This summary aims to give you an overview of the information contained in this document. As this is a summary, it does not contain all the information that may be important to you. Moreover, there are risks associated with any **[REDACTED]**. *Some of the particular risks of* **[REDACTED]** *in the* **[REDACTED]** *are set out in "Risk factors". You should read the entire document carefully before you decide to* **[REDACTED]** *in the* **[REDACTED]**.

OVERVIEW

Who We Are

We provide supplies and SaaS to hospitals and pharmacies, digital marketing services to pharmaceutical companies, and online consultation and prescriptions to patients, all centered around chronic condition management. We have been, and expect to continue to, generate a majority of our revenues from sales of supplies to hospitals and pharmacies in the near future.

We aspire to lead China's digital chronic condition management market through our solutions serving all major participants in the healthcare value chain, including hospitals, pharmacies, pharmaceutical companies, patients and doctors. According to the Frost & Sullivan Report, we are the largest digital chronic condition management solution provider in China, in terms of numbers of SaaS installations in hospitals and pharmacies in China, each as of December 31, 2021, and number of online prescriptions issued through our services in 2021.

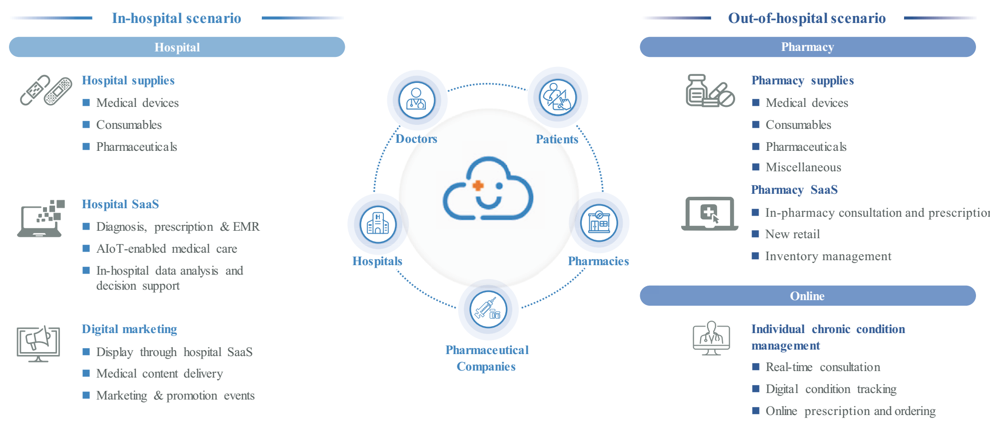
Our offerings include our in-hospital solution, our pharmacy solution, and our individual chronic condition management solution. Our in-hospital solution consists of sales of medical devices, consumables and pharmaceuticals, our hospital SaaS, and digital marketing services to pharmaceutical companies. We primarily sell medical devices and consumables to fulfill hospitals' needs of chronic condition management for patients; our hospital SaaS product improves the efficiency and effectiveness of in-hospital chronic condition management; leveraging our hospital network, we also offer pharmaceutical companies digital marketing services, primarily for drugs related to chronic condition management. Our pharmacy solution consists of sales of medical devices, consumables, pharmaceuticals and miscellaneous, and our pharmacy SaaS. The supplies we sell to pharmacies are primarily related to chronic condition management, while our pharmacy SaaS product enables pharmacies with online prescription issuance and fulfillment capabilities. Our individual chronic condition management solution connects doctors and patients to achieve out-of-hospital consultation and prescription for chronic condition management. Our revenue sources include product revenue and service revenue. We mainly generate revenues from sales of hospital and pharmacy supplies and individual chronic condition management products. We also generate revenue by providing digital marketing, SaaS and other services.

Our Solutions and Revenue Sources

China has the world's largest chronic condition patient population, with a significant portion of healthcare spending on chronic conditions. According to the Frost & Sullivan Report, Chinese patients spent approximately RMB4.1 trillion on chronic condition management in 2020. While chronic condition patients usually need on-going medical care and recurring prescription, which require both in- and out-of-hospital services, China's healthcare services are still heavily concentrated in public hospitals, according to the Frost & Sullivan Report. Public hospitals also have more medical resources and doctor-patient relationships, which are important for chronic condition patients.

In order to capture the existing in-hospital chronic condition management market and extend such market to out-of-hospital scenarios, we have adopted a hospital-first strategy to provide a comprehensive chronic condition management experience for patients in and out of hospitals. We attract hospitals, pharmacies, pharmaceutical companies, doctors and patients, and provide them with solutions covering major chronic conditions, including cardiovascular diseases (such as hypertension and hyperlipidemia) and diabetes, among others.

Through our comprehensive offerings of in-hospital solution, pharmacy solution and individual chronic condition management solution, we have covered the full life cycle of digital chronic condition management in and out of hospitals. Our revenue sources include product revenue and service revenue. We mainly generate revenues by sales of hospital and pharmacy supplies, and individual chronic condition management products. The medical devices and consumables sold under the in-hospital solution, pharmacy solution and individual chronic condition management solution vary in terms of nature, function and type. The medical devices and consumables sold under the in-hospital solution are for hospital use, and they generally require patients to come into hospitals. In contrast, the medical devices and consumables sold under the pharmacy solution and individual chronic condition management solution are for home use. We also generate revenue by providing digital marketing, SaaS and other services. We have achieved growth in our digital marketing service business, which has a relatively high gross profit margin, and this has contributed to a significant portion of our gross profit since we launched our digital marketing services in 2019.



The following is a breakdown of our revenues by solution offerings and revenue sources, in both absolute amounts and as a percentage of our total revenues for the years presented:

	For the Year Ended December 31,					
	2019		2020		2021	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*
	(in thousands, except percentages)					
Revenues:						
In-hospital solution	**177,216**	**33.8**	**422,175**	**50.3**	**1,272,738**	**72.4**
Sales of hospital supplies	129,911	24.7	250,124	29.8	854,114	48.6
Hospital SaaS	11,857	2.3	22.660	2.7	15,666	0.9
Digital marketing	35,448	6.8	149,391	17.8	402,958	22.9
Pharmacy solution	**326,887**	**62.3**	**345,607**	**41.2**	**349,967**	**19.9**
Sales of pharmacy supplies	326,863	62.3	330,480	39.4	300,961	17.1
Pharmacy SaaS	24	0.0	15,127	1.8	49,006	2.8
Individual chronic condition management solution and others	**20,335**	**3.9**	**71,341**	**8.5**	**134,026**	**7.7**
Chronic condition products	15,704	3.0	34,846	4.2	53,031	3.0
Premium membership services	—	—	14,211	1.7	22,688	1.3
Others[(1)]	4,631	0.9	22,284	2.6	58,307	3.4
Total	**524,438**	**100.0**	**839,123**	**100.0**	**1,756,731**	**100.0**

Note:

(1) Others include insurance brokerage services, advertisement agent services and others. Through insurance brokerage services, we sell healthcare insurance packages from different insurance companies to customers. Through advertisement agent services, we act as agents for certain clients, assisting them in obtaining advertising time on media platforms.

In-hospital solution

Our in-hospital solution includes hospital supplies of medical devices, consumables and pharmaceuticals, our hospital SaaS, and digital marketing services that we provide to pharmaceutical companies. For our in-hospital solution, we primarily generated revenues from sales of hospital supplies during the Track Record Period. Leveraging our hospital network, we distribute hospital supplies to our hospital end customers for our suppliers, either directly or indirectly through our distributors. The hospital supplies that we provide primarily relate to chronic conditions, such as glucose meters, glucose testing strips and vital sign monitors, to fulfill hospitals' needs of chronic condition management for patients. During the Track Record Period, based on our internal records and to our Directors' best knowledge, we did not directly or indirectly sell drugs to public medical institutions, and considering China's current "two-invoice system" regulations we do not intend to do so. See "Business — Risk Management and Internal Control — Two-invoice system and national centralized procurement using a VBP approach" for details. Our hospital SaaS, *ClouDr. Yihui*, was launched in 2016 and the first of its kind in China to digitalize and standardize the in-hospital chronic condition management process. Leveraging our hospital network, we also offer pharmaceutical companies digital marketing services, primarily for medicines related to chronic condition management, to boost the medicines' awareness and support clinical decisions. We have achieved growth in our digital marketing service business, which has a relatively high gross profit margin, and this has contributed to a significant portion of our gross profit since we launched our digital marketing services in 2019.

We grow our business in hospitals with the "Access, Install, Monetize" model, or the AIM model. This three-prong model outlines our concurrent efforts to access hospitals and establish business relationships, install our hospital SaaS to increase stickiness of hospitals, and seek monetization opportunities through our in-hospital solution. As of December 31, 2021, more than 2,300 hospitals had installed *ClouDr. Yihui*, including 33 of China's top 100 hospitals as ranked by the Institute of Asclepius Hospital Management, a third-party medical research firm. As of December 31, 2021, we had contracted with 15 pharmaceutical companies to provide them digital marketing services. Our in-hospital solution have allowed us to successfully build deep connections with hospitals, laying a solid foundation to extend our businesses to out-of-hospital settings.

