*You should read the following discussion and analysis in conjunction with our audited consolidated financial information as of and for the years ended December 31, 2023, 2024 and 2025 and as of included in the Accountants' Report set out in Appendix I to this document, together with the respective accompanying notes. Our audited consolidated financial information has been prepared in accordance with International Financial Reporting Standards ("**IFRSs**").*

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

OVERVIEW

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, the 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 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 participates 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.

We have experienced steady growth during the Track Record Period. Our total revenue increased from RMB9,737.3 million in 2023 to RMB10,204.6 million in 2024, and further to RMB10,376.7 million in 2025. Our gross profit decreased from RMB911.2 million in 2023 to RMB793.9 million in 2024, and increased to RMB1,022.6 million in 2025. Our gross profit margin decreased from 9.4% in 2023, to 7.8% in 2024 and increased to 9.9% in 2025. Our net loss was RMB719.0 million, RMB1,094.1 million and RMB400.9 million for the years ended December 31, 2023, 2024 and 2025, respectively. Our adjusted net loss (non-IFRS measure) was RMB677.2

million, RMB939.0 million and RMB260.2 million for the years ended December 31, 2023, 2024 and 2025, respectively. Our negative adjusted EBITDA (non-IFRS measure) was RMB430.3 million, RMB696.6 million and RMB52.0 million for the years ended December 31, 2023, 2024 and 2025, respectively. As of December 31, 2025, we had 201 pharmacies under the brand *Yuanxin Pharmacy*, collaborated with 537 hospitals, served 506 pharmaceutical companies and helped insurance companies launch 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.

BASIS OF PRESENTATION

Our historical financial information has been prepared in accordance with International Financial Reporting Standards (the "**IFRSs**"), which comprise all standards and interpretations approved by the International Accounting Standards Board (the "**IASB**"). All IFRSs effective for the accounting period commencing from January 1, 2025, together with the relevant transitional provisions, have been early adopted by us in the preparation of the historical financial information throughout the Track Record Period. The historical financial information has been prepared under the historical cost convention, except for certain financial assets at fair value through profit or loss which have been measured at fair value.

The preparation of the historical financial information in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying our accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the historical financial information are disclosed in note 3 to the Accountants' Report included in Appendix I to this document.

Basis of Consolidation

The historical financial information includes our financial information for the Track Record Period. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by us. Control is achieved when we are exposed, or have rights, to variable returns from our involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give us the current ability to direct the relevant activities of the investee). When we have, directly or indirectly, less than a majority of the voting or similar rights of an investee, we consider all relevant facts and circumstances in assessing whether it has power over an investee, including: the contractual arrangement with the other vote holders of the investee, rights arising from other contractual arrangements, and our voting rights and potential voting rights.

The financial information of the subsidiaries is prepared for the same reporting period as ours, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which we obtain control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of our parent and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between our members are eliminated in full on consolidation.

We reassess whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If we lose control over a subsidiary, it derecognizes: (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest, and (iii) the cumulative translation differences recorded in equity; and recognizes: (i) the fair value of the consideration received, (ii) the fair value of any investment retained, and (iii) any resulting surplus or deficit in profit or loss. Our share of components previously recognized in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if we had directly disposed of the related assets or liabilities.

MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our business, results of operations and financial condition are affected by general factors driving China's healthcare industry. Our business expansion and revenue growth have been and will continue to be affected by the development of the healthcare industry in China, which in turn is driven by increasing disposable income and healthcare spending, rising health and wellness awareness, aging population, increasing life expectancy, favorable government policies and increasing coverage of medical insurance. Unfavorable changes in any of these general industry conditions could negatively affect demand for products and services provided by us and adversely and materially affect our results of operations.

In addition, we are affected by government policies and regulations that address all aspects of our operations. See "Risk Factors – Risks Related to Our Business and Industry – We are subject to extensive and evolving regulatory requirements, the changes or non-compliance of which may materially and adversely affect our business and prospects." We have benefited from certain recent favorable regulatory and policy changes in China, especially various policy initiatives that have promoted the sales of pharmaceutical and healthcare products as well as the development of commercial health insurance.

While our business is influenced by general factors affecting the general healthcare industry in China, we believe our results of operations are more directly affected by company-specific factors, including the following major factors:

Our Ability to Increase Our Customers

During the Track Record Period, our out-of-hospital pharmacy services had experienced steady growth. Such growth was primarily driven by our success in attracting new patient customers and driving additional purchases of products and services from existing patient customers. 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 ability to increase our customers also depends on our ability to continuously enhance our prescription processing capabilities. In 2023, 2024, and 2025, the average number of prescriptions served per offline pharmacy was approximately 10,000, 15,000 and 18,000, respectively. We expect to achieve continuous growth in our out-of-hospital pharmacy services in the foreseeable future as we attract more customers to our offline and online pharmacy network.

Our ability to increase our customers is affected by our ability to expand coverage of innovative drugs, broaden the product and services offerings on our online pharmacy, increase the number of our offline pharmacies, and introduce more healthcare services that tailor to the needs of patient customers. Leveraging our extensive offline pharmacy network and professional pharmacist team, we believe we are well positioned to enhance customer experience of our healthcare fulfillment services and continue to attract and retain customers.

Our Ability to Expand Hospital Coverage and Deepen Collaboration with Hospitals

We believe the rapid growth of our out-of-hospital pharmacy services during the Track Record Period has been largely attributable to our successful capitalization of the medical resources we accumulated, in particular resources from hospitals and physicians we collaborate with. The number of hospitals with which we collaborated increased from 487 to 511 and further to 537 as of December 31, 2023, 2024 and 2025, respectively. These hospitals create a constant patient customer source for our nationwide pharmacies, which are strategically placed nearby to provide convenient and professional services to the hospitals' patients.

Meanwhile, in-depth collaboration with hospitals will enable us to expand our healthcare technology services. As an integral part of our business, these services enhance hospitals' operational efficiency and help them better serve their patients. Collaboration with hospitals will also enable us to accumulate more insights about patients, drug usage and efficacy, and treatment of complex diseases. We plan to expand our healthcare technology services to cover more hospitals in China.

Our Ability to Enhance Operating Leverage

Our scalable service offerings with high revenue visibility enable us to generate recurring and stable cash flows. Our results of operations are directly affected by our ability to further increase and leverage our scale of business. As our business further grows in scale, we expect to obtain more favorable terms from suppliers, including pricing terms, credit period and volume-based rebates. We aim to further expand our digital healthcare services through our online *Miaoshou Physician*, which we believe would increase user stickiness with low-cost.

In addition, our results of operations depend on our ability to control costs and enhance operating efficiency. The growth of our user base has resulted in economic of scale, which in turn allowed us to expand our business with lower marginal costs and compete more effectively. Our selling expense ratio and administrative expense ratio decreased from 10.8% and 3.5% in 2024 to 9.3% and 2.8% in 2025. We believe our scale of business will enable us to acquire customers and provide services more cost-effectively.

Our Ability to Create Value for Participants in the Healthcare Industry

Our results of operations depend in part on our ability to create value for participants in the healthcare industry, including hospitals, medical professionals, pharmaceutical companies, insurance companies, among others. During the Track Record Period, our revenue generated from our insurance services and marketing services to pharmaceutical companies experienced growth from RMB475.6 million in 2023 to RMB476.5 million in 2024 and further to RMB549.0 million in 2025. 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. Building upon our success for our commercialization fulfillment network, we plan to expand our services under our commercialization acceleration services to empower other service providers in the healthcare value-chain to provide better services to patients. The insights and market information we acquired through our pharmacy and healthcare technology services present significant medical marketing value to existing patients and new customers, enabling us to explore diversified monetization opportunities.

Our Ability to Effectively Invest in Technology

We have invested, and will continue to invest in, resources to enhance the technology and capabilities of our services. The digital health market is characterized by rapidly changing technology, introduction of new services and evolving customer demands. Our ability to engage customers is affected by the breadth and depth of our customer insights, our technology capabilities and infrastructure to support the growth of our business, and our ability to timely adapt to rapidly evolving industry trends and user preferences. We will continue to develop new technologies for our digital health services and invest in big data and AI technologies to enhance our services to hospitals and other institutional customers. We will also continue to invest resources to strengthen our research and development for medical knowledge and AI capability. During the years ended December 31, 2023, 2024 and 2025, we spent RMB192.8 million, RMB140.7 million and RMB114.0 million on research and development, respectively. We believe continuous investment in relevant research areas and technologies will optimize our existing technology platform and better support our business expansion.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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

Set forth below are discussions of the accounting policies that we believe are of critical importance to us or involve the most significant estimates, assumptions and judgments used in the preparation of our financial statements. Other material accounting policy information, estimates, assumptions and judgments, which are important for understanding our financial condition and results of operations, are set forth in detail in notes 2 and 3 to the Accountants' Report in Appendix I to this document.

Material Accounting Policy Information

Revenue Recognition

Revenue from contracts with customers

We recognize revenue from contracts with customers 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.

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.

- Commercialization fulfilment network

We provide a wide range of drugs, healthcare products and medical supplies to customers through offline pharmacies and online pharmacy network. Revenue from our commercialization fulfilment network is recognized at the point in time when control of pharmaceutical products is transferred to customers, generally on delivery or acceptance of the pharmaceutical products.

- Commercialization acceleration service

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. Revenue is recognized when the signed insurance policy becomes effective since we have fulfilled the performance obligation. We also provide third party administration services, including claim process and pharmacy benefit management, typically charging insurance companies of a fixed fee or a fixed percentage of total insurance premium, and revenue is recognized when such services are rendered. The insurance premiums collected on behalf of insurance companies from the insurance consumers but have not yet been remitted to insurance companies as of the balance sheet dates are presented as cash held on behalf of client with the corresponding amount credited to other payables to insurance companies.

Marketing services to pharmaceutical companies

We provide research assistance services to pharmaceutical companies. Revenue is generally recognized at the point in time when such services have been fulfilled by us unless the output is available for pharmaceutical companies to consume over the course of the contract fulfilment.

- Healthcare technology services

We assist hospitals to establish their online hospital management system and develop a suite of infrastructure and management solutions that facilitate hospitals' internal operations. The primary source of revenue from healthcare technology solutions services is recognized at the point when the services have been fulfilled by us.

Significant Accounting Judgements and Estimates

The preparation of our historical financial information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each of the Track Record Period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Provision for expected credit losses on trade receivables and contract assets

We use a provision matrix to calculate expected credit losses (the "**ECL**") for trade receivables and contract assets. The provision rates are based on internal credit ratings as groupings of various debtors that have similar loss patterns. The provision matrix is based on our historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At the end of each Track Record Period, the historical observed default rates are reassessed and changes in the forward-looking information are considered. The provision for ECLs is sensitive to changes in estimates. For further details, please refer to note 10 and note 27 to the Accountants' Report in Appendix I to this document.

