouds. Such information includes, but is not limited to, personal information (such as user name, cell phone number, delivery address, age and gender), consultation record, order record and activity log. We have kept all sensitive user information in our database, such as order record and consultation record since inception and maintain such information for an indefinite period of time, unless deletion of such data is required in accordance with applicable laws and regulations, our internal data retention and deletion policies, or at the request of the relevant users.

In general, according to our terms of service and except as required by relevant laws and regulations, by signing up and agreeing the terms, users acknowledge that they permit and authorize our use of the information we were provided with and the information generated in the course of our services. The users also acknowledge under the terms of service that they authorize our business partners to use their information that is necessary for our business partners to provide services to them or to improve service quality. We give the relevant business partners the necessary user information only pursuant to the authorized scope. To ensure the security of user information, we and our business partners owe a duty of confidentiality to the users with respect to such information.

We have adopted safe encryption algorithms and implemented stringent rules for data extraction and transmission to ensure the confidentiality of the users of our online consultation and prescription renewal service. We have implemented relevant internal procedures and controls to ensure that user data is protected and that leakage and loss of such data is avoided. We have also implemented mechanisms, such as responsibility rotation and segregation of duties, among our data administration staff in daily operations. In the event of an information security breach, we perform investigations and perform damage control. In general, our employees do not have access to user information. We also hold trainings on data protection for our employees on a regular basis.

Our system keeps a daily log of data extraction and transmission activities and status in authorization in data extraction and transmission for review. We also have a dedicated data security team that is responsible for (i) monitoring suspicious data extraction and transmission activities or violations of our internal rules relating to data protection, (ii) advising on data protection issues identified in the course of monitoring and reporting to company management for attention, and (iii) enhancing our data protection system in accordance with changes in regulatory requirements and technological developments. As and when required by relevant laws and regulations, we intend to consult an external advisor in relation to the protection of user data.

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We also have a data back-up task through which data is encrypted and stored on back-up servers regularly to reduce the risk of data loss. In addition, we perform back-up recovery tests regularly to examine the status of the back-up system.

Human resources risk management

We provide regular and specialized training tailored to (i) the needs of our employees in different departments, and (ii) our anti-bribery and anti-corruption policy. We have a training department which regularly organizes internal training sessions conducted by senior instructors or outside consultants on topics of interest that employees can vote on. The training center schedules regular online and classroom trainings, reviews the content of the trainings, follows up with employees to evaluate the impact of such training and rewards lecturers for positive feedback. Through these training sessions, we ensure that our staff's skill sets and knowledge level of our anti-bribery and anti-corruption policy remain up-to-date, enabling them to better comply with applicable laws and regulations in the course of exploring business.

We have in place an employee handbook and a code of conduct which is distributed to all our employees. The handbook contains internal rules and guidelines regarding work ethics, fraud prevention mechanisms, negligence and corruption. We provide employees with regular training, as well as resources to explain the guidelines contained in the employee handbook.

Regulatory compliance and legal risk management

Compliance risk refers to the risk of being subject to legal and regulatory sanctions, and the risk of major financial and reputational losses as a result of our failure to comply with relevant laws, regulations, rules and guidelines. Meanwhile, legal risk refers to the risk of legal liability arising from violations of laws and regulations, breaches of contracts, infringements on the legal rights of others or otherwise in connection with any contract or business activity in which we are involved.

In order to manage our compliance and legal risk exposures effectively, we have designed and adopted strict internal procedures to ensure the compliance of our business operations with the relevant rules and regulations. In particular, as we and our employees deal with a variety of third parties in our operations, we have implemented internal procedures with respect to anti-corruption, anti-bribery and conflict of interest matters. Firstly, as part of our risk management and internal control measures, we have adopted a series of internal regulations against corrupt, bribery and fraudulent activities, which include measures against receiving bribes and kickbacks, and misappropriation of company assets. We have anti-corruption and anti-bribery clauses in a majority of our business contracts, and we require our suppliers and other third parties who cooperate with us to comply with relevant laws and regulations. Secondly, we require every department to perform self-check on any violations in key processes and roles on a regular basis, and report to the internal control department any violation or trace of possible risk events. Thirdly, employees are encouraged to provide information about potential bribery or corruption via phone, email, letters and other means, and we would offer rewards in return for valuable information. Fourthly, our internal control department carefully evaluates risk events of potential corruption and bribery and conducts investigations when necessary. Fifthly, we have implemented clear and strict policies and guidelines that prohibit the acceptance of gifts, hospitality and other offers by interested third parties. Sixthly, our internal control department conducts internal control inspections regularly. Employees are required to acknowledge and accept our internal code of business conduct and ethics that lists in detail relevant policies and regulations, including but not limited to clear definitions of bribery, corruption and interested parties. We impose on directors, senior management and employees penalties, and require compensation, for any losses incurred as a result of any activities concerning bribery and corruption. Lastly, our internal control department conducts internal control inspections regularly.

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We continually improve our internal policies according to changes in laws, regulations and industry standards, and update internal templates for legal documents. We also undertake compliance management over various aspects of our operations and employee activities, and have established an accountability system in respect of employees’ violations of laws, regulations and internal policies. In addition, we continually review the implementation of our risk management policies and measures to ensure our policies and implementation are effective and sufficient.

Financial reporting risk management

We have implemented a set of accounting policies in connection with our financial reporting risk management, such as financial reporting management policies, budget management policies, financial statement preparation policies and finance department and staff management policies. We have various procedures in place to implement accounting policies and our finance department reviews our management accounts based on such procedures. We also provide regular training to our finance department staff to ensure that they understand our financial management and accounting policies and implement them in our daily operations. As of February 2026, our finance department consisted of 127 employees headed by Ms. Jing Wen, our chief financial officer.

Anti-bribery and corruption management

We have in place an anti-bribery and corruption policy to safeguard against any corruption within our Company. The policy explains potential bribery and corruption conduct and our anti-bribery and corruption measures. We make our internal reporting channel open and available for our employees to report any bribery and corruption acts, and our employees can also make anonymous reports to our internal audit committee. Our internal audit committee is responsible for investigating the reported incidents and taking appropriate measures in response to the relevant incidents.

LICENSES, APPROVALS AND PERMITS

Our PRC Legal Adviser has advised that, as of the Latest Practicable Date, we had obtained all licenses, approvals and permits necessary to conduct our operations in all material respects from the relevant government authorities in China. We are required to renew such licenses, approvals, permits and certificates from time to time. We do not expect any material legal obstacles in obtaining such renewals as long as the relevant documents are submitted as required by the relevant government authorities.