Pharmacy solution

Our pharmacy solution fulfills chronic condition patients' need for out-of-hospital consultation and prescription services, through our pharmacy supplies of medical devices, consumables, pharmaceuticals and miscellaneous, and our pharmacy SaaS. For our pharmacy solution, we primarily generated revenues from sales of pharmacy supplies during the Track Record Period. We provide, directly or indirectly through our distributors, pharmacy supplies that primarily relate to chronic condition management. Leveraging our pharmacy network, we distribute pharmacy supplies to our pharmacy end customers for our suppliers, either through wholesale to distributors or direct sales to end customers. Our pharmacy SaaS enables pharmacies with online prescription issuance and fulfillment capabilities. We also provide value-added services, such as a new retail service that offers e-commerce solutions on Weixin mini programs, and inventory management services.

Historically, our pharmacy solution business consisted of only sales of pharmacy supplies. Launched in the first half of 2019, our pharmacy SaaS, *ClouDr. Pharmacy*, had already been installed in 172,000 pharmacy stores in China as of December 31, 2021, covering approximately 30% of the pharmacy stores in China, making us the largest pharmacy SaaS product provider in China in terms of number of pharmacy installation, according to the Frost & Sullivan Report.

Individual chronic condition management solution

Our individual chronic condition management solution connects doctors and patients, mainly through our doctor and patient mobile apps, mini programs and Weixin public account, to enable out-of-hospital monitoring, consultation and prescription for chronic condition patients. For our individual chronic condition management solution, we primarily generated revenues from sales of chronic condition products for individual chronic condition management solution during the Track Record Period. Through this solution, we strive to provide patients with convenient, efficient and comprehensive online consultation and prescription filling experience as a "anytime, anywhere" healthcare management platform, which we believe can address the long-term medical needs of chronic disease patients. We had over 87,000 registered doctors and approximately 23.8 million registered users as of December 31, 2021. As part of our platform to deliver these services in compliance with relevant regulations, there currently are three offline medical institutions (including one self-owned institution and two third-party institutions) whose licenses supported us in setting up three internet hospitals that hold their own licenses, which allow us to provide our online consultation and prescription services through our online applications to patients in different provinces across China, and this approach conforms with the relevant licensing requirements. We focus on providing online services to patients, and our self-owned offline medical institutions generally did not provide any services during the Track Record Period. Our online consultation and prescription services focus on chronic condition management, which requires long-term treatment, the re-filling of prescriptions and condition management. Our online hospitals do not provide initial or physical diagnoses to patients, and our services instead focus on serving chronic condition patients who have already obtained their initial diagnoses elsewhere and require renewal prescriptions. As our internet hospitals cannot conduct physical diagnosis or in-person treatment due to the internet-based nature of our operations, doctors on our platform may ask the relevant patients to go to competent offline hospitals to receive necessary treatment and/or diagnosis according to our platform requirement, consistent with the doctors' professional duties to patients.

Through our solutions, we are able to serve a large base of individual users. In 2021, approximately 153.4 million prescriptions were issued through our services, making us the largest online medical services provider in terms of number of prescriptions, according to the Frost & Sullivan Report.

Financial performance of our solutions

The below table sets forth a breakdown of our revenues by in-hospital solution, pharmacy solution, and individual chronic condition management solution and others, in both absolute amounts and as a percentage of our total revenues for the years presented:

	For the Year Ended December 31,					
	2019		2020		2021	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*
	(in thousands, except percentages)					
Revenues:						
In-hospital solution	177,216	33.8	422,175	50.3	1,272,738	72.4
Pharmacy solution	326,887	62.3	345,607	41.2	349,967	19.9
Individual chronic condition management solution and others[(1)]	20,335	3.9	71,341	8.5	134,026	7.7
Total	**524,438**	**100.0**	**839,123**	**100.0**	**1,756,731**	**100.0**

Note:

(1) Others include insurance brokerage services, advertisement agent services and others.

The below table sets forth a breakdown of our revenues by products and services, in both absolute amounts and as a percentage of our total revenues for the years presented:

	For the Year Ended December 31,					
	2019		2020		2021	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*
	(in thousands, except for percentages)					
Revenue						
Product revenue						
Sales of hospital and pharmacy supplies, and individual chronic condition management products	472,478	90.1	615,450	73.3	1,208,106	68.8
Service Revenue						
Digital marketing	35,448	6.8	149,391	17.8	402,958	22.9
SaaS and others[(1)]	16,512	3.1	74,282	8.9	145,667	8.3
Total	**524,438**	**100.0**	**839,123**	**100.0**	**1,756,731**	**100.0**

Note:

(1) Include revenues generated from subscription fees of hospital and pharmacy SaaS, service fees and membership fees from individual chronic condition management solution, and others.

Our Monetization Methods

We have diverse monetization methods across our three solutions:

Under our in-hospital solution, we seek to grow our business and drive monetization through our "AIM" model, under which we concurrently seek to (i) access and continuously engage with hospitals to establish close business relationships, primarily by leveraging our SaaS capabilities, (ii) install our hospital SaaS to increase stickiness of hospitals, and (iii) explore monetization opportunities, primarily through hospital supplies and digital marketing services, and to a lesser extent, through hospital SaaS. Accordingly, during the Track Record Period, we generated revenue through:

- *Sales of hospital supplies.* Leveraging our close collaborative relationships with hospitals, our hospital SaaS installation and our partnerships with a large number of pharmaceutical and medical device companies, we sell hospital supplies, including medical devices, consumables and pharmaceuticals, to hospitals. We sell hospital supplies through either direct sales or distributors. The number of hospitals that directly or indirectly purchased hospital supplies from us amounted to 1,016, 1,431 and 2,101 in 2019, 2020 and 2021, respectively;

- *Digital marketing services.* We provide digital marketing services for pharmaceutical companies, where we receive a percentage of the sales revenue of our pharmaceutical company customers from the medicines we help market to our large network of hospitals and doctors. Through our hospital SaaS, we are able to increase exposure for medicines and display and promote brand awareness for our pharmaceutical company clients. We earn revenue from digital marketing services on a performance basis, where we receive a portion of the revenues our pharmaceutical company clients generate from the specific SKUs in the specific region for which we provide them digital marketing services; and

- *Hospital SaaS.* We charge subscription fees for our hospital SaaS. Our hospital SaaS is designed to digitalize chronic condition management to improve hospitals' operational efficiency and treatment effectiveness. We have generally adopted a subscription fee model for our hospital SaaS for an annual fee of RMB250,000 as a base package.

Our pharmacy solution consists of sales of pharmacy supplies, which is the main revenue contributor under our pharmacy solution, and pharmacy SaaS. Accordingly, during the Track Record Period, we generated revenue through:

- *Sales of pharmacy supplies*. Leveraging our understanding of the healthcare industry in China, our relationships with pharmaceutical companies and our access to upstream suppliers, we sell pharmacy supplies, including medical devices, consumables, pharmaceuticals and miscellaneous, to pharmacies. We sell pharmacy supplies through either direct sales or distributors. The number of transacting customers for our pharmacy supplies amounted to 343, 327 and 683 in 2019, 2020 and 2021, respectively; and

- *Pharmacy SaaS.* We charge subscription fees for our pharmacy SaaS, which we launched in 2019. We facilitate in-pharmacy prescription issuance for walk-in patients, and help pharmacies manage their inventories and set up online pharmacies through Weixin mini programs. We generate revenue from subscription fees for pharmacies using our pharmacy SaaS on a per-outlet annual basis with annual fees ranging from approximately RMB1,000 to RMB17,000, depending on the services chosen.

Under our individual chronic condition management solution and others, we provide an individual chronic condition management platform *ClouDr. Health* on which users can receive instant, professional care for chronic conditions and other health management services at any time and from anywhere. During the Track Record Period, we generated revenue through:

- *Chronic condition products.* We generate revenue from chronic condition products, including medical devices, consumables, pharmaceuticals and miscellaneous. A patient with a prescription from *ClouDr. Health* can easily submit a request for the prescribed drugs to our online retail e-commerce platform, and the platform will assign the request to the closest pharmacy with such order in stock that we partner with or our own pharmacies, quickly completing a hassle-free process of obtaining the necessary medicines for the patient's chronic condition. We generate revenue from commissions that we charge from our business partners for products sold by them, and our sales of products if users purchase them directly from us.

- *Premium membership services.* Our premium members include not only individual purchasers of our memberships, but also users who become members through the insurance companies and corporate employers that we partner with. We offer comprehensive and personalized value-added services to our premium members. Premium memberships are priced at RMB68 and RMB599 annually, depending on the tier of membership; and

- *Others.* Our other revenues include insurance brokerage services, advertisement agent services and others.