Fair value measurements of contingent consideration

Certain of our financial liabilities are measured at fair values with fair values being determined based on unobserved inputs using valuation techniques. Judgement and estimation are required in establishing the relevant valuation techniques and the relevant inputs thereof. Changes in assumptions relating to these factors could affect the reported fair values of these instruments. For further details, please refer to note 45 to the Accountants' Report in Appendix I to this document.

Impairment of goodwill

We determine whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the group of cash-generating units, that is expected to benefit from the synergies of the combination. Estimating the value in use requires us to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Impairment of non-financial assets (other than goodwill)

We assess whether there are any indicators of impairment for all non-financial assets (including right-of-use assets) at the end of each of the Track Record Periods. The non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Provision for inventories

We assess periodically if cost of inventories may not be recoverable based on an assessment of the net realizable value of inventories. Allowances are applied to inventories where events or changes in circumstances indicate that the net realizable value is lower than the cost of inventories. The identification of obsolete inventories requires the use of judgement and estimates on the conditions and usefulness of the inventories, the net realizable value has been determined based on the contracted selling price to be recognized less all estimated remaining costs to completion and costs necessary to provide the service. Where the expectation is different from the original estimate, such difference will impact the carrying value of the inventories in the year in which such estimate changes.

DESCRIPTION OF MAJOR COMPONENTS OF OUR RESULTS OF OPERATIONS

We were loss-making during the Track Record Period. The following table sets forth our consolidated statements of profit or loss with line items in absolute amounts and as percentages of our revenue for the years indicated:

	For the Year Ended December 31,					
	2023		2024		2025	
	RMB	%	RMB	%	RMB	%
	(in thousands of RMB, except percentages)					
Revenue	**9,737,307**	**100.0**	**10,204,643**	**100.0**	**10,376,737**	**100.0**
Cost of sales	(8,826,059)	(90.6)	(9,410,747)	(92.2)	(9,354,152)	(90.1)
Gross profit	**911,248**	**9.4**	**793,896**	**7.8**	**1,022,585**	**9.9**
Other income and gains	42,348	0.4	26,422	0.3	25,875	0.1
Other expenses and losses	(37,536)	(0.4)	(269,964)	(2.6)	(36,900)	(0.4)
Selling and distribution expenses	(1,100,826)	(11.3)	(1,097,746)	(10.8)	(966,437)	(9.3)
Administrative expenses	(299,148)	(3.1)	(362,207)	(3.5)	(297,330)	(2.8)
Research and development expenses	(192,836)	(2.0)	(140,711)	(1.4)	(113,986)	(1.1)
Impairment losses under ECL model	(30,278)	(0.3)	(45,603)	(0.5)	(23,779)	(0.2)
Finance costs	(19,672)	(0.2)	(20,594)	(0.2)	(13,961)	(0.1)
Share of profit of associates	(22,628)	(0.2)	(8,098)	(0.08)	(807)	(0.01)
Share of profits and losses of joint ventures	(111)	(0.001)	(1,426)	(0.01)	(116)	(0.001)
Loss before tax	**(749,439)**	**(7.7)**	**(1,126,031)**	**(11.0)**	**(404,856)**	**(3.9)**
Income tax credit	30,467	0.3	31,897	0.3	3,958	0.04
Loss and total comprehensive loss for the year	**(718,972)**	**(7.4)**	**(1,094,134)**	**(10.7)**	**(400,898)**	**(3.9)**
Owners of the parent	(688,932)	(7.1)	(919,927)	(9.0)	(373,486)	(3.6)
Non-controlling interests	(30,040)	(0.3)	(174,207)	(1.7)	(27,412)	(0.3)

NON-IFRS MEASURE: ADJUSTED NET LOSS (NON-IFRS MEASURES) AND ADJUSTED EBITDA (NON-IFRS MEASURE) FOR THE YEAR

To supplement our consolidated financial statements, which are presented in accordance with IFRSs, we also use adjusted net loss (non-IFRS measure) and adjusted EBITDA (non-IFRS measure) as additional financial measures, which are not required by, or presented in accordance with, IFRS. We believe such measures facilitate comparisons of operating performance from period to period and company to company by eliminating potential impacts of certain items.

We believe adjusted net loss (non-IFRS measure) and adjusted EBITDA (non-IFRS measure) provide useful information to [**REDACTED**] and others in understanding and evaluating our consolidated results of operations in the same manner as they help our management. However, our presentation of adjusted net loss (non-IFRS measure) and adjusted EBITDA (non-IFRS measure) may not be comparable to similarly titled measures presented by other companies. The use of such measures have limitations as an analytical tool, and you should not consider them in isolation from, or as a substitute for an analysis of, our results of operations or financial condition as reported under IFRS.

We define adjusted net loss (non-IFRS measure) as loss and total comprehensive loss for the year adjusted by adding back share-based payment compensation and [**REDACTED**] expense. We exclude share-based payment compensation because it is non-cash in nature and does not result in cash outflow. We exclude [**REDACTED**] expense in relation to our [**REDACTED**]. The exclusion of share-based payment compensation and [**REDACTED**] expense complies with Chapter 3.11 of the Guide for New Listing Applicants. We define adjusted EBITDA (non-IFRS measure) as loss and total comprehensive loss for the year adjusted by adding back (i) bank interest income, finance cost, and income tax credit and (ii) certain non-cash expenses, consisting of depreciation of property, plant and equipment, depreciation of right-of-use assets and amortization of intangible assets. The following table (in absolute amounts and as percentages of total revenue for the year indicated) reconciles our adjusted net loss (non-IFRS measure) and adjusted EBITDA (non-IFRS measure) for the year presented in accordance with IFRS, which is loss and total comprehensive loss for the year:

	For the Year Ended December 31,					
	2023		2024		2025	
	RMB	%	RMB	%	RMB	%
	(in thousands of RMB, except percentages)					
Reconciliation of loss to non-IFRS:						
Loss and total comprehensive loss for the year	(718,972)	(7.4)	(1,094,134)	(10.7)	(400,898)	(3.9)
Add:						
Share-based payment compensation	26,151	0.3	154,172	1.5	140,666	1.4
[**REDACTED**] expense	15,659	0.1	982	0.01	–	–
Adjusted net loss (non-IFRS measure) for the year	**(677,162)**	**(7.0)**	**(938,980)**	**(9.2)**	**(260,232)**	**(2.5)**
Add:						
Depreciation of property, plant and equipment	43,677	0.4	38,442	0.4	32,278	0.4
Depreciation of right-of-use assets	134,358	1.4	125,465	1.2	98,479	0.9
Amortization of intangible assets	103,084	1.1	102,347	1.0	73,616	0.7
Bank interest income	(23,419)	(0.2)	(12,559)	(0.1)	(6,190)	(0.1)
Finance costs	19,672	0.2	20,594	0.2	13,961	0.1
Income tax credit	(30,467)	(0.3)	(31,897)	(0.3)	(3,958)	(0.04)
Adjusted EBITDA (non-IFRS measure)	**(430,257)**	**(4.4)**	**(696,588)**	**(6.8)**	**(52,046)**	**(0.5)**

We had a net loss of RMB719.0 million, RMB1,094.1 million and RMB400.9 million for the years ended December 31, 2023, 2024 and 2025, respectively. The net losses were incurred during the Track Record Period because we have been engaged in promoting customer engagement and enhancing our brand recognition, rather than seeking immediate financial returns or profitability, in order to lay a solid foundation for our long-term success, and to a lesser extent, our continuous investment of resources to strengthen our research and development for medical knowledge.

Revenue

During the Track Record Period, we generated revenue from our (i) commercialization fulfillment network, (ii) commercialization acceleration services and (iii) healthcare technology services. Revenue from out-of-hospital pharmacy services accounted for a substantial majority of our total revenue in each of 2023, 2024 and 2025. 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 ability to serve patients continued to improve, driving the increase in our revenue from out-of-hospital pharmacy services.

The following table sets forth a breakdown of our revenue both in absolute amount and as a percentage of our total revenue for the years presented.

	For the Year Ended December 31,					
	2023		2024		2025	
	RMB	%	RMB	%	RMB	%
	(in thousands of RMB, except percentages)					
Commercialization Fulfillment Network						
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
Commercialization Acceleration Services						
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
Healthcare Technology Services	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**

Services under commercialization fulfillment network

Our services under commercialization fulfillment network include (i) out-of-hospital pharmacy services, (ii) out-of-hospital medical services, and (iii) wholesale pharmacy services.

- *Out-of-hospital pharmacy services.* We derive revenue from out-of-hospital pharmacy services through sales of a wide assortment of health and wellness products. The products we sell primarily consist of (i) prescription drugs with focus on innovative drugs, and (ii) OTC remedies, wellness products and medical devices.

- *Out-of-hospital medical services.* We derive revenue from out-of-hospital medical services through provision of specialized medical services, including online consultation, infusion assistance, pharmacist counseling, drug utilization management, adherence and counseling programs. During each period of the Track Record Period, revenue from out-of-hospital medical services accounted for an insignificant portion of our total revenue.

- *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 recognize revenue on the wholesale of products when performance obligations are satisfied, meaning when we transfer control of a product to a wholesale customer.

Commercialization Acceleration Services

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. Revenue from our insurance services accounted for a small portion of our total revenues during each period of the Track Record Period.

Marketing services to pharmaceutical companies

We provide marketing services based on patient follow-up by our pharmacist collaborating with the hospital department during the course of treatment. We typically charge pharmaceutical companies a fixed fee for the service rendered. Revenue from our marketing services to pharmaceutical companies accounted for an insignificant portion of our total revenues during each period of the Track Record Period.

Healthcare technology services

We derive revenues from our healthcare technology services through provision of services and solutions to hospitals, enabling them to establish their online hospital management system and conduct intelligent hospital operations. 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 each period of the Track Record Period, revenue from our healthcare technology services accounted for an insignificant portion of our total revenues.

Cost of Sales

Our cost of sales primarily consists of costs of goods for our business under commercialization fulfillment network. The increase in our cost of sales in 2024 reflected the growth of our business and the slight decrease in our cost of sales in 2025 was mainly due to decrease in wholesale pharmacy services. We expect our cost of sales to continue to increase in the foreseeable future in line with business growth and expansion. The following table sets forth our cost of sales by nature both in absolute amount and as a percentage of our total cost of sales and services for the years indicated.