Industry Opportunities and Our Competitive Edge

The Digital Chronic Condition Market

We aspire to lead China's digital chronic condition management market through our solutions. The market size of the digital chronic condition management market in China grew from RMB57.8 billion in 2016 to RMB176.1 billion in 2020, representing a CAGR of 32.1% over the period. This is expected to further grow to RMB800.1 billion in 2025 and RMB1,808.5 billion in 2030, representing CAGRs of 35.4% from 2020 to 2025 and 17.7% from 2025 to 2030.

How We Serve the Digital Chronic Condition Market

We provide our hospital SaaS and supplies to hospitals to digitalize and standardize the in-hospital chronic condition management process, which not only centralizes, streamlines, and automates their workflows, but also facilitates the creation, management, analysis of EMR. Our in-hospital solutions are designed for chronic condition management to improve hospitals' operational efficiency and treatment effectiveness. By empowering the hospitals with digitalization solutions, we build sticky relationships and are able to seek monetization through hospital supplies, digital marketing services and hospital SaaS.

We understand that chronic condition management is a complex process, involving long-term and regular visits, and requiring frequent interactions between patients and medical service providers including doctors, hospitals and pharmacies. Leveraging our success in serving hospitals, we have expanded our solutions to cover full life-cycle of chronic condition management and provide value propositions to more stakeholders in the healthcare system, including pharmacies, patients and pharmaceutical companies. To make quality healthcare services accessible under out-of-hospital settings, we have launched and ramped up our pharmacy solution and individual chronic management solution to enable in-pharmacy and at-home medical consultation and prescription.

Our Competitive Edge

We believe that we are positioned with the unique competitive edge over our industry peers and potentially other larger-scale technology companies which offer readily available options of similar products and services of digital chronic condition management solutions.

Unlike some industry participants, we have been committed to implementing our hospital-first strategy with a focus on serving hospitals' clinical needs for chronic condition management, as we understand that chronic condition management in China centers on in-hospital healthcare services. Hospitals are where a journey of chronic condition management normally starts and patient-doctor relationships are cultivated. Considering the scarcity and uneven distribution of medical resources in China, digital solutions are particularly needed to improve operational efficiency and enable online diagnosis, management and prescription for hospitals. In addition, compared with user acquisition through mass marketing, our hospital-first approach allows us to establish trust with individual users with precise needs, leading to higher acquisition efficiency. As a result, we believe we are able to spend our capital effectively on product development and build a robust business model with a clear path to profitability.

We strive to provide distinctive solutions which could serve as infrastructure connecting a variety of stakeholders within the healthcare system. Our hospital SaaS is a strategic product that can fulfill the operational needs of hospitals. By implementing our "AIM" model for our in-hospital solution, we build and enhance sticky relationships with hospitals and effectively monetize primarily through medical supplies and digital marketing services. Similarly, our pharmacy SaaS is designed to provide patients easier and better access to medical resources, and allow them to purchase OTC and prescription drugs almost anywhere and anytime. According to Frost & Sullivan, we are the largest digital chronic condition management solution provider in China, in terms of numbers of SaaS installations in hospitals and pharmacies in China, each as of December 31, 2021.

The medical services capability and compliance mindset are important to our success. Compared to other peers, we differentiate ourselves by providing digital solutions covering the entire patient journey, aiming to make the overall chronic condition management more efficient and make high-quality healthcare services more easily accessible for patients. In addition to our in-hospital solution and pharmacy solution, we provide effective and efficient individual chronic condition management solution. In 2021, approximately 153.4 million prescriptions were issued through our services, making us the largest online medical services provider in terms of number of prescriptions, according to Frost & Sullivan. As of the Latest Practicable Date, we had over 94,000 registered doctors under our licensed internet hospitals. We have also developed and adopted AI technology to intelligently assign suitable doctors with patients seeking online consultation and prescriptions and to evaluate and check each prescription. In 2021, approximately 99% of the patients on our platform received response within 180 seconds.

We believe that our competitive potentially edge enables us to effectively acquire customers and compete with our industry peers and larger-scale technology companies offering similar products and services, thereby facilitating our business sustainability and path to profitability. See "Business — Our Competitive Strengths" and "— Business Sustainability" for details.

OUR COMPETITIVE STRENGTHS

We believe that the following competitive strengths contribute to our success.

- Pioneer and market leader;
- Scalable business model;
- Valuable doctor-patient relationships in and out of hospitals;
- Strong product capabilities; and
- Visionary management team.

OUR GROWTH STRATEGIES

We intend to pursue the following strategies to achieve further success and maintain our fast growth.

- Continue to expand our hospital and pharmacy network;
- Continue to grow our patient and doctor bases;
- Continue to invest in product and technology innovation;
- Continue to expand our presence in the healthcare value chain and drive monetization; and
- Continue to invest for strategic partnership and acquisitions.

OUR VALUE PROPOSITIONS

Our product and service offerings cover all major participants along the value chain of chronic condition management. In particular, we have developed a chronic condition management ecosystem with solutions that cover the entire patient journey from in to out of hospitals, through which we believe the relevant stakeholders, including hospitals, pharmacies, doctors and patients, in the healthcare system benefit from our offerings.

We offer compelling value propositions for hospitals, pharmacies, pharmaceutical companies, patients and doctors, under both in-hospital and out-of-hospital settings:

- Value Propositions to Hospitals
  - Address hospitals' needs in hospital supplies
  - Digitalized and standardized treatment process
  - Additional services through digital marketing
  - Improved hospital classification
- Value Propositions to Pharmacies
  - Expanded supply offerings for chronic conditions management
  - In-store, real-time consultation and prescription services for walk-in customers
  - Broadened customer acquisition channels
- Value Proposition to Pharmaceutical Companies
  - Effective marketing services
  - Expanded doctor reach

- Value Propositions to Patients and Other Individual users
  - o Efficient and comprehensive online consultation and prescription fulfilling
  - o 24/7 mobile-based chronic condition management
- Value Propositions to Doctors
  - o Expansion of patient relationship out of hospitals
  - o Opportunities for multi-site practice

Please refer to "Business — Our Value Propositions" for details.

OUR OPERATING AND FINANCIAL PERFORMANCE

Our Operating Performance

The following tables set forth the key operating data for the periods indicated:

In-hospital Solution

	For the Years Ended December 31,		
	2019	2020	2021
Number of hospitals that installed our hospital SaaS(1)	377	1,705	2,369
Number of SaaS-paying hospitals	104	184	118
Number of transacting customers (excluding pharmaceutical companies)(2)	309	436	949
Number of hospitals directly or indirectly purchased hospital supplies from us(3)	1,016	1,431	2,101
Retention rate of hospitals directly or indirectly purchased hospital supplies from us(4)	67%	75%	77%
Number of transacting pharmaceutical companies(5)	5	13	15
Number of SKUs marketed through digital marketing services(6)	6	16	22

Notes:

(1) Number of hospitals that installed our hospital SaaS is the cumulative total number as of the end date of the respective year.

(2) Includes distributors through which we sold medical devices, consumables and pharmaceuticals to hospital end customers, and distributors through which we sold our hospital SaaS to hospital end customers, and hospitals that directly procured medical devices, consumables, and pharmaceuticals or our hospital SaaS from us during the respective year.

(3) Based on our internal records and information available to us as at the Latest Practicable Date.

(4) Retention rate of hospitals directly or indirectly purchased hospital supplies from us in a given year is calculated as the ratio between (i) the number of hospitals that had purchased, directly or indirectly, hospital supplies from us both in the given year and the year immediately before, and (ii) the number of hospitals that had purchased, directly or indirectly, hospital supplies from us in the year immediately before the given year. The number of hospitals directly or indirectly purchased hospital supplies from us is based on our internal records and information available to us as at the Latest Practicable Date.

(5) Number of transacting pharmaceutical companies is the number of pharmaceutical companies to which we provided digital marketing services during the respective year.

(6) Number of SKUs marketed through digital marketing services during the respective year.

The number of hospitals that installed our hospital SaaS generally increased during the Track Record Period, as we continued to expand our hospital network through the "AIM" model. We experienced significant growth in the number of transacting customers (excluding pharmaceutical companies), as well as number of hospitals directly or indirectly purchased hospital supplies from us.

Pharmacy Solution

	For the Years Ended December 31,		
	2019	2020	2021
Number of pharmacy stores that installed our pharmacy SaaS(1)	3,002	111,413	172,000
Number of SaaS-paying pharmacy stores	2,346	44,068	84,389
Number of transacting customers(2)	343	327	683

Notes:

(1) Number of pharmacy stores that installed our pharmacy SaaS is the cumulative total number as of the end date of the respective year.

(2) Includes distributors through which we sold medical devices, consumables, pharmaceuticals and miscellaneous to pharmacy end customers, and chain pharmacy companies who directly procured medical devices, consumables, pharmaceuticals and miscellaneous from us during the respective period, and does not include SaaS-paying customers who did not purchase such products directly or indirectly from us.

The number of pharmacy stores that installed our pharmacy SaaS has generally increased since 2019, when we started offering this service. The number grew significantly from 2019 to 2021, as we expanded our pharmacy network and attracted a number of large pharmacy chain customers. The number of SaaS-paying pharmacy stores grew as the number of pharmacy stores that installed our pharmacy SaaS grew.

Individual Chronic Condition Management Solution and Others

	For the Years Ended December 31,		
	2019	2020	2021
Number of paying individual users(1)	39,692	365,786	660,535
Number of registered users(2) (in millions)	8.4	17.1	23.8

Notes:

(1) Number of paying individual users is the number of individual users who were our paying members or made at least one purchase from us during the respective year.

(2) Number of registered users is the cumulative total number as of the end date of the respective year.

We have been continually growing our individual user base as we attract more hospitals, doctors, and pharmacies to our platform. The number of registered users increased from 17.1 million as of December 31, 2020 to 23.8 million as of December 31, 2021.

As we grew our individual user base, we focused on expanding third-party online pharmaceutical sales and launched premium membership services in 2020. As a result, the number of paying individual users rebounded by 821.6% from 39,692 in 2019 to 365,786 in 2020, and reached 660,535 in 2021.

Our Financial Performance

We experienced significant growth during the Track Record Period. Our revenues increased by 60.0% from RMB524.4 million in 2019 to RMB839.1 million in 2020 and further increased by 109.4% to RMB1,756.7 million in 2021.

During the Track Record Period, we generated revenues from three revenue streams: (i) in-hospital solution, (ii) pharmacy solution, and (iii) individual chronic condition management solution and others.

We experienced significant growth in our revenue and shifts in the revenue mix during the Track Record Period in pace with the continuous growth and evolution of our businesses. We launched hospital SaaS for hospitals in 2016, formed our first exclusive partnership to regionally sell medical devices and consumables with a global leading company in chronic condition management in 2017 and continue to develop distributorship relationship with other suppliers for medical devices and consumables for chronic condition management, and launched pharmacy SaaS for online consultation and prescription in 2019. In 2019, we generated the majority of our total revenues from pharmacy supplies by leveraging our relationships with pharmaceutical companies and access to upstream suppliers. Since 2020, our in-hospital solution has become our largest source of revenue, contributing 50.3% and 72.4% of our total revenues in 2020 and 2021, respectively, as we ramped up our hospital supplies, digital marketing services and hospital SaaS by continuing to implement our hospital-first strategy and expanding our hospital network. Within pharmacy solution, we generate the majority of our revenues from sales of pharmacy supplies. However, our pharmacy SaaS has become an increasingly significant source of revenue since its launch in 2019, contributing 4.4% and 14.0% of our total revenues from pharmacy solution in 2020 and 2021, respectively. As our business grows and evolves, we may continue to experience shifts in our revenue mix. During the Track Record Period, we have generated a majority of our revenues from sales of hospital supplies, pharmacy supplies and individual chronic condition management products. Nevertheless, we have seen a rise in our revenues from digital marketing service and SaaS and others as a percentage of our total revenues. We expect to continue to generate a significant portion of our revenues from hospital supplies, pharmacy supplies and chronic condition products to individual users, depending on, among others, market conditions and the execution of our business strategies, as it is usually difficult for Chinese public hospitals to approve significant budgets for software products given their public and welfare nature, according to the Frost and Sullivan Report, and our pharmacy SaaS was only launched in 2019.

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

	For the Year Ended December 31,					
	2019		2020		2021	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*
	(in thousands, except percentages)					
Revenues:						
In-hospital solution	177,216	33.8	422,175	50.3	1,272,738	72.4
Pharmacy solution	326,887	62.3	345,607	41.2	349,967	19.9
Individual chronic condition management solution and others	20,335	3.9	71,341	8.5	134,026	7.7
Total	**524,438**	**100.0**	**839,123**	**100.0**	**1,756,731**	**100.0**

In-hospital Solution

The following table sets forth a breakdown of our revenue from in-hospital solution both in absolute amount and as a percentage of our total revenues of in-hospital solution for the years presented:

	For the Year Ended December 31,					
	2019		2020		2021	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*
	(in thousands, except percentages)					
In-hospital solution						
Hospital supplies[1]	129,911	73.3	250,124	59.2	854,114	67.1
Hospital SaaS	11,857	6.7	22,660	5.4	15,666	1.2
Digital marketing services	35,448	20.0	149,391	35.4	402,958	31.7
Total	**177,216**	**100.0**	**422,175**	**100.0**	**1,272,738**	**100.0**

Note:

(1) Hospital supplies include medical devices, such as blood glucose meters and vital sign monitors, consumables, such as glucose testing strips, and pharmaceuticals, including both OTC and prescription drugs.

Our revenue from our in-hospital solution has grown significantly during the Track Record Period, primarily driven by our continued implementation of our hospital-first strategy and efforts to expand our hospital network and enhance engagement with hospitals and the launch and growth of our digital marketing services. See "Financial Information — Year-to-Year Comparison of Results of Operations."

Pharmacy Solution

The following table sets forth a breakdown of our revenue from pharmacy solution both in absolute amount and as a percentage of our total revenues of pharmacy solution for the years presented:

	For the Year Ended December 31,					
	2019		2020		2021	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*
	(in thousands, except percentages)					
Pharmacy solution						
Pharmacy supplies[1]	326,863	100.0	330,480	95.6	300,961	86.0
Pharmacy SaaS	24	0.0	15,127	4.4	49,006	14.0
Total	**326,887**	**100.0**	**345,607**	**100.0**	**349,967**	**100.0**

Note:

(1) Pharmacy supplies include medical devices, such as blood glucose meters and blood pressure meters, consumables, such as glucose testing strips, pharmaceuticals, including both OTC and prescription drugs, and other miscellaneous items.

Our revenue from our pharmacy solution has grown during the Track Record Period, primarily driven by the expansion of the geographic coverage of our pharmacy network and continued investment in the development and upgrading of our pharmacy SaaS. See "Financial Information — Year-to-Year Comparison of Results of Operations."

Individual Chronic Condition Management Solution and Others

The following table sets forth a breakdown of our revenue from individual chronic condition management solution and others both in absolute amount and as a percentage of our total revenues of individual chronic condition management solution and others for the years presented:

	For the Year Ended December 31,					
	2019		2020		2021	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*
	(in thousands, except percentages)					
Individual chronic condition management solution and others						
Chronic condition products	15,704	77.2	34,846	48.8	53,031	39.6
Premium membership services	—	—	14,211	19.9	22,688	16.9
Others[(1)]	4,631	22.8	22,284	31.3	58,307	43.5
Total	**20,335**	**100.0**	**71,341**	**100.0**	**134,026**	**100.0**

Note:

(1) Include insurance brokerage services, advertisement agent services and others.

Our revenue from individual chronic condition management solution and others grew significantly during the Track Record Period, primarily driven by our continued effort to expand our user base and enrich our product and service offerings and the growth of our insurance brokerage services.

We incurred net loss of RMB565.4 million, RMB2,896.9 million and RMB4,153.2 million in 2019, 2020 and 2021, respectively. Our adjusted net loss (non-IFRS measure), defined as net loss that excludes the impacts of change in fair value of financial liabilities, share-based compensation expenses, **[REDACTED]** and issuance cost of financial liability at FVTPL, was RMB149.5 million, RMB636.3 million and RMB444.0 million in 2019, 2020 and 2021, respectively. See "Financial Information — Adjusted Net Loss (Non-IFRS Measure)" for details.

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

	For the Year Ended December 31,		
	2019	2020	2021
Total revenue growth (%)	110.0	60.0	109.4
Gross margin (%)	11.7	27.7	32.4
Adjusted net loss margin (non-IFRS measure) (%)[(1)]	(28.5)	(75.8)	(25.3)

Note:

(1) Represents adjusted net loss (non-IFRS measure) divided by the total revenue for the year indicated.

Our Customers, Suppliers and Distributors

Our main customers include distributors, hospitals and pharmacies for in-hospital solution and pharmacy solution, and pharmaceutical companies that use our digital marketing services. See "Business — Customers." Our main supplier are pharmaceutical companies and distributors of pharmaceuticals, medical devices and consumables. See "Business — Our Suppliers." We also form distributorships mainly with vendors that are on hospitals' vendor lists and wholesalers to pharmacies. See "Business — Distributors."

Competition

The markets for solutions in our industry are rapidly evolving. Our competitors may compete with us in a variety of ways, including by expanding their hospital/pharmacy network by launching competing products, expanding their product offerings or functionalities, conducting brand promotions and other marketing activities to acquire users and doctors and making acquisitions. We believe that our ability to compete effectively depends on many factors, including our leading position in the industry, our scalable business model, the valuable doctor-patient relationships we foster and retain, our active user and doctor bases, our innovative technological capabilities, our capabilities in the health care value chain, our technological capabilities, the quality control of our product and service offerings, our partnerships with third parties, our marketing efforts, and the strength and reputation of our brand. See "Business — Competition."