	For the Year Ended December 31,					
	2023		2024		2025	
	RMB	%	RMB	%	RMB	%
	(in thousands of RMB, except percentages)					
Cost of goods	8,601,013	97.5	9,111,622	96.8	9,086,946	97.1
Others	225,046	2.5	299,125	3.2	267,206	2.9
Total	**8,826,059**	**100.0**	**9,410,747**	**100.0**	**9,354,152**	**100.0**

Gross Profit and Gross Margin

Our gross profit represents our revenue less our cost of sales. Our gross profit margin represents our gross profit as a percentage of our revenue. For the years ended December 31, 2023, 2024 and 2025, our gross profit was RMB911.2 million, RMB793.9 million and RMB1,022.6 million, respectively, and our gross profit margin was 9.4%, 7.8% and 9.9%, respectively. The following table sets forth a breakdown of our gross profit and gross margin by business line for the years indicated.

	For the Year Ended December 31,					
	2023		2024		2025	
	Gross Profit	Gross Margin	Gross Profit	Gross Margin	Gross Profit	Gross Margin
	(in thousands of RMB, except percentages)					
Types of goods or services:						
Commercialization Fulfillment Network						
Out-of-hospital pharmacy services and out-of-hospital medical services	496,424	8.2	488,612	7.4	594,665	7.3
Wholesale pharmacy services	113,793	3.6	64,340	2.1	63,054	3.9
Subtotal	610,217	6.6	552,952	5.7	657,719	6.7
Commercialization Acceleration Services						
Insurance services	167,137	57.8	105,816	39.5	213,474	63.7
Marketing services to pharmaceutical companies	104,398	56.0	103,570	49.6	103,220	48.2
Subtotal	271,535	57.1	209,386	43.9	316,694	57.7
Healthcare Technology Services	29,496	58.4	31,558	49.6	48,172	58.0
Total	**911,248**	**9.4**	**793,896**	**7.8**	**1,022,585**	**9.9**

Out-of-hospital pharmacy services and out-of-hospital medical services

Our gross profit from out-of-hospital pharmacy services and out-of-hospital medical services remained stable during the Track Record Period, which is in line with our revenue performance. Our gross margin from out-of-hospital pharmacy services and medical services remained stable at 8.2%, 7.4% and 7.3% for the years ended December 31, 2023, 2024 and 2025.

Wholesale pharmacy services

Our gross profit from wholesale pharmacy services declined during the Track Record Period as we proactively reduce the size of such business. Our gross margin from wholesale pharmacy services remained stable at 3.6%, 2.1% and 3.9% for the year ended December 31, 2023, 2024 and 2025. Our gross margin in 2024 was lower as we were taking abovementioned business restructuring measures, which had certain impact on the operation of our wholesale pharmacy business.

Insurance Services

There was certain fluctuation in our gross profit from insurance services during the Track Record Period. As our insurance services is product-based in nature, accidental movements in the products we work on brought significant impact on our gross profit in 2024 and 2025. In 2024, (i) we failed to win the bid for services in relation to certain provincial *Huimin Bao* product and a nationwide product, (ii) we incurred more promotion cost for our services in relation to certain nationwide product and certain provincial *Huimin Bao* product, including one for which we just initiated collaboration with relevant partner, and (iii) our services for certain provincial and municipal *Huimin Bao* products was prolonged (the "prolonged services"), resulting in delay in revenue recognition, which caused a significant decrease in our gross profit. In 2025, as our promotion efforts for abovementioned products changed back to normal level and we recognized revenue for those prolonged services, our gross profit performance recovered, which, together with the increase in our insurance-related drug promotion revenue, drove a significant increase in our gross profit. For 2023, 2024 and 2025, our gross margin from insurance services was 57.8%, 39.5% and 63.7%, respectively.

Marketing services to pharmaceutical companies

Our gross profit from marketing services to pharmaceutical companies decreased from RMB104.4 million in 2023 to RMB103.6 million in 2024, and remained stable at RMB103.2 million in 2025. Since the gross margin for each marketing campaign we lead for pharmaceutical companies varies, changes in the project mix may lead to fluctuations in the gross margin level of our marketing services during the Track Record Period. In 2023, our overall gross margin performance was relatively strong due to the undertaking of several campaign with higher gross margin levels. For 2023, 2024 and 2025, our gross margin from marketing services to pharmaceutical companies was 56.0%, 49.6% and 48.2%, respectively.

Healthcare technology services

Our gross margin from healthcare technology services was 58.4%, 49.6% and 58.0% in 2023, 2024 and 2025, respectively. As our healthcare technology services is project-based, we witnessed fluctuations in our gross margin from such services.

Other Income and Gains

Our other income and gains primarily consists of (i) bank interest income, and (ii) government grants, such as tax rebates and government subsidies to support our business development. There are no unfulfilled conditions related to these government grants. The following table sets forth a breakdown of our other income and gains both in absolute amount and as a percentage of our total other income and gains for the years indicated:

	For the Year Ended December 31,					
	2023		2024		2025	
	RMB	%	RMB	%	RMB	%
	(in thousands of RMB, except percentages)					
Other income						
Government grants	8,071	19.1	8,257	31.3	5,302	20.5
Bank interest income	23,419	55.3	12,559	47.5	6,190	23.9
Gains						
Gains on disposal of right-of-use assets and lease liabilities,net	2,429	5.7	364	1.4	2,650	10.2
Gains on disposal of items of property, plant and equipment	–	–	1,651	6.2	19	0.1

	For the Year Ended December 31,					
	2023		2024		2025	
	RMB	%	RMB	%	RMB	%
	(in thousands of RMB, except percentages)					
Gains on disposal of an associate	3,496	8.3	–	–	–	–
Foreign exchange gains, net	–	–	387	1.5	–	–
Interest income from wealth management products	975	2.3	2,124	8.0	835	3.2
Fair value changes on financial assets at FVTPL	207	0.5	–	–	2,421	9.4
Others	3,751	8.8	1,080	4.1	8,458	32.7
Other income and gains	**42,348**	**100.0**	**26,422**	**100.0**	**25,875**	**100.0**

Other Expenses and Losses

Our other expenses and losses primarily consist of (i) loss on disposal of subsidiaries, (ii) loss in relation to pharmacy shutting down, (iii) impairment loss on inventories, (iv) donation to non-for-profit organizations and (v) impairment losses on intangible assets. The following table sets forth a breakdown of our other expenses and losses both in absolute amounts and as percentage of our total other expenses and losses for the years indicated.

	For the Year Ended December 31,					
	2023		2024		2025	
	RMB	%	RMB	%	RMB	%
	(in thousands of RMB, except percentages)					
Fair value changes on contingent consideration	3,505	9.3	18,195	6.7	–	–
Impairment loss on inventories	13,848	36.9	13,045	4.8	737	2.0
Donation to non-for-profit organisations	4,668	12.4	216	0.1	995	2.7
Loss on disposal of subsidiaries	10,613	28.3	6,873	2.5	19,507	52.9
Foreign exchange loss, net	3	0.01	–	–	3	0.01
Loss on disposal of items of property, plant and equipment	–	–	–	–	57	0.2
Impairment losses on investments in associates	–	–	12,030	4.5	–	–
Impairment losses on goodwill	–	–	4,141	1.5	–	–
Impairment losses on Intangible assets	–	–	175,793	65.1	–	–
Loss in relation to pharmacy shutting down	941	2.5	19,188	7.1	11,104	30.1
Other tax expense	–	–	2,681	1.0	3,078	8.3
Others	3,958	10.6	17,802	6.7	1,419	3.8
Total	**37,536**	**100.0**	**269,964**	**100.0**	**36,900**	**100.0**

Selling and Marketing Expenses

Our selling and marketing expenses primarily consist of (i) payroll and related labor costs; (ii) depreciation and amortization expenses relating to our offline pharmacies; (iii) platform service fee and (iv) advertising and promotion fees. The platform service fees is associated with our selling and marketing efforts on major internet platforms.

Our selling and marketing expenses decreased during the Track Record Period due to our efforts to improve our operating efficiency. We expect our selling and marketing expenses to remain substantial as we expand our business and implement new business initiatives, such as deploying additional sales personnel to promote our products and services and providing other differentiated services. We plan to control the increase of our selling and marketing expenses while implementing measures to enhance the efficiency of our selling and marketing efforts.

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

	For the Year Ended December 31,					
	2023		**2024**		**2025**	
	RMB	**%**	**RMB**	**%**	**RMB**	**%**
	(in thousands of RMB, except percentages)					
Payroll and related labor costs	461,971	42.0	364,409	33.2	337,046	34.9
Share-based payment compensation	13,277	1.2	31,535	2.9	32,565	3.4
Platform service fee	157,158	14.3	215,498	19.6	197,515	20.4
Depreciation and amortization	249,900	22.7	237,453	21.6	182,472	18.9
Advertising and promotion	66,056	6.0	86,423	7.9	68,312	7.1
Office expenses[1]	44,443	4.0	38,590	3.5	46,109	4.8
Short-term rentals	26,169	2.4	20,025	1.8	23,162	2.4
Others	81,852	7.4	103,813	9.5	79,256	8.1
Total	**1,100,826**	**100.0**	**1,097,746**	**100.0**	**966,437**	**100.0**

Note:

(1) Office expense refers to expenses relate to activities conducting certain business, such as traveling, attending and/or holding conferences and communication expenses, etc.

Administrative Expenses

Our administrative expenses primarily consist of (i) payroll and related labor costs for general corporate functions, including accounting, finance, tax, legal and human relations, including in 2024 and 2025 particularly, share-based payments; (ii) depreciation and amortization, (iii) office expenses and (iv) consulting and professional service.

We took active measures to control our administrative expenses, which was effective. However, given an increase in share-based payments, our administrative expenses increased in 2024.

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

	For the Year Ended December 31,					
	2023		2024		2025	
	RMB	%	RMB	%	RMB	%
	(in thousands of RMB, except percentages)					
Payroll and related labor costs	184,006	61.5	161,077	44.5	132,054	44.4
Share-based payment compensation	9,061	3.0	108,966	30.1	94,217	31.7
Office expenses[1]	29,440	9.8	25,899	7.2	27,197	9.1
Depreciation and amortization	26,114	8.7	25,692	7.1	18,916	6.4
Consultation and professional service	18,139	6.1	11,787	3.2	14,762	5.0
Short-term rentals	3,383	1.1	1,466	0.4	1,978	0.7
[**REDACTED**] expense	15,659	5.2	982	0.3	–	–
Others	13,346	4.6	26,338	7.2	8,206	2.7
Total	**299,148**	**100.0**	**362,207**	**100.0**	**297,330**	**100.0**

Note:

(1) Office expense refers to expenses relating to activities conducting certain business, such as traveling, attending and/or holding conferences and communication expenses, etc.