RISK FACTORS

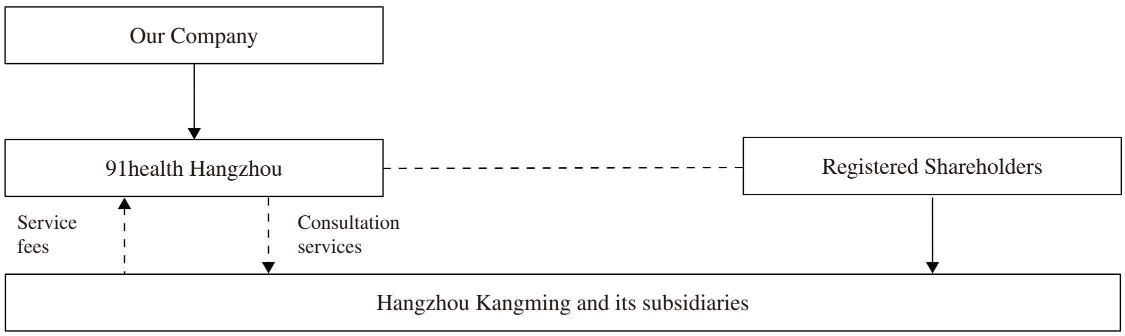
Our operations and the **[REDACTED]** involve certain risks and uncertainties, which are set out in the section headed "Risk factors." You should read that section in its entirety carefully before you decide to **[REDACTED]** in our Shares. Some of the major risks we face relate to:

- our ability to sustain our revenue growth rate in the future;
- our ability to achieve or maintain profitability;
- our ability to monetize our solutions;
- the fact that we are subject to extensive and evolving legal and regulatory requirements;
- the fact that we are subject to risks associated with the "two-invoice system" and national centralized procurement using a volume-based procurement approach, particularly the potential expansion of the scope of products covered thereby;
- our ability to maintain industry participants' trust in our platform and reinforce our reputation and brand;
- the fact that pharmaceuticals, consumables and medical devices are subject to and will continue to be subject to price restrictions, price competition and regulations in China;
- the fact that we may incur impairment charges for our goodwill and intangible assets;
- our ability to continue to expand our hospital and pharmacy networks;
- the fact that we depend on third-party suppliers and distributors;
- the fact that we are subject to risks associated with our relationship with pharmaceutical and medical device companies;
- our ability to attract or retain sufficient users or medical professionals for our individual chronic condition management platform;
- our ability to compete effectively;
- the fact that our business operations and financial performance have been and may continue to be affected by the COVID-19 outbreak; and
- the fact that we are subject to a variety of risks associated with our hospital supplies, pharmacy supplies and chronic condition products businesses.

CONTRACTUAL ARRANGEMENTS

Due to foreign investment restrictions under PRC laws, our Company is unable to own or hold any direct equity interest in our Consolidated Affiliated Entities conducting our businesses. Rather, we control these entities through Contractual Arrangements, through which we are able to derive substantially all economic benefits enjoyed by the Registered Shareholders from our Consolidated Affiliated Entities. See “Contractual Arrangements” for details.

The following simplified diagram illustrates the key aspects of the Contractual Arrangements:



Notes:

(1) See “Contractual Arrangements” for details of our Registered Shareholders.

(2) “—>” denotes direct legal and beneficial ownership in the equity interest.

(3) “--->” denotes contractual relationship.

(4) “----” denotes the control by the 91health Hangzhou over the Registered Shareholders and the Consolidated Affiliated Entities through (i) powers of attorney to exercise all shareholders’ rights in the Consolidated Affiliated Entities, (ii) exclusive options to acquire all or part of the equity interests in the Consolidated Affiliated Entities and (iii) equity pledges over the equity interests in the Consolidated Affiliated Entities.

SHAREHOLDERS INFORMATION AND [REDACTED] INVESTORS

Immediately following the completion of the **[REDACTED]**, assuming that all Preferred Shares are converted into ordinary shares on a 1:1 basis, and that the **[REDACTED]** is not exercised and no Shares are issued under the **[REDACTED]** Share Award Scheme, our Company will be held as to approximately **[REDACTED]** by HaoYuan health Limited (formerly known as ClouDr Limited), of which its entire interest is held through a trust established by Mr. Kuang (as settlor) and the beneficiaries of which are Mr. Kuang and his family members, and approximately **[REDACTED]** by Prime Forest Assets Limited, a limited liability company incorporated under the laws of British Virgin Islands, established for the purpose of holding Shares pursuant to the **[REDACTED]** Equity Incentive Scheme. See “History, Reorganisation, and Corporate Structure — Capitalisation” for details of our Shareholders.

We received multiple series of equity financing from our **[REDACTED]** Investors to support our expanding business operations since our establishment. Our principal **[REDACTED]** Investors consists of private equity funds or corporation that have made meaningful investments in our Company and each holding more than 2% of our total issued share capital as at the date of this document. See “History, Reorganisation, and Corporate Structure — **[REDACTED]** Investments” and “History, Reorganisation, and Corporate Structure — Capitalisation” for details of the identity and background of our **[REDACTED]** Investors, as well as the principal terms of the **[REDACTED]** Investments.

OUR COST STRUCTURE

Our cost and expenses primarily consists of cost of goods sold, amortization of exclusive rights, selling and marketing expenses, administrative expenses, and research and development expenses. Our expenses primarily consist of staff cost related to selling and marketing, administration and research and development. See "Financial Information".

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The following tables set forth summary financial data from our consolidated financial information for the Track Record Period, extracted from the Accountants' Report set out in Appendix I to this document. The summary consolidated financial data set forth below should be read together with, and is qualified in its entirety by reference to, the consolidated financial statements in this document, including the related notes. Our consolidated financial information was prepared in accordance with IFRSs.

During the Track Record Period, we have experienced net losses and operating cash outflows and accumulated net liabilities and net current liabilities. Our net losses and net operating cash outflows were primarily due to our continuous investments in expanding our hospital and pharmacy networks and user base, as well as our investments in brand equity and research and development capabilities. The net liabilities and net current liabilities we recorded during the Track Record Period were primarily due to accounting effects of the convertible redeemable preferred shares we issued in previous rounds of financings. Our convertible redeemable preferred shares will automatically be converted into ordinary shares upon the **[REDACTED]**. Afterwards, we do not expect to recognize any further loss or gain on fair value changes from the convertible preferred shares and expect to shift to net asset position from the previous net liabilities position. See "Financial Information" for further details.

Selected Consolidated Statements of Profit or Loss Items

The following table sets forth our consolidated statements of profit or loss and other comprehensive income with line items in absolute amounts and as percentages of our revenues for the years indicated:

	For the Year Ended December 31,					
	2019		2020		2021	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*
	(in thousands, except percentages)					
Revenue	524,438	100.0	839,123	100.0	1,756,731	100.0
Cost of sales	(462,868)	(88.3)	(606,367)	(72.3)	(1,186,707)	(67.6)
Gross profit	**61,570**	**11.7**	**232,756**	**27.7**	**570,024**	**32.4**
Other net income	4,765	0.9	5,732	0.7	29,916	1.7
Selling and marketing expenses(1)	(149,179)	(28.4)	(626,020)	(74.6)	(787,280)	(44.8)
Administrative expenses(1)	(74,394)	(14.2)	(316,753)	(37.7)	(272,327)	(15.5)
Research and development expenses(1)	(23,753)	(4.5)	(132,397)	(15.8)	(236,244)	(13.4)
Loss from operations	**(180,991)**	**(34.5)**	**(836,682)**	**(99.7)**	**(695,911)**	**(39.6)**
Finance costs	(57,802)	(11.0)	(57,802)	(6.9)	(61,962)	(3.5)
Change in fair value of financial liabilities	(326,583)	(62.3)	(2,003,371)	(238.7)	(3,397,634)	(193.4)
Loss before taxation	**(565,376)**	**(107.8)**	**(2,897,855)**	**(345.3)**	**(4,155,507)**	**(236.5)**
Income tax	(13)	(0.0)	966	0.1	2,314	0.1
Loss for the year	**(565,389)**	**(107.8)**	**(2,896,889)**	**(345.2)**	**(4,153,193)**	**(236.4)**
Attributable to:						
Equity shareholders of the Company	(557,397)	(106.3)	(2,866,975)	(341.7)	(4,138,913)	(235.6)
Non-controlling interests	(7,992)	(1.5)	(29,914)	(3.5)	(14,280)	(0.8)
Loss for the year	**(565,389)**	**(107.8)**	**(2,896,889)**	**(345.2)**	**(4,153,193)**	**(236.4)**
Loss per share						
Basic and diluted *(RMB)*	(7.70)		(34.87)		(42.88)	