Research and Development Expenses

Our research and development expenses primarily consist of (i) payroll and related labor costs for research and development personnel involved in designing, developing and operating our online platform, and the related technology infrastructure costs, including in 2024 and 2025 particularly, share-based payments; and (ii) IT administration expenses.

Our research and development expenses decreased during the Track Record Period due to our efforts to increase R&D efficiency. We expect our research and development expenses to remain substantial as we optimize the allocation of our technology team, enhance our data analytics capabilities and develop new features and applications to better serve various participants in the healthcare value chain. In addition to leveraging our technologies and technology infrastructure, we plan to continue to invest in our own technology and innovation to enhance customer experience and provide to participants on our platform.

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

	For the Year Ended December 31,					
	2023		2024		2025	
	RMB	%	RMB	%	RMB	%
	(in thousands of RMB, except percentages)					
Payroll and related labor costs	135,988	70.5	90,643	64.4	75,096	65.9
Share-based payment compensation	3,813	2.0	13,674	9.7	13,884	12.2
IT administration expenses	43,761	22.7	27,067	19.2	18,299	16.1
Depreciation and amortization	5,105	2.6	3,108	2.2	2,985	2.6
Others	4,169	2.2	6,219	4.5	3,722	3.2
Total	**192,836**	**100.0**	**140,711**	**100.0**	**113,986**	**100.0**

Impairment Losses under Expected Credit Loss Model

Our impairment losses under expected credit loss model primarily consists of trade receivables impairment and other receivables impairment. In 2024, we saw a significant increase in other receivables impairment which represented impairment of other receivables in relation to our shutting down of pharmacies. In 2025, our impairment level decrease as our trade receivables impairment decreased when our operation entered into a stable stage after business adjustment with respect to wholesale pharmacy business. Our provision policy had been consistent during the Track Record Period. The following table sets forth the breakdown of our impairment losses under expected credit loss model for the years indicated.

	For the Year Ended December 31,		
	2023	2024	2025
	RMB	RMB	RMB
	(in thousands of RMB, except percentages)		
Trade receivables impairment	26,694	31,930	18,068
Other receivables impairment	3,584	13,673	5,711
Impairment losses under ECL model	**30,278**	**45,603**	**23,779**

Finance Costs

Our finance costs consist of (i) interest on lease liabilities, and (ii) interest on bank and other borrowings, see "– Indebtedness" for details of our bank loans and other borrowings. The following table sets forth the breakdown of our finance costs for the years indicated.

	For the Year Ended December 31,					
	2023		2024		2025	
	RMB	%	RMB	%	RMB	%
	(in thousands of RMB, except percentages)					
Interest on bank and other borrowings	674	3.4	2,879	14.0	2,049	14.7
Interest on lease liabilities	18,998	96.6	17,715	86.0	11,912	85.3
Total	**19,672**	**100.0**	**20,594**	**100.0**	**13,961**	**100.0**

Taxation

Under the PRC Enterprise Income Tax Law, or the EIT Law, the standard enterprise income tax rate for PRC operating entities is 25%. Most of our PRC subsidiaries are subject to the statutory income tax rate of 25%.

As of the Latest Practicable Date, our Company, Chengdu Mobi Medical Technology Co., Ltd., Shandong Shunneng Network Technology Co., Ltd., Yuanxin Huibao and Beijing Yuanxin Medical Technology Co., Ltd., that qualified as National High-tech Enterprise (國家高新技術企業) under the relevant PRC laws and regulations, are entitled to a preferential rate of 15%. The relevant tax authorities review the National High-tech Enterprise status every three years. We expect our Company, Chengdu Mobi Medical Technology Co., Ltd. and Shandong Shunneng Network Technology Co., Ltd. to continue to qualify as a National High-tech Enterprise for the foreseeable future.

According to the EIT Law and relevant regulations, enterprise income tax for qualified as small low-profit enterprises (小型微利企業) shall be at a reduced tax rate of 20%. Certain subsidiaries of the Company have been qualified as small low-profit enterprises which can enjoy 20% preferential tax rates for the relevant periods.

PERIOD-TO-PERIOD COMPARISON OF RESULTS OF OPERATIONS

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

Revenue

Our revenue increased by 1.7% from RMB10,204.6 million in 2024 to RMB10,376.7 million in 2025. The increase in our total revenues was primarily due to the increase of revenue from commercialization fulfillment network from RMB9,664.6 million in 2024 to RMB9,744.7 million in 2025.

Out-of-hospital pharmacy services and out-of-hospital medical services. Revenue from out-of-hospital pharmacy services and out-of-hospital medical services increased from RMB6,644.8 million in 2024 to RMB8,109.1 million in 2025, primarily due to the growth of our business, which was the result of the increase in the number of innovative drug dispensing orders we fulfilled through our offline pharmacies and online pharmacy network. Meanwhile, although the total number of our pharmacies decreased, as we strategically optimized our pharmacy network, our average revenue per pharmacy increased significantly, reflecting improved operational efficiency and stronger demand for innovative drugs.

Wholesale pharmacy services. Our revenue from wholesale pharmacy services continued to decline from RMB3,019.8 million to RMB1,635.6 million due to our focus on retail sales of drugs.

Insurance services. Our revenue from insurance services increased from RMB267.8 million in 2024 to RMB334.9 million in 2025, which reflected the steady growth of our insurance business as well as the recognition of revenues in relation to some prolonged service projects, the revenue for which was not recognized in 2024.

Marketing services to pharmaceutical companies. Our revenue from marketing services to pharmaceutical companies increased from RMB208.6 million in 2024 to RMB214.1 million in 2025.

Healthcare Technology services. Our revenue from healthcare technology services increased from RMB63.6 million in 2024 to RMB83.0 million in 2025, which was primarily because the continued expansion of this business line, driven by increased needs for hospital digitalization.

Cost of sales

Our cost of sales decreased by 0.6% from RMB9,410.7 million in 2024 to RMB9,354.2 million in 2025, which was primarily in line with the decrease in the cost of sales for commercialization fulfillment network from RMB9,111.6 million in 2024 to RMB9,086.9 million in 2025, which in turn reflected the decrease in costs in relation to our wholesale pharmacy business.

Gross profit and gross margin

Our gross profit significantly increased by 28.8% from RMB793.9 million in 2024 to RMB1,022.6 million in 2025. Our overall gross margin was 7.8% and 9.9% in 2024 and 2025, respectively. Due to the increase in our gross profit from commercialization acceleration services, we had a higher gross margin in 2025.

Other income and gains

Our other income and gains slightly decreased by 2.1% from RMB26.4 million in 2024 to RMB25.9 million in 2025.

Other expenses and losses

Our other expenses and losses decreased by 86.3% from RMB270.0 million in 2024 to RMB36.9 million in 2025. We had loss on disposal of subsidiaries of RMB19.5 million and loss in relation to pharmacy shutting down of RMB11.1 million in 2025. In 2024, our other expenses and losses mainly consisted of impairment losses on intangible assets of RMB175.8 million, loss in relation to pharmacy shutting down of RMB19.2 million, and fair value changes on contingent consideration of RMB18.2 million. See discussion below on impairment of intangible assets.

Selling and marketing expenses

Our selling and marketing expenses decreased by 12.0% from RMB1,097.7 million in 2024 to RMB966.4 million in 2025, which was primarily due to a decrease in (i) staff costs for our selling and marketing personnel, including salaries, bonus and welfare as a result of our workforce optimization efforts, (ii) depreciation and amortization of right-of-use assets and other intangible assets used in selling and marketing activities, such as leases for our out-of-hospital pharmacies, and (iii) the decrease in platform service fee and advertising and promotion expenses. Selling and marketing expenses as a percentage of revenue decreased from 10.8% in 2024 to 9.3% in 2025.

Administrative expenses

Our administrative expenses decreased by 17.9% from RMB362.2 million in 2024 to RMB297.3 million in 2025, primarily attributable to a decrease in our staff costs, including salaries, bonus and welfare as well as share-based payments and the decrease in our depreciation and amortization expenses, both as a result of our operating efficiency improvement initiatives. Administrative expenses as a percentage of revenue decreased from 3.5% in 2024 to 2.8% in 2025.

Research and development expenses

Our research and development expenses decreased by 19.0% from RMB140.7 million in 2024 to RMB114.0 million in 2025. The decrease was primarily attributable to the decrease in (i) our staff cost for research and development personnel, including salaries, bonus and welfare and (ii) our IT administration expenses, both of which reflected our cost-cutting efforts to improve our operation efficiency in general while remaining committed to R&D investments. Research and development expenses as a percentage of revenue decreased from 1.4% in 2024 to 1.1% in 2025, respectively.

Impairment losses under expected credit loss model

Our impairment losses under expected credit loss model decreased from RMB45.6 million in 2024 to RMB23.8 million in 2025. In 2025, we had less trade receivables impairment as we scaled down our wholesale pharmacy services. In 2024, we had significant other receivable impairment due to shutting down of our pharmacies.

Finance costs

Our finance costs decreased from RMB20.6 million in 2024 to RMB14.0 million in 2025. The decrease is primarily due to the decrease in number of our pharmacies as we proactively took measures to improve the overall operating efficiency of our pharmacy network by shutting down less profitable ones, which in turn resulted in decrease in interest on lease liabilities.

Loss for the year

As a result of the foregoing, our loss for the year significantly narrowed down by 63.4% from RMB1,094.1 million in 2024 to RMB400.9 million in 2025.

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

Revenue

Our revenue increased by 4.8% from RMB9,737.3 million in 2023 to RMB10,204.6 million in 2024. The increase in our total revenues was primarily due to the increase of revenue from commercialization fulfillment network from RMB9,211.2 million in 2023 to RMB9,664.6 million in 2024.

Out-of-hospital pharmacy services and out-of-hospital medical services. Revenue from 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, primarily due to the increase in the number of innovative drug dispensing orders we fulfilled through our offline pharmacies and online pharmacy network, which drove the increase in the average sales price for the orders we fulfilled.

Wholesale pharmacy services. Our revenue from wholesale pharmacy services declined from RMB3,151.8 million to RMB3,019.8 million due to our focus on retail sales of drugs.

Insurance services. Our revenue from insurance services decreased from RMB289.1 million in 2023 to RMB267.8 million in 2024. We did not secure business opportunities with some insurance products in 2024, and certain revenue in relation to one product could not be recognized in 2024 due to prolonged project execution, which resulted in decrease in revenue.

Marketing services to pharmaceutical companies. Our revenue from marketing services to pharmaceutical companies increased from RMB186.5 million in 2023 to RMB208.6 million in 2024.

Healthcare Technology services. Our revenue from healthcare technology services increased from RMB50.5 million in 2023 to RMB63.6 million in 2024, which was primarily because the continued expansion of this business line, driven by increased needs for hospital digitalization.

Cost of sales

Our cost of sales increased by 6.6% from RMB8,826.1 million in 2023 to RMB9,410.7 million in 2024, which was primarily in line with the increase in the cost of sales for commercialization fulfillment network from RMB8,601.0 million in 2023 to RMB9,111.6 million in 2024 and our growth of business in general.

Gross profit and gross margin

Our gross profit decreased by 12.9% from RMB911.2 million in 2023 to RMB793.9 million in 2024. Our overall gross margin was 9.4% and 7.8% in 2023 and 2024, respectively. As we saw decrease in our gross profit from commercialization acceleration services, especially due to decrease in profit from our insurance services as discussed above, our gross profit decreased in 2024.

Other income and gains

Our other income and gains decreased by 37.6% from RMB42.3 million in 2023 to RMB26.4 million in 2024. The decrease was primarily due to the decrease in our bank interest income from RMB23.4 million in 2023 to RMB12.6 million in 2024, and the decrease in gains on disposal of an associate from RMB3.5 million in 2023 to nil in 2024.

Other expenses and losses

Our other expenses and losses increased from RMB37.5 million in 2023 to RMB270.0 million in 2024. In 2024, our other expenses and losses mainly consisted of impairment losses on intangible assets of RMB175.8 million, loss in relation to pharmacy shutting down RMB19.2 million, and fair value changes on contingent consideration of RMB18.2 million. In 2023, we mainly had impairment loss on inventories of RMB13.8 million and loss on disposal of subsidiaries of RMB10.6 million. For the impairment losses on intangible assets in 2024, see "— Discussion of Certain Key Balance Sheet Item — Non-current Assets/Liabilities — Other intangible assets" for details.

Selling and marketing expenses

Our selling and marketing expenses decreased by 0.3% from RMB1,100.8 million in 2023 to RMB1,097.7 million in 2024, which was primarily due to a decrease in (i) staff costs for our selling and marketing personnel, including salaries, bonus and welfare as a result of our workforce optimization efforts and (ii) depreciation and amortization of right-of-use assets and other intangible assets used in selling and marketing activities, partially offset by the increase in the platform service fee. Selling and marketing expenses as a percentage of revenue decreased from 11.3% in 2023 to 10.8% in 2024.

Administrative expenses

Our administrative expenses increased by 21.1% from RMB299.1 million in 2023 to RMB362.2 million in 2024, primarily attributable to the increase in our share-based payments. Administrative expenses as a percentage of revenue increased from 3.1% in 2023 to 3.5% in 2024.

Research and development expenses

Our research and development expenses decreased by 27.0% from RMB192.8 million in 2023 to RMB140.7 million in 2024. The decrease was primarily attributable to the decrease in (i) our staff cost for research and development personnel, including salaries, bonus and welfare and (ii) IT administration expenses, both of which reflected our cost-cutting efforts to improve our operation efficiency in general while remaining committed to R&D investments. Research and development expenses as a percentage of revenue decreased from 2.0% in 2023 to 1.4% in 2024, respectively.

Impairment losses under expected credit loss model

Our impairment losses under expected credit loss model increased from RMB30.3 million in 2023 to RMB45.6 million in 2024, which mainly reflected other receivables impairment in relation to the other receivables of certain pharmacies we shut down.

Finance costs

Our finance costs increased from RMB19.7 million in 2023 to RMB20.6 million in 2024.

Loss for the year

As a result of the foregoing, our loss for the year increased by 52.2% from RMB719.0 million in 2023 to RMB1,094.1 million in 2024.

DISCUSSION OF CERTAIN KEY BALANCE SHEET ITEMS

Current Assets/Liabilities

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

	As of December 31,			As of February 28,
	2023	**2024**	**2025**	**2026**
		(in thousands of RMB)		
				(unaudited)
Current assets:				
Inventories	763,010	704,567	789,934	833,789
Contract cost	17,036	29,516	32,973	48,986
Trade and bills receivables	962,982	909,238	888,116	777,228
Prepayments, other receivables and other assets	537,146	615,508	585,195	550,399
Financial assets at FVTPL	83,719	23,850	61,445	62,409
Cash held on behalf of client(1)	562,522	465,737	363,362	202,161
Deposits for guarantee	138,406	407,090	574,187	465,227
Cash and cash equivalents	909,081	531,031	329,312	387,117
Total current assets	3,973,902	3,686,537	3,624,524	3,327,316

Note:

(1) The balance represents the premiums collected by us on behalf of insurance companies from the insurance consumers in a fiduciary capacity until disbursed to the insurance carriers.

	As of December 31,			As of February 28,
	2023	2024	2025	2026
	(in thousands of RMB)			(unaudited)
Current liabilities:				
Trade and bills payables	1,292,722	1,651,644	1,879,810	1,856,813
Other payables and accruals	774,192	679,503	591,928	407,881
Contract liabilities	104,504	167,452	131,249	72,697
Interest-bearing bank and other borrowings	50,400	108,592	147,465	148,082
Lease liabilities	124,536	104,175	105,892	104,951
Income tax payable	1,931	4,149	2,742	2,742
Total current liabilities	2,348,285	2,715,515	2,859,086	2,593,166
Net current assets	1,625,617	971,022	765,438	734,150

We had net current assets of RMB765.4 million as of December 31, 2025, as compared to net current assets of RMB971.0 million as of December 31, 2024. The change was primarily due to the decrease in cash and cash equivalents from RMB531.0 million to RMB329.3 million, the increase in our trade and bills payable from RMB1,651.6 million to RMB1,879.8 million and the decrease in cash held on behalf of client from RMB465.7 million to RMB363.4 million, partially offset by increase in deposits for guarantee from RMB407.1 million to RMB574.2 million, and inventories from RMB704.6 million to RMB789.9 million.

We had net current assets of RMB971.0 million as of December 31, 2024, as compared to net current assets of RMB1,625.6 million as of December 31, 2023. The change was primarily due to the decrease in cash and cash equivalents from RMB909.1 million to RMB531.0 million, the increase in our trade and bills payable from RMB1,292.7 million to RMB1,651.6 million and the decrease in cash held on behalf of client from RMB562.5 million to RMB465.7 million, partially offset by increase in deposits for guarantee from RMB138.4 million to RMB407.1 million, and prepayments, other receivables and other assets from RMB537.1 million to RMB615.5 million.

Inventories

Our inventories represent products available for sale. The following table sets forth inventories as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	(in thousands of RMB)		
Inventories:			
Trading merchandise	765,430	713,655	791,459
Less: provision for inventories	(2,420)	(9,088)	(1,525)
Total	**763,010**	**704,567**	**789,934**

In 2024, our inventory turnover days decreased as we improved our operating efficiency, and as a result we had less inventories as of the end of such year. In 2025, due to the growth of our business, we had more inventories as of the end of such year.

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

	For the Year Ended December 31,		
	2023	2024	2025
Inventory turnover days[(1)]	32	28	29

Note:

(1) Inventory turnover days for a period equals the average of the opening and closing inventory balance (net of provision) divided by cost of sales for the Track Record Period and multiplied by the respective number of days in the Track Record Period.

As of February 28, 2026, RMB514.6 million, or 65.0% of our inventory balance as of December 31, 2025 had been sold or utilized.

Trade and bills receivables

Our trade and bills receivables primarily consist of outstanding amounts payable by third parties. The following table sets forth our trade and bills receivables as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	(in thousands of RMB)		
Trade and bills receivables	1,016,155	983,813	976,162
Less: Allowance for expected credit losses	(53,173)	(74,575)	(88,046)
Total	**962,982**	**909,238**	**888,116**

The decrease in trade and bills receivables were primarily due to our collection efforts resulting in better trade and bills receivables management performance, as well as the decrease in our wholesale business, which generally involve more trade receivables as compare to our other businesses.

Our trading terms with customers are partially on credit. The credit period is generally one to three months. We seek to maintain strict control over outstanding receivables and have a credit control department to minimize credit risk. Overdue balances are reviewed regularly by our management. In view of the aforementioned and the fact that our trade and bills receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. We do not hold any collateral or other credit enhancements over its trade receivable balances. Trade and bills receivables are non-interest-bearing.

The following table sets forth the aging analysis of our trade and bills receivables as at the dates indicated:

	As of December 31,		
	2023	**2024**	**2025**
	(in thousands of RMB)		
Within 3 months	775,215	746,982	640,754
3 to 6 months	73,865	103,751	121,032
6 months to 1 year	96,858	40,576	99,717
1 to 2 years	58,763	53,045	60,223
2 to 3 years	5,378	32,953	25,624
Over 3 years	6,076	6,506	28,812
Total	**1,016,155**	**983,813**	**976,162**

Our Company has made adequate provision in accordance with the ECL for trade and bills receivables aged over one year. Our Company uses a provision matrix to calculate the ECL for trade and bills receivables. The provision rates are based on internal credit ratings as groupings of various debtors that have similar loss patterns. The provision matrix is based on our Company's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. The provision for ECL is sensitive to changes in estimates. For further details, please refer to note 10 and note 27 to the Accountants' Report in Appendix I to this document.

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

	For the Year Ended December 31,		
	2023	**2024**	**2025**
Trade and bills receivables turnover days(1)	35	33	32

Note:

(1) Trade and bills receivables turnover days for the Track Record Period equals the average of the opening and closing trade and bills receivables balance (net of provision) divided by revenue for the Track Record Period and multiplied by the respective number of days in the Track Record Period.

As of February 28, 2026, RMB381.3 million, or 39.1%, of our trade and bills receivables as of December 31, 2025 had been subsequently settled.

Prepayments, other receivables and other assets

Our current prepayments, other receivables and other assets include prepayments for medicine, purchase rebate, value-added tax recoverable and advances to employees. The following table sets forth our current prepayments, other receivables and other assets as of the dates indicated:

	As of December 31,		
	2023	**2024**	**2025**
	(in thousands of RMB)		
Current:			
Prepayments	196,801	236,383	237,540
Purchase rebate	172,738	188,923	217,333
Value-added tax recoverable	73,980	71,942	39,516
Reimbursement paid to insurers on behalf of insurance carriers	51,496	70,114	33,362
Deferred [**REDACTED**] expense	7,341	14,435	18,727
Receivable due from disposal of subsidiaries	18,031	19,042	18,320
Advances to employees	9,211	6,575	8,541
Loan to an associate[(1)]	–	–	10,120
Other receivables	13,428	18,972	15,588
Less:			
Allowance for the expected credit losses	(5,880)	(10,878)	(13,852)
Total	**537,146**	**615,508**	**585,195**

Note:

(1) The outstanding balance of RMB10.0 million has been settled, with the remaining balance being expected to be settled by June 2026.