	For the Year Ended December 31,					
	2019		2020		2021	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*
			(in thousands, except percentages)			
Other comprehensive income/(loss) for the year (after tax)						
Exchange difference on translation of:						
Financial statements of overseas subsidiaries	(3,161)	(0.6)	145,590	17.4	131,932	7.5
Total comprehensive loss for the year	**(568,550)**	**(108.4)**	**(2,751,299)**	**(327.9)**	**(4,021,261)**	**(228.9)**
Attributable to:						
Equity shareholders of the Company	(560,558)	(106.9)	(2,721,385)	(324.3)	(4,006,981)	(228.1)
Non-controlling interests	(7,992)	(1.5)	(29,914)	(3.6)	(14,280)	(0.8)
Total comprehensive loss for the year	**(568,550)**	**(108.4)**	**(2,751,299)**	**(327.9)**	**(4,021,261)**	**(228.9)**

Notes:

(1) Share-based compensation expenses were allocated as follows:

	For the Year Ended December 31,		
	2019	2020	2021
	RMB	*RMB*	*RMB*
		(in thousands)	
Selling and marketing expenses	6,173	7,358	58,178
Administrative expenses	32,254	195,611	130,644
Research and development expenses	596	4,262	33,797
Total	**39,023**	**207,231**	**222,619**

Adjusted Net Loss (Non-IFRS Measure)

To supplement our consolidated financial statements, which are presented in accordance with IFRS, we also use adjusted net loss (non-IFRS measure) (defined below) as an additional financial measure, which is not required by, or presented in accordance with IFRS. We believe that the presentation of this non-IFRS measure facilitates comparisons of operating performance from period to period and company to company by eliminating potential impacts of items such as certain non-cash items and certain transaction cost related to financing activities. We believe that this measure provides useful information to **[REDACTED]** in understanding and evaluating our consolidated results of operations in the same manner as they help our management. However, the use of non-IFRS measure has limitations as an analytical tool, and you should not consider them in isolation from, or as a substitute for the analysis of, our results of operations or financial conditions as reported under IFRS. In addition, the non-IFRS financial measure may be defined differently from similar terms used by other companies.

We define "adjusted net loss (non-IFRS measure)" as loss for the year or period, adding back (i) change in fair value of financial liabilities, (ii) share-based compensation expenses, (iii) **[REDACTED]**, and (iv) issuance cost of financial liability at FVTPL.

For the years ended December 31, 2019, 2020 and 2021, our adjusted net loss (non-IFRS measure) was RMB149.5 million, RMB636.3 million and RMB444.0 million, respectively.

The following table sets forth the reconciliations of our non-IFRS financial measure for the fiscal years ended December 31, 2019, 2020 and 2021 to loss for the year, which is the nearest measure prepared in accordance with IFRS:

	For the Year Ended December 31,		
	2019	2020	2021
	(in thousands, except for percentage)		
Loss for the year	(565,389)	(2,896,889)	(4,153,193)
Add:			
Change in fair value of financial liabilities(1)	326,583	2,003,371	3,397,634
Share-based compensation expenses(2)	39,023	207,231	222,619
[REDACTED](3)	—	—	37,391
Issuance cost of financial liability at FVTPL(4)	50,278	49,976	51,554
Adjusted net loss (non-IFRS measure)	**(149,505)**	**(636,311)**	**(443,995)**
Adjusted net loss margin (non-IFRS measure) (%)(5)	**(28.5)**	**(75.8)**	**(25.3)**

Notes:

(1) Change in fair value of financial liabilities represents the gains or losses arising from change in fair value of our issued convertible redeemable preferred shares and convertible loans, which was recognized as a financial liability at fair value change through profit or loss. Such changes are non-cash in nature.

(2) Share-based compensation expenses relate to the share awards we offered to our employees, directors and consultants under the **[REDACTED]** Equity Incentive Scheme, which are primarily non-cash in nature and commonly added back to IFRS measures in calculating similar non-IFRS measures adopted by other companies in our industry.

(3) **[REDACTED]** are commonly added back to IFRS measures in calculating similar non-IFRS financial measures.

(4) Issuance cost of financial liability at FVTPL is commonly added back to IFRS measures in calculating similar non-IFRS financial measures, primarily because it represents the professional service cost in connection with preferred shares financing and only relates to the scale of financing from the preferred share investors. We do not expect to have such issuance cost after we become a **[REDACTED]**.

(5) Represents adjusted net loss (non-IFRS measure) divided by the total revenue for the year indicated.

Our loss increased significantly from RMB565.4 million in the fiscal year ended December 31, 2019 to RMB2,896.9 million in the fiscal year ended December 31, 2020 and further increased to RMB4,153.2 million in the fiscal year ended December 31, 2021. Such significant increases were primarily attributable to increases in change in fair value of financial liabilities due to increases in the fair value of our convertible redeemable preferred shares and convertible loans issued to investors, which were a result of the increases in the fair value of equity interest of our Company. The increases in our loss were also partially due to increases in our staff costs as we continually expanded our teams across functions including research and development and sales and marketing to support and drive our business growth. Our research and development staff costs increased from RMB18.1 million in 2019 to RMB93.3 million in 2020 and further increased to RMB203.5 million in 2021. Our selling and marketing staff costs increased from RMB75.2 million in 2019 to RMB276.0 million in 2020 and further increased to RMB611.6 million in 2021. Additionally, the increase in our loss from 2019 to 2020 was also partially attributable to (i) an increase in our general administrative staff cost from RMB53.0 million in 2019 to RMB237.5 million in 2020 as we continually expanded our team for general administrative function to support and drive our business growth, and (ii) a one-time re-branding marketing event we conducted in 2020 that caused us to incur additional promotion fees in 2020. See "Financial Information — Description of Major Components of Our Results of Operations" and "Financial Information — Year-to-Year Comparison of Results of Operations" for details.

Our adjusted net loss (non-IFRS measure), defined as net loss that excludes the impacts of change in fair value of financial liabilities, share-based compensation expenses, **[REDACTED]** and issuance cost of financial liability at FVTPL, decreased by 30.2% from RMB636.3 million in 2020 to RMB444.0 million in 2021. Furthermore, our adjusted net loss margin (non-IFRS measure), which is calculated as our adjusted net loss (non-IFRS measure) divided by total revenue for the year, was negative 25.3% in 2021, compared to negative 75.8% in 2020.

Cost of Sales

Our cost of sales consists of cost of goods sold, amortization of exclusive rights and others. We expect our cost of sales to continue to increase in absolute amounts in the foreseeable future in line with the expected growth of our business.

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

	For the Year Ended December 31,					
	2019		2020		2021	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*
	(in thousands, except percentages)					
Cost of goods sold	455,187	98.3	576,714	95.1	1,084,105	91.4
Amortization of exclusive rights	5,818	1.3	18,825	3.1	51,800	4.4
Others	1,863	0.4	10,828	1.8	50,802	4.2
Total	**462,868**	**100.0**	**606,367**	**100.0**	**1,186,707**	**100.0**

Our exclusive rights consist of acquired exclusive rights to conduct digital marketing services for certain pharmaceutical brands of products. We recorded value of exclusive rights of RMB28.8 million, RMB60.5 million and RMB96.3 million as of December 31, 2019, 2020 and 2021, respectively. See "Financial Information — Discussion of Certain Key Balance Sheet Items — Non-Current Assets/Liabilities — Intangible Assets" for details.

Gross Profit and Gross Margin

The following table sets forth our gross profit by revenue stream both in absolute amounts and as percentages of total revenues, or gross margin, by revenue streams, for the years indicated:

	For the Year Ended December 31,					
	2019		2020		2021	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*
	(in thousands, except percentages)					
Gross profit:						
In-hospital solution	48,007	27.1	179,790	42.6	473,067	37.2
Pharmacy solution	6,379	2.0	18,936	5.5	62,285	17.8
Individual chronic condition management solution and others	7,184	35.3	34,030	47.7	34,672	25.9
Total	**61,570**	**11.7**	**232,756**	**27.7**	**570,024**	**32.4**

Selected Consolidated Statements of Financial Position Items

The following table sets forth selected information from our consolidated statements of financial position as of the dates indicated:

	As of December 31,		
	2019	**2020**	**2021**
		(in thousands of RMB)	
Total non-current assets	35,987	154,795	226,421
Total current assets	1,126,115	1,532,547	2,281,732
Total assets	**1,162,102**	**1,687,342**	**2,508,153**
Total non-current liabilities	1,704	12,812	19,159
Total current liabilities	2,032,220	5,067,748	9,644,125
Total liabilities	**2,033,924**	**5,080,560**	**9,663,284**
Capital and reserves			
Share capital	46	56	110
Reserves	(854,664)	(3,361,977)	(7,138,062)
Total equity attributable to equity shareholders of our Company	**(854,618)**	**(3,361,921)**	**(7,137,952)**
Non-controlling interests	**(17,204)**	**(31,297)**	**(17,179)**
Total deficit	**(871,822)**	**(3,393,218)**	**(7,155,131)**
Net current liabilities	**(906,105)**	**(3,535,201)**	**(7,362,393)**

We had net current liabilities of RMB906.1 million, RMB3,535.2 million and RMB7,362.4 million as of December 31, 2019, 2020 and 2021, respectively. Our net current liabilities position as of each of these dates was primarily attributable to convertible redeemable preferred shares, partially offset by current assets including our balance of cash and cash equivalents, financial assets measured at fair value through profit or loss trade and bills receivables, and deposits, prepayments and other receivables. See "Financial Information — Liquidity and Capital Resources" for further details on change of the balance of our cash and cash equivalents.