Our current prepayments, other receivables and other assets decreased from RMB615.5 million as of December 31, 2024 to RMB585.2 million as of December 31, 2025, primarily due to (i) the decrease in reimbursement paid to insurers on behalf of certain insurance carriers, which the insurance carriers will later repay us and (ii) the decrease in value-added tax recoverable, partially offset by increase in purchase rebate. Such decrease is in line with the implementation of our initiatives to improve our operating efficiency.

Our current prepayments, other receivables and other assets increased from RMB537.1 million as of December 31, 2023 to RMB615.5 million as of December 31, 2024, primarily due to (i) the increase in our prepayments, (ii) the increase in reimbursement paid to insurers on behalf of certain insurance carriers and (iii) the increase in purchase rebate. Such increase is in line with the growth of our out-of-hospital pharmacy services and insurance services.

As of February 28, 2026, RMB85.4 million, or 36.0%, of our current prepayments as of December 31, 2025 had been subsequently settled, and RMB108.0 million, or 33.5%, of our current other receivables and other assets (excluding value-added tax recoverable) as of December 31, 2025 had been subsequently settled.

Financial assets at fair value through profit or loss

Our current financial assets at fair value through profit or loss primarily consist of wealth management products. Our financial assets at fair value through profit or loss increased from RMB23.9 million as of December 31, 2024 to RMB61.4 million as of December 31, 2025, primarily because we purchased more wealth management products given the strong market performance. Our financial assets at fair value through profit or loss decreased from RMB83.7 million as of December 31, 2023 to RMB23.9 million as of December 31, 2024, primarily because we held less wealth management products given the market situation.

The total investment income realized from our current financial assets at fair value through profit or loss were RMB1.0 million, RMB2.1 million and RMB0.8 million in 2023, 2024 and 2025, respectively. Our investment in financial products was mainly due to our treasury management objective to improve returns on our available capital.

To monitor and control the investment risks associated with our wealth management product portfolio, we have adopted a set of internal policies and guidelines to manage our investment in wealth management products. Our finance department is responsible for proposing, analyzing and evaluating potential investment in wealth management products based on recommendations of our relationship and account managers at reputable banks in China. Our finance department is led by and the entire investment process is supervised by Ms. Jing Wen, our chief financial officer, who has been supervising our investment activities. See "Directors and Senior Management" for a detailed description of Ms. Wen's qualifications and credentials. Prior to making any material investments in wealth management products or modifying our existing investment portfolio, the proposal shall be approved by Ms. Jing Wen and the other designated members of our management. Our investment strategy related to wealth management products focuses on minimizing the financial risks by reasonably and conservatively matching the maturities of the portfolio to anticipated operating cash needs, while generating desirable investment returns for the benefits of our shareholders. We primarily invest in wealth management products issued by major commercial banks in China with relatively low risks and a short to mid-term. We make investment decisions related to wealth management products and trust plans on a case-by-case basis after thoroughly considering a number of factors, including but not limited to macro-economic environment, general market conditions, risk control and credit of issuing banks, our own working capital conditions, and the expected profit or potential loss of the investment.

The details of our investments in wealth management product during the Track Record Period are set forth below:

	As of December 31,		
	2023	**2024**	**2025**
	(in thousands of RMB)		
Wealth management products			
Non principal protected	83,719	23,850	61,445

Product Type	**Level of risk**[1]	**Underlying assets**	**As of December 31,**		
			2023	**2024**	**2025**
			(in thousands of RMB)		
Wealth management products	R2	Monetary instruments, bonds, bond funds, and other fixed income products and short-term financial instruments with low risk and good liquidity	83,719	23,850	61,445

Note:

(1) According to the risk classification set by the relevant financial institutions, "R2" refers to a comparatively low risk.

Wealth management products are issued or sold by major commercial banks with comparatively low risks. The expected rates of return for such wealth management products held by us as of December 31, 2025 range from approximately 0.93% to 2.04%. All principles and interests of the wealth management products we purchased have been recovered in time during the Track Record Period.

After the [**REDACTED**], the investments in wealth management products will be subject to our Company's compliance with the requirements under Chapter 14 of the Listing Rules, and we also intend to continue our investments in these products strictly in accordance with our internal policies and guidelines.

Deposit for guarantee

Our deposit for guarantee primarily represent pledged bank accounts in connection with the bank acceptance draft we applied for. Our deposit for guarantee increased significantly from RMB138.4 million to RMB407.1 million and further to RMB574.2 million as of December 31, 2023, 2024 and 2025, respectively. The increases in our deposits for guarantee are in line with our business expansion.

Trade and bills payables

Our trade and bills payables primarily consist of payables to our suppliers. Our trade and bills payables increased by 27.8% from RMB1,292.7 million as of December 31, 2023 to RMB1,651.6 million as of December 31, 2024 and further increased by 13.8% to RMB1,879.8 million as of December 31, 2025. The changes in our trade and bills payables are primarily due to our increase in the outstanding amounts payable to our suppliers as a result of our overall business expansion.

The trade and bills payables are non-interest-bearing and are normally settled on one to six terms. The following table sets forth the aging analysis of our trade and bills payables as at the dates indicated:

	As of December 31,		
	2023	**2024**	**2025**
	(in thousands of RMB)		
Within 3 months	1,064,531	1,413,287	1,605,943
3 to 6 months	88,718	90,296	113,404
6 months to 1 year	82,772	63,790	71,627
1 to 2 years	31,997	51,974	45,614
Over 2 years	24,704	32,297	43,222
Total	**1,292,722**	**1,651,644**	**1,879,810**

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

	For the Year Ended December 31,		
	2023	**2024**	**2025**
Trade and bills payables turnover days(1)	50	57	69

Note:

(1) Trade and bills payables turnover days for the Track Record Period equals the average of the opening and closing trade and bills payables balance divided by cost of sales for the Track Record Period and multiplied by the respective number of days in the Track Record Period.

During the Track Record Period, as our business grew and our bargaining power enhanced, our trade and bills payable turnover days increased, which brought more flexibility for our resource management.

As of February 28, 2026, RMB958.3 million, or 51.0%, of our trade and bills payables as of December 31, 2025 had been subsequently settled.

Other payables and accruals

Our current other payables and accruals primarily consist of (i) payables to insurance companies, (ii) value-added tax and other taxes payables, (iii) accrued expenses, (iv) payroll payables and (v) other payables. The following table sets forth our current other payables and accruals as of the dates indicated:

	As of December 31,		
	2023	**2024**	**2025**
	(in thousands of RMB)		
Current:			
Payables arising from acquisition of subsidiaries	37,249	11,096	19,181
Payables to insurance companies	562,522	465,737	363,362
Value-added tax and other taxes payables	37,750	59,811	43,301
Payroll payables	28,731	24,509	25,034
Contingent consideration	12,123	–	–
Dividend payable to non-controlling shareholders of subsidiaries	14,154	14,157	17,463
Borrowings from non-controlling shareholders of subsidiaries	18,390	13,201	18,200
Accrued expenses	17,154	22,574	27,085
Accrued [**REDACTED**] expenses	2,209	–	–
Other payables	43,910	68,418	78,302
Total	**774,192**	**679,503**	**591,928**

As of February 28, 2026, RMB212.5 million of other payable and accruals, or 35.9% of our other payable and accruals, as of December 31, 2025 had been settled.

Our current other payables and accruals decreased from RMB774.2 million as of December 31, 2023 to RMB679.5 million as of December 31, 2024 and further to RMB591.9 million as of December 31, 2025, primarily because the decrease in payables to insurance companies, which was mainly insurance premium payables. Insurance premium payables are our payables to certain insurance companies according to the signed insurance service agreements that require us to collect from policyholders on behalf of the insurance companies and transfer these collected insurance premiums to these insurance companies.

Contract liabilities

Our contract liabilities decreased by 21.6% from RMB167.5 million as of December 31, 2024 to RMB131.2 million as of December 31, 2025, primarily due to the decrease in short-term advances received from customers for our services under commercialization fulfillment network, insurances services and marketing services to pharmaceutical companies. Our contract liabilities increased by 60.2% from RMB104.5 million as of December 31, 2023 to RMB167.5 million as of December 31, 2024, primarily due to increase in short-term advances received from customers for our services under commercialization fulfillment network, insurances services and marketing services to pharmaceutical companies. Our contract liabilities primarily include advance payment of pharmaceutical products.

As of February 28, 2026, RMB47.7 million, or 36.3%, of our contract liabilities as of December 31, 2025 had been subsequently recognized as revenue.

Lease liabilities

Our current lease liabilities decreased by 16.3% from RMB124.5 million as of December 31, 2023 to RMB104.2 million as of December 31, 2024 and remained stable at RMB105.9 million as of December 31, 2025. The changes in 2024 was primarily due to our proactive actions to shut down certain pharmacies to improve our operating efficiency.

Non-Current Assets/Liabilities

The following table sets forth our non-current assets and non-current liabilities as of the dates indicated.

	As of December 31,		
	2023	**2024**	**2025**
	(in thousands of RMB)		
NON-CURRENT ASSETS			
Property, plant and equipment	61,351	40,113	15,955
Other intangible assets	679,317	403,286	312,267
Prepayments, other receivables and other assets	71,640	62,931	48,426
Right-of-use assets	316,691	234,325	182,760
Goodwill	414,272	397,906	383,338
Investment in associates	118,883	140,218	162,124
Investment in joint ventures	6,129	4,703	4,587
Deferred tax assets	23,685	16,385	11,031
Financial assets at fair value through profit and loss ("FVTPL")	24,980	24,979	35,429
Total non-current assets	1,716,948	1,324,846	1,155,917
NON-CURRENT LIABILITIES			
Deferred tax liabilities	140,264	92,841	70,948
Lease liabilities	195,888	146,616	99,139
Total non-current liabilities	**336,152**	**239,457**	**170,087**

Property, plant and equipment

Our property, plant and equipment decreased by 34.6% from RMB61.4 million as of December 31, 2023 to RMB40.1 million as of December 31, 2024 and further decreased by 60.2% to RMB16.0 million as of December 31, 2025. Our property, plant and equipment decreased during the Track Record Period due to lesser leasehold improvement incurred in 2024 and 2025.

Other intangible assets

Our other intangible assets primarily represent software, licenses, brand and customer relationships arising from previous acquisitions of certain subsidiaries. Our other intangible assets decreased by 40.6% from RMB679.3 million as of December 31, 2023 to RMB403.3 million as of December 31, 2024 and further decreased by 22.6% to RMB312.3 million as of December 31, 2025. As we no longer treat healthcare technology service as a strategic focus, we recorded impairment of certain brand and customer relationship assets in relation to certain subsidiaries operating such business in 2024, taking into consideration of their then financial and operational performance.

Right-of-use assets

Our right-of-use assets represent carrying amounts of leased properties. Our right-of-use assets decreased by 26.0% from RMB316.7 million as of December 31, 2023 to RMB234.3 million as of December 31, 2024 and further decreased by 22.0% to RMB182.8 million as of December 31, 2025. As the number of our pharmacies decreased, the relevant right-of-use assets decreased during the Track Record Period.

Goodwill

Our goodwill primarily represents goodwill arisen from acquisition of businesses. Our goodwill decreased from RMB397.9 million as of December 31, 2024 to RMB383.3 million as of December 31, 2025. Our goodwill decreased from RMB414.3 million as of December 31, 2023 to RMB397.9 million as of December 31, 2024.

Goodwill is tested by our management for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The recoverable amount of the cash-generating units ("**CGUs**") has been determined based on a value in use ("**VIU**") calculation. That calculation uses cash flow projections based on financial budgets approved by management. The management uses five-year forecast period for financial budget in the good will impairment test for all the CGUs except for the commercialization fulfillment network CGUs. Our management considers that using a five- to seven-year forecast period for financial budget in the goodwill impairment test for the commercialization fulfillment network CGUs is appropriate because it usually takes more time for retail pharmacy business to reach perpetual growth mode, compared to other business, especially when our strategy is to transform the acquired traditional retail pharmacies into key entry platforms for patients to navigate their out-of-hospital disease or healthcare management, and the profitably of pharmacies are largely dependent on the scalability of business which usually takes longer time than other business to achieve. Hence, financial budgets covering a five- to seven-year period was used as our management believes that a forecasted period longer than five years is feasible and reflects a more accurate VIU value for the commercialization fulfillment network CGUs.

Our Directors are of the view that the pre-tax discount rate, revenue growth rate and terminal growth rate are the key assumptions on which CGUs' recoverable amounts are based:

- *Pre-tax discount rate.* The discount rate used is before tax and reflects specific risks relating to the relevant units.

- *Revenue growth rate*. The basis used to determine the budgeted revenue is based on management's expectation and also expectation of the future market.

- *Terminal growth rate*. The forecasted terminal growth rate is based on management's expectations and does not exceed the long-term average growth rate for the industry relevant to the CGUs or group CGUs.

As of December 31, 2023, 2024 and 2025, we considered that a reasonably possible change in key parameters will not lead the carrying amount of the CGUs to exceed their respective recoverable amounts.

We performed goodwill impairment test as of December 31, 2023, 2024 and 2025. For further details, see "Risk Factors – Risks Related to Our Business and Industry – We have a large balance of goodwill and we may incur significant impairment charges which could materially impact our financial position", "Risk Factors – Risks Related to Our Business and Industry – We have a large balance of other intangible assets and we may incur significant impairment charges which could materially impact our financial position" and note 18 to Accountants' Report in Appendix I of this document.

Deferred tax liabilities

Our non-current deferred tax liabilities decreased from RMB140.3 million as of December 31, 2023 to RMB92.8 million as of December 31, 2024, and to RMB70.9 million as of December 31, 2025. The decreasing trend in deferred tax liabilities is primarily due to the decrease in number of our pharmacies.

Lease liabilities

Our non-current lease liabilities decreased from RMB195.9 million as of December 31, 2023 to RMB146.6 million as of December 31, 2024, and to RMB99.1 million as of December 31, 2025. The decreasing trend in our non-current lease liabilities is primarily due to our proactive measures to shut down certain pharmacies for operating efficiency purpose.

KEY FINANCIAL RATIOS

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

	For the Year Ended December 31,		
	2023	2024	2025
Total revenue growth (%)[(1)]	25.2	4.8	1.7
Gross margin (%)[(2)]	9.4	7.8	9.9
Adjusted EBITDA ratio (non-IFRS measure) (%)[(3)]	(4.4)	(6.8)	(0.5)

Notes:

(1) Revenue growth ratio equals revenue growth divided by revenue for the respective previous period.

(2) Gross margin equals gross profit divided by revenue during the respective period.

(3) We define adjusted EBITDA (non-IFRS measure) as loss and total comprehensive loss for the year adjusted by adding back (i) bank interest income, finance cost, income tax credit and [**REDACTED**] expense and (ii) certain non-cash expenses, consisting of share-based payment compensation, depreciation of property, plant and equipment, depreciation of right-of-use assets and amortization of intangible assets. Adjusted EBITDA ratio (non-IFRS measure) equals adjusted EBITDA (non-IFRS measure) divided by revenue for the respective period.

LIQUIDITY AND CAPITAL RESOURCES

During the Track Record Period and up to the Latest Practicable Date, we funded our cash requirements principally from cash generated from operating activities and capital contribution from shareholders. Our cash and cash equivalents represents cash and bank balances. We had cash and cash equivalents of RMB903.6 million, RMB525.5 million and RMB122.5 million as of December 31, 2023, 2024 and 2025, respectively.

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

	For the Year Ended December 31,		
	2023	2024	2025
	(in thousands of RMB)		
Operating cash flows before changes in working capital	(347,677)	(385,145)	4,329
– Changes in working capital	3,549	433,340	142,560
– income taxes paid	(2,892)	(5,522)	(8,671)

	For the Year Ended December 31,		
	2023	2024	2025
	(in thousands of RMB)		
Net cash (used in)/generated from operating activities	(347,020)	42,673	138,218
Net cash flows used in investing activities	(274,178)	(327,073)	(461,042)
Net cash flows used in financing activities	(123,688)	(94,138)	(80,116)
Net decrease in cash and cash equivalents	(744,886)	(378,538)	(402,940)
Cash and cash equivalents at the beginning of the year	1,648,525	903,636	525,485
Cash and cash equivalents at the end of the year	**903,636**	**525,485**	**122,542**

Net Cash Generated from/(Used in) Operating Activities

Net cash used in operating activities primarily comprises our profit before tax, as adjusted by non-cash and non-operating items and changes in working capital.

In 2025, net cash generated from operating activities was RMB138.2 million, which was primarily attributable to our loss before tax of RMB404.9 million, as adjusted by (i) non-cash and non-operating items, which primarily consisted of change of share-based payment compensation expenses of RMB140.7 million, amortization of intangible assets of RMB73.6 million, depreciation of right-of-use assets of RMB98.5 million, and depreciation of property, plant and equipment of RMB32.3 million; and (ii) changes in working capital, which primarily resulted from an increase in trade and bills payables of RMB235.2 million, partially offset by decrease in contract liabilities of RMB36.2 million and increase in inventories of RMB91.6 million.

In 2024, net cash generated from operating activities was RMB42.7 million, which was primarily attributable to our loss before tax of RMB1,126.0 million, as adjusted by (i) non-cash and non-operating items, which primarily consisted of impairment loss on other intangible assets of RMB175.8 million, change of share-based compensation expenses of RMB154.2 million, depreciation of right-of-use assets of RMB125.5 million, and amortization of intangible assets of RMB102.3 million; and (ii) changes in working capital, which primarily resulted from an increase in trade and bills payables of RMB361.7 million, partially offset by increase in prepayments, other receivables and other assets of RMB87.2 million.

In 2023, net cash used in operating activities was RMB347.0 million, which was primarily attributable to our loss before tax of RMB749.4 million, as adjusted by (i) non-cash and non-operating items, which primarily consisted of depreciation of right-of-use assets of RMB134.4 million, and amortization of intangible assets of RMB103.1 million, and depreciation of property, plant and equipment of RMB43.7 million; and (ii) changes in working capital, which primarily resulted from an increase in trade and bills payables of RMB170.8 million and decrease in other payables and accruals of RMB6.9 million, partially offset by increase in prepayments, other receivables and other assets of RMB101.5 million.

Net Cash Used in Investing Activities

In 2025, net cash used in investing activities was RMB461.0 million, which was primarily resulted from the purchase of financial assets at FVTPL of RMB438.1 million, net increase in time deposits of RMB201.2 million and net changes in pledged bank deposits for RMB167.1 million, partially offset by the disposal of financial assets at FVTPL of RMB403.5 million.

In 2024, net cash used in investing activities was RMB327.1 million, which was primarily resulted from the purchase of financial assets at FVTPL of RMB992.3 million, net changes in pledged bank deposits for RMB268.7 million and payment for acquisition of subsidiaries from previous period of RMB61.6 million, partially offset by the disposal of financial assets at FVTPL of RMB1,054.3 million.

In 2023, net cash used in investing activities was RMB274.2 million, which was primarily resulted from the purchase of financial assets at FVTPL of RMB647.0 million, payment for acquisition of subsidiaries from previous period of RMB100.8 million, acquisition of interests in joint ventures and associates of RMB77.8 million, and net changes in pledged bank deposits of RMB47.6 million, partially offset by the disposal of financial assets at FVTPL of RMB642.8 million.

Net Cash Used in Financing Activities

In 2025, net cash used in financing activities was RMB80.1 million, which was primarily attributable to the lease payments of RMB101.2 million and repayment of bank borrowings of RMB108.6 million, partially offset by new bank borrowings of RMB147.5 million.

In 2024, net cash used in financing activities was RMB94.1 million, which was primarily attributable to the lease payments of RMB129.7 million and repayment of bank borrowings of RMB50.4 million, partially offset by new bank borrowings of RMB108.6 million.

In 2023, net cash used in financing activities was RMB123.7 million, which was primarily attributable to the lease payments of RMB152.4 million, partially offset by new bank borrowings of RMB49.8 million.

INDEBTEDNESS

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

	As of December 31,			As of February 28,
	2023	**2024**	**2025**	**2026**
		(in thousands of RMB)		*(unaudited)*
Current portion:				
Interest-bearing bank and other borrowings	50,400	108,592	147,465	148,082
Lease liabilities	124,536	104,175	105,892	104,951
Borrowings from non-controlling shareholders of subsidiaries	18,390	13,201	18,200	13,200
Non-current portion:				
Lease liabilities	195,888	146,616	99,139	98,865
Total	**389,214**	**372,584**	**370,696**	**365,098**

Interest-bearing bank and other borrowings

We obtained financing from banks which carry interests at the fixed rate ranging from 1.50% to 4.35% per annum. The following table sets forth the maturity profile of our secured and unsecured interest-bearing bank and other borrowings, as of the dates indicated:

	As of December 31, 2023			As of December 31, 2024			As of December 31, 2025		
	Effective interest rate (%)	Maturity	In thousands of RMB	Effective interest rate (%)	Maturity	In thousands of RMB	Effective interest rate (%)	Maturity	In thousands of RMB
Current									
Bank borrowings									
secured	3.65	2024	7,500	3.35-4.35	2025	28,861	2.15-4.00	2026	33,660
unsecured	2.35-3.50	2024	42,900	2.35-3.87	2025	79,731	1.50-4.00	2026	113,805
Total			**50,400**			**108,592**			**147,465**

As of February 28, 2026, we had unutilized banking facilities, in the amount of RMB91.3 million.