We recorded net liabilities of RMB871.8 million, RMB3,393.2 million and RMB7,155.1 million as of December 31, 2019, 2020 and 2021, respectively. The significant increases in net liabilities were primarily due to increases in the net loss for each year during the Track Record Period, which were in large part attributable to the increases in the change in fair value of financial liabilities during the Track Record Period. The increases in our net current liabilities during the Track Record Period were also in large part due to increases in the value of convertible redeemable preferred shares. Our convertible redeemable preferred shares will be automatically converted into ordinary shares upon the closing of the **[REDACTED]**, at which time we expect to shift to a net current assets position from our net current liabilities position as of December 31, 2021.

After the **[REDACTED]**, we do not expect to recognize any further loss or gain on fair value changes from the convertible redeemable preferred shares and expect to shift to net asset position from the previous net liabilities position recorded as of December 31, 2021. Fair value change of financial liabilities at fair value through profit or loss has affected and will continue to affect our financial performance until the conversion of our convertible redeemable preferred shares into ordinary shares. See "Financial Information — Discussion of Certain Key Balance Sheet Items — Financial liabilities at FVTPL" for details.

Selected Consolidated Statements of Cash Flows Items

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

	For the Year Ended December 31,		
	2019	2020	2021
	(in thousands of RMB)		
Operating cash flows before movement in working capital	(130,844)	(581,400)	(390,964)
Changes in working capital	(229,478)	(143,004)	(140,074)
Restricted cash collected from the insured on behalf of insurance companies	—	—	(134,922)
Income tax paid	(13)	(69)	(373)
Net cash used in operating activities	**(360,335)**	**(438,465)**	**(666,333)**
Net cash (used in)/generated from investing activities	3,405	(160,196)	(155,497)
Net cash generated from financing activities	813,589	918,406	1,015,371
Net increase in cash and cash equivalents	456,659	319,745	193,541
Cash and cash equivalents at the beginning of the year	143,782	601,164	914,226
Effect of foreign exchange rate changes	723	(6,683)	(17,192)
Cash and cash equivalents at the end of the year	**601,164**	**914,226**	**1,090,575**

Our net operating cash outflows amounted to RMB666.3 million in the fiscal ended December 31, 2021. Going forward, we will try to improve our net operating cash flows position by continuing to make various efforts to sustain our revenue growth and achieve profitability, including:

- **Expanding our customer base.** Our hospital SaaS facilitates our frequent interaction with hospitals and enables us to have a better understanding of hospitals and to monetize their demands. Our successful partnership with our existing hospital end customer base allows us to showcase our value proposition and help us to expand our hospital end customer base across geographic regions and hospital tiers. Our presence in hospitals encourages more doctors to join our platform, and in turn to provide more and better consultation and prescription services for pharmacies and individual users on our platform. Our extensive reach of hospitals, pharmacies, doctors and patients allows us to provide more effective digital marketing services to pharmaceutical companies.

- **Increasing monetization from our customers.** We will continue to increase monetization from our customers through our product and service offerings. For our in-hospital solution, hospital supplies and digital marketing will drive our revenue growth and contribute a majority of our revenues from in-hospital solution. For our pharmacy solution, we will focus on the monetization from our pharmacy SaaS. We have also been expanding our offerings for individual users, such as online consultation with specialists and expert doctors, and one-on-one long-term chronic condition treatment packages.

- **Gross profit margin improvement.** We have achieved meaningful gross profit margin improvement during the Track Record Period, as we started to offer digital marketing services and pharmacy SaaS. We will continue to grow our higher-margin businesses, including digital marketing and pharmacy SaaS, and over the next few years we expect our gross profit margin to be slightly higher than what we recorded in 2021.

- **Benefiting from earlier investments and economies of scale.** During the Track Record Period, we made significant investment in expanding our teams across different functions and enhancing our brand recognition. As we continue to grow our business and enhance the network that we built around hospitals, pharmacies, doctors, patients, and pharmaceutical companies, we expect to benefit from economies of scale, improve our operational efficiency, and acquire customers at lower costs. As a result, our selling and marketing expenses, administrative expenses and research and development expenses as a percentage of revenue are expected to decrease in the near future.

See "Summary — Business Sustainability" for details.

APPLICATION FOR [REDACTED] ON THE STOCK EXCHANGE

We have applied to the Hong Kong Stock Exchange for the **[REDACTED]** of, and permission to deal in, the Shares in issue (including the Preferred shares to be converted into the Shares on a one to one basis) and to be issued pursuant to the **[REDACTED]** (including any Shares which may be issued pursuant to the exercise of the **[REDACTED]**).

[REDACTED]

[REDACTED]

RECENT DEVELOPMENTS

Selected Operating Data

The below tables set forth some of our operating data for the three months ended March 31, 2021 and 2022.

	For the three months ended March 31,	
	2021	2022
Number of hospitals that installed our hospital SaaS(1)	1,785	2,437
Number of SaaS-paying hospitals	105	7
Number of transacting customers (excluding pharmaceutical companies)(2)	316	580
Number of hospitals directly or indirectly purchased hospital supplies from us(3)	1,192	1,738
Retention rate of hospitals directly or indirectly purchased hospital supplies from us(4)	N/A	N/A
Number of transacting pharmaceutical companies(5)	15	17
Number of SKUs marketed through digital marketing services(6)	20	24

Notes:

(1) Number of hospitals that installed our hospital SaaS is the cumulative total number as of the end date of the respective period.

(2) Includes distributors through which we sold medical devices, consumables and pharmaceuticals to hospital end customers, and distributors through which we sold our hospital SaaS to hospital end customers, and hospitals that directly procured medical devices, consumables, and pharmaceuticals or our hospital SaaS from us during the respective period.

(3) Based on our internal records and information available to us as at the Latest Practicable Date.

(4) Retention rate of hospitals directly or indirectly purchased hospital supplies from us in a given year is calculated as the ratio between (i) the number of hospitals that had purchased, directly or indirectly, hospital supplies from us both in the given year and the year immediately before, and (ii) the number of hospitals that had purchased, directly or indirectly, hospital supplies from us in the year immediately before the given year. Because our transacting customers settle their payments with us at different times in a given year, we believe the calculation of such retention rate in a certain period of a year is not mathematically meaningful and not comparable with annual data. The number of hospitals directly or indirectly purchased hospital supplies from us is based on our internal records and information available to us as at the Latest Practicable Date.

(5) Number of transacting pharmaceutical companies is the number of pharmaceutical companies to which we provided digital marketing services during the respective period.

(6) Number of SKUs marketed through digital marketing services during the respective period.

	For the three months ended March 31,	
	2021	2022
Number of pharmacy stores that installed our pharmacy SaaS(1)	130,253	178,223
Number of SaaS-paying pharmacy stores	51,295	66,390
Number of transacting customers(2)	171	290

Notes:

(1) Number of pharmacy stores that installed our pharmacy SaaS is the cumulative total number as of the end date of the respective period.

(2) Includes distributors through which we sold medical devices, consumables, pharmaceuticals and miscellaneous to pharmacy end customers, and chain pharmacy companies who directly procured medical devices, consumables, pharmaceuticals and miscellaneous from us during the respective period, and does not include SaaS-paying customers who did not purchase such products directly or indirectly from us.

	For the three months ended March 31,	
	2021	2022
Number of paying individual users[(1)]	282,056	206,243
Number of registered users[(2)] (in millions)	19.3	25.2

Notes:

(1) Number of paying individual users is the number of individual users who were our paying members or made at least one purchase from us during the respective period.

(2) Number of registered users is the cumulative total number as of the end date of the respective period.

Unaudited Financial Information for the Three Months Ended March 31, 2022

For the three months ended March 31, 2022, we recorded revenues of RMB552.9 million. During the same period, we achieved adjusted net loss (non-IFRS measure), defined as net loss that excludes the impacts of change in fair value of financial liabilities, share-based compensation expenses, **[REDACTED]** and issuance cost of financial liability at FVTPL, of RMB85.6 million.

The financial information of the Group for the three months ended March 31, 2022 disclosed above are derived from our unaudited interim financial statements as of and for the three months ended March 31, 2022, which have been prepared by our Directors in accordance with the International Accounting Standard 34, "Interim Financial Reporting" issued by the International Accounting Standards Board ("**IASB**") and reviewed by our reporting accountants in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity."