Lease Liabilities

As of December 31, 2023, 2024 and 2025 and February 28, 2026, we have outstanding aggregate unpaid contractual lease payments (present value of lease payments for the remainder of relevant lease terms) of RMB320.4 million, RMB250.8 million, RMB205.0 million and RMB203.8 million in relation to the corresponding lease liabilities.

Except as discussed above, we did not have any material mortgages, charges, debentures, loan capital, debt securities, loans, bank overdrafts or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptances (other than normal trade bills), acceptance credits, which are either guaranteed, unguaranteed, secured or unsecured, or guarantees or other contingent liabilities as of February 28, 2026. Since February 28, 2026 and up to the Latest Practicable Date, there had not been any material change to our indebtedness. Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, there was no material covenant on any of our outstanding borrowings and we did not breach any covenants (that were not waived). Our Directors further confirm that we did not experience any material difficulties in obtaining bank and other borrowings or any default in repayment of bank and other borrowings during the Track Record Period and up to the Latest Practicable Date.

CONTINGENT LIABILITIES OR GUARANTEES

Save as the contingent consideration disclosed under "– Discussion of Certain Key Balance Sheet Items – Current Assets/Liabilities – Other Payables and Accruals" and "– Discussion of Certain Key Balance Sheet Items – Non-Current Assets/Liabilities – Other payables and accruals," we did not have any material contingent liabilities or guarantees as of Latest Practicable Date.

CAPITAL EXPENDITURES AND LONG-TERM INVESTMENTS

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

	For the Year Ended December 31,		
	2023	2024	2025
	(in thousands of RMB)		
Payments for property, plant and equipment	33,867	22,356	10,865
Payments for other intangible assets	2,540	6,292	2,795
Investment in joint ventures/associates	77,839	41,562	34,929
Total	**114,246**	**70,210**	**48,589**

We expect that our capital expenditures in 2026 will primarily consist of purchase of property and equipment and other intangible assets. We intend to fund our future capital expenditures and long-term investments with our existing cash balance, cash generated from operating activities, and [**REDACTED**] from the [**REDACTED**]. See the section headed "Future Plans and Use of [**REDACTED**]" for more details. We may reallocate the fund to be utilized on capital expenditure and long-term investments based on our ongoing business needs.

CONTRACTUAL OBLIGATIONS

Capital Commitments

Except for the capital commitments to our joint ventures and associates as disclosed in note 42 to the Accountants' Report in Appendix I to this document, we had no other material capital commitments as of December 31, 2023, 2024 and 2025.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

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

MATERIAL RELATED PARTY TRANSACTIONS

We enter into transactions with our related parties from time to time. During the Track Record Period, we entered into a number of related party transactions. In the fiscal years ended December 31, 2023, 2024 and 2025, the aggregate purchase amount with related parties was RMB92 thousand, RMB17.2 million and RMB12.5 million, respectively, and the aggregate sales amount with related parties was RMB0.8 million, RMB6.3 million and RMB14.9 million, respectively. As of December 31, 2023, 2024 and 2025, (i) the total trade amount due from related parties was RMB0.9 million, RMB3.6 million and RMB2.5 million, respectively, (ii) the total trade amount due to related parties was RMB1.1 million, RMB3.9 million and RMB2.2 million, respectively, (iii) the total non-trade prepayments, other receivables and other assets of associates was RMB14 thousand, RMB0.3 million and RMB10.1 million, respectively, and (iv) the total trade other payables and other accruals was RMB0.9 million, RMB1.0 million and RMB0.9 million, respectively. The outstanding non-trade balances are expected to be settled by the end of June 2026. For more details about our related party transactions, see note 43 to the Accountants' Report in Appendix I to this document.

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

FINANCIAL RISK DISCLOSURE

We are exposed to a variety of financial risks, including market risks (such as foreign exchange risk, cash flow and fair value interest rate risk, and price risk), credit risk and liquidity risk. Our overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on our financial performance. Risk management is carried out by our senior management.

Foreign Currency Risk

We mainly transact in RMB. Our management considers that our exposure to foreign currency risk is not significant.

Credit Risk

We trade only with recognized and creditworthy third parties. It is our policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and our exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the relevant operating unit, we do not offer credit terms without the specific approval of the head of credit control.

The credit risk of our other financial assets, which comprise cash and cash equivalents and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Liquidity Risk

We monitor our risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade and bills receivables) and projected cash flows from operations.

The table below analyzes the maturity profile of our financial liabilities as at the end of each of the Track Record Period, based on the contractual undiscounted payments.

	Within 1 year	1 to 5 years	Over 5 years	Total
		(in thousands of RMB)		
As of December 31, 2023				
Trade and bills payables	1,292,722	–	–	1,292,722
Financial liabilities included in other payables and accruals	707,711	–	–	707,711
Interest-bearing bank and other borrowings	51,241	–	–	51,241
Lease liabilities	149,620	192,274	16,631	358,525
As of December 31, 2024				
Trade and bills payables	1,651,644	–	–	1,651,644
Financial liabilities included in other payables and accruals	595,183	–	–	595,183
Interest-bearing bank and other borrowings	110,255	–	–	110,255
Lease liabilities	112,781	139,125	10,502	262,408
As of December 31, 2025				
Trade and bills payables	1,879,810	–	–	1,879,810
Financial liabilities included in other payables and accruals	523,593	–	–	523,593
Interest-bearing bank and other borrowings	149,682	–	–	149,682
Lease liabilities	109,455	99,218	7,628	216,301

FUTURE DIVIDENDS

We are incorporated under the laws of the People's Republic of China. PRC laws require that dividends be paid only out of the profit for the year calculated according to PRC accounting principles, which differ in many aspects from the generally accepted accounting principles in other jurisdictions, including IFRSs. PRC laws also require foreign-invested enterprises to set aside at least 10% of its after-tax profits, if any, to fund its statutory reserves, which are not available for distribution as cash dividends. Dividend distribution to our shareholders is recognized as a liability in the period in which the dividends are approved by our shareholders or Directors, where appropriate. During the Track Record Period, no dividends have been paid or declared by us.

DISTRIBUTABLE RESERVES

As of December 31, 2025, we had no distributable reserves.

WORKING CAPITAL CONFIRMATION

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. Our net cash used in operating activities was RMB347.0 million in 2023, our net cash generated from operating activities was RMB42.7 million and RMB138.2 million in 2024 and 2025, respectively. Our Directors confirm that we had no material defaults in payment of trade and non-trade payables during the Track Record Period.

[REDACTED] EXPENSE

Based on the [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**], the total estimated [**REDACTED**] expenses in relation to the [**REDACTED**] is approximately RMB[**REDACTED**], representing [**REDACTED**]% of the total gross [**REDACTED**] from the [**REDACTED**] of approximately HK$[**REDACTED**] (RMB[**REDACTED**]). We had not incurred any [**REDACTED**] expenses as of December 31, 2025. We expect to incur additional [**REDACTED**] expenses of approximately RMB[**REDACTED**], of which RMB[**REDACTED**] is expected to be charged to our consolidated statements of profit or loss and other comprehensive income and RMB[**REDACTED**] is expected to be accounted for as a deduction from equity upon the completion of [**REDACTED**]. The balance of the [**REDACTED**]-related expenses of approximately RMB[**REDACTED**], which mainly includes [**REDACTED**] commission, is expected to be accounted for as a deduction from equity upon the completion of the [**REDACTED**]. The balance of the non-[**REDACTED**]-related expenses approximately of RMB[**REDACTED**] primarily include fees and expenses of legal advisers and accountants of RMB[**REDACTED**] and other fees and expenses of RMB[**REDACTED**].

UNAUDITED [REDACTED] STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited [**REDACTED**] statement of our adjusted net tangible assets prepared in accordance with Rule 4.29 of the Listing Rules and with reference to Accounting Guideline 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants to illustrate the effect of the [**REDACTED**] on our net tangible assets as of December 31, 2025 as if the [**REDACTED**] had taken place on that date.

The unaudited [**REDACTED**] statement of adjusted net tangible assets has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not provide a true picture of our net tangible assets had the [**REDACTED**] been completed as of December 31, 2025 or at any future date. It is prepared based on our consolidated net assets as of December 31, 2025 as set forth in the Accountants' Report in Appendix I to this document, and adjusted as described below. No adjustment has been made to reflect any trading results or other transactions which we entered into subsequent to December 31, 2025. Our unaudited [**REDACTED**] adjusted net tangible assets does not form part of the Accountants' Report in Appendix I to this document.

	Consolidated net tangible assets attributable to our owners as at 31 December 2025	**Estimated net [REDACTED] from the [REDACTED]**	**Unaudited [REDACTED] adjusted consolidated net tangible assets**	**Unaudited [REDACTED] adjusted consolidated net tangible assets per Share**	
	RMB'000 *(note 1)*	*RMB'000* *(note 2)*	*RMB'000*	*RMB* *(note 3)*	*HK$* *(note 4)*
Based on an [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**]	1,036,945	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Based on an [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**]	1,036,945	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]

Notes:

1 The consolidated net tangible assets attributable to owners of our Company as of December 31, 2025 was equal to the audited consolidated equity attributable to owners of our Company of RMB1,613,237,000 as of December 31, 2025 after deducting other intangible assets attributable to owners of our Company of RMB192,954,000 and goodwill of RMB383,338,000 as set out in the Accountants' Report in Appendix I to this document.

2 The estimated net [**REDACTED**] from the [**REDACTED**] are based on the [**REDACTED**] of HK$[**REDACTED**] and HK$[**REDACTED**] per [**REDACTED**] after deduction of the [**REDACTED**] fees and other related [**REDACTED**] expenses, which are not recorded in the consolidated statements of profit or loss for the Track Record Period, and do not take into account any share which may be sold and [**REDACTED**] upon exercise of the [**REDACTED**].

3 The unaudited [**REDACTED**] adjusted consolidated net tangible assets attributable to our owners per Share is calculated based on [**REDACTED**] Shares in issue assuming the [**REDACTED**] has been completed on December 31, 2025.

4 The unaudited [**REDACTED**] adjusted consolidated net tangible assets per Share are converted into Hong Kong dollars at an exchange rate of RMB[0.8758] to HK$1.00.

5 No adjustment has been made to the unaudited [**REDACTED**] adjusted consolidated net tangible assets to reflect any of our trading results or other transactions entered into subsequent to December 31, 2025.

NO MATERIAL ADVERSE CHANGE

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

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

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