Regulatory Developments

Cybersecurity

On January 4, 2022, the CAC promulgated the Cybersecurity Review Measures (《網絡安全審查辦法》), or the New CAC Measures, which came into effect on February 15, 2022 and replaced the previous version promulgated on April 13, 2020. According to the New CAC Measures, critical information infrastructure operators purchasing network products and services and online platform operators carrying out data processing activities that affect or may affect national security shall conduct a cybersecurity review. Network platform operators holding personal information of more than 1 million users seeking to be **[REDACTED]** abroad must apply for a cybersecurity review as well. On November 14, 2021, the CAC published Regulations on Network Data Security Management (Draft for Comments) (《網絡數據安全管理條例(徵求意見稿)》), or the Draft Regulations on Network Data Security Management, which sets out general guidelines of protection of personal information, security of important data, security management of cross-border data transfer, obligations of internet platform operators, supervision and management, and legal liabilities. According to the Draft Regulations on Network Data Security Management, seeking a **[REDACTED]** in Hong Kong that affect or may affect national security should be reported and undergo the cybersecurity review. The criteria for determining "affect or may affect national security" remain unclear and are subject to further clarification by the CAC. As of the date of this document, the Draft Regulations on Network Data Security Management have not come into effect and the public comment period ended on December 13, 2021.

Our PRC Legal Advisor is of the view that it does not foresee any material impediments for us to comply with the New CAC Measures and Draft Regulations on Network Data Security Management, if enacted as currently proposed, in all material respects. Such view was formed on the basis that: (i) as of the date of this document, we had not been subject to any material administrative penalties or other sanctions by any competent regulatory authorities in relation to cybersecurity, data and personal information protection, nor had us been subject to or involved in any investigations on cybersecurity, data and personal information protection by relevant competent regulatory authorities; (ii) as of the date of this document, there had been no material cybersecurity and data protection incidents with respect to data or personal information theft, leakage, damage or loss, or any claim from any third party against us on the ground of infringement of such party's right to data protection as provided by any applicable laws and regulations in mainland China, or other legal proceedings, administrative or governmental proceedings, pending or, to the best of the knowledge of us, threatened against or relating to us; (iii) as set out in "Business — Data Privacy and Security," we have adopted and implemented robust and stringent internal control system focusing on data security and personal information protection, which set forth in comprehensive detail provisions to guide our data processing activities to comply with the relevant laws and regulations; and (iv) as of the date of this document, we had conducted a comprehensive review of the compliance status of our cybersecurity and data protection with the assistance of our PRC Legal Advisor, and rectification measures had already been taken to ensure our compliance with the currently effective laws and regulations in all material aspects.

As of the date of this document, we have not received any inquiry, notice, warning, or sanctions regarding the proposed **[REDACTED]** plan or requesting any cybersecurity review regarding the Draft Regulations on Network Data Security Management. We have notified the relevant CAC branch regarding our proposed **[REDACTED]** on the Stock Exchange and have not received any inquiry, notice, warning, or sanctions regarding cybersecurity review or our **[REDACTED]** plan.

Our PRC Legal Advisor is of the view that the New CAC Measures and Draft Regulations on Network Data Security Management would not have a material adverse impact on our business operations or proposed **[REDACTED]** in Hong Kong, assuming the New CAC Measures and Draft Regulations on Network Data Security Management are implemented in their current form. Such view was formed based on the facts set out in the above paragraphs. However, our PRC Legal Advisor has advised us that substantial uncertainties exist with respect to the enactment timetable, final content, interpretation and implementation, especially the detailed interpretation of the standard of determining whether a **[REDACTED]** in Hong Kong "affects or may affect national security." The Joint Sponsors' PRC Legal Adviser concurs with the aforementioned view of our PRC Legal Adviser.

The Joint Sponsors have (i) discussed with the Company's management on the Company's cybersecurity and personal data protection measures and the potential impact of the New CAC Measures and Draft Regulating on Network Data Security Management on the Group's business; and (ii) discussed with the Company's PRC legal advisers and the Joint Sponsors' PRC legal advisers on the legal status and implications of the New CAC Measures and Draft Regulating on Network Data Security Management in relation to the Company's proposed **[REDACTED]** in Hong Kong. Based on the foregoing and as advised by the Company's PRC Legal Adviser and the Joint Sponsors' PRC legal adviser, and taking into account the substantial uncertainties with respect to the enactment timetable, final content, interpretation and implementation discussed above, nothing has come to the attention of the Joint Sponsors, as non-legal experts, that would lead them to cast doubt on the views of the Company or the PRC Legal Advisers as set out above.

Personal Information Protection

On March 12, 2021, the CAC, MIIT, Ministry of Public Security and State Administration for Market Regulation jointly issued the Rules on the Scope of Necessary Personal Information for Common Types of Mobile Internet Applications (《常見類型移動互聯網應用程序必要個人信息範圍規定》) to provide further guidance over personal information security and privacy protection. Relevant authorities launched several batches of rectification actions, including, among others, the MIIT's inspection of mobile application software and urging of enterprises with problems to rectify. See "Regulatory Overview — Regulations relating to Internet Information Security and Personal Informational Protection" for a summary of the relevant laws and regulations on personal information protection.

During the Track Record Period, one of our mobile applications was examined and criticized, and we were notified by the relevant authorities to rectify certain issues of the application related to the ways in which the apps obtain user consent and permissions for certain functions. See "Business — Legal Proceedings and Non-compliances." Such issues had been rectified within the time limit, and our PRC Legal Advisor is of the view that they had no significant adverse impacton the business operation and financial performance of us. Our PRC Legal Advisor is also of the view that we had complied with the relevant PRC laws and regulations in material respects during the Track Record Period.

We have adopted and implemented robust internal control measures focusing on data security and personal information protection. See "Business — Data Privacy and Security" and "Business — Risk Management and Internal Control — Information system risk management." There have not been any material non-compliance incidents discovered from the comprehensive review of the compliance status of our cybersecurity and data processing activities that has been conducted.

Foreign Investment

There have been certain new or draft regulations published in relation to foreign investment, or the New Regulations. For details, see "Regulatory Overview — PRC Regulation — Regulations Relating to Overseas Securities Offering and Listing by Domestic Companies." We do not see any material impediment for us to comply with such regulations if they are implemented in their current form for the following reasons:

a. The Negative List (Edition 2021) requires that a domestic enterprise engaged in businesses which are prohibited from foreign investment must complete an examination process and obtain approval of the relevant PRC competent authorities when it seeks to issue and **[REDACTED]** its shares overseas. However, according to the National Development and Reform Commission's response at a press conference held on January 18, 2022, this requirement only applies to direct overseas **[REDACTED]** of domestic companies, i.e. H-shares **[REDACTED]**. Moreover, our businesses do not fall into the category of businesses prohibited from foreign investment as stipulated in the Negative List (Edition 2021). Therefore, this requirement does not apply to our plan to **[REDACTED]** on the Stock Exchange with a VIE structure.

b. Regarding the Provisions of the State Council on the Administration of Overseas Securities Offering and Listing by Domestic Companies (Draft for Comments) ((國務院關於境內企業境外發行證券和上市的管理規定(草案徵求意見稿)》) and the Administrative Measures for the Filing of Overseas Securities Offering and Listing by Domestic Companies (Draft for Comments) ((境內企業境外發行上市備案管理辦法》(徵求意見稿)), or, collectively, the Drafts for Comments, assuming they were in effect and were implemented in the current contents and form, our proposed **[REDACTED]** would have constituted an indirect overseas issuance of shares and **[REDACTED]** by a domestic enterprise and therefore would be required to comply with the filing procedures and submit the relevant information to the CSRC. However, this would not have a material and adverse impact on our business operations and our proposed **[REDACTED]** for the following reasons:

   i. On December 24, 2021, the CSRC held a press conference in relation to the Drafts for Comments, during which the spokesperson stated that "conditional upon complying with the domestic laws and regulations, enterprises with VIE structure that have met the compliance requirements may seek **[REDACTED]** overseas after completing proper filing procedures." Our reorganization and VIE structure do not violate the M&A Rules or other relevant PRC laws and regulations and the No. 37 SAFE registration has been duly completed. Interviews with competent authorities of MIIT and NHC had been conducted and their conclusions regarding our VIE structure were generally positive.

   ii. As of the date of this document, there are no laws, regulations or regulatory documents cited by the CSRC in effect that would explicitly require us to comply with any approval, verification or filing procedures for our proposed **[REDACTED]**. Assuming the Drafts for Comments are promulgated and implemented in their current content and form, neither we nor our PRC Legal Advisor expects any material obstacle for us to comply with the filing procedures under the Drafts for Comments because (a) there are no specific clauses in national laws and regulations and relevant provisions prohibiting our proposed **[REDACTED]**; (b) there have not been any material non-compliance incidents discovered from the comprehensive review of the compliance status of our cybersecurity and data processing activities. We have notified the relevant CAC branch regarding our proposed **[REDACTED]** on the Stock Exchange and have not received any inquiry, notice, warning, or sanctions regarding cybersecurity review or our **[REDACTED]** plan; (c) based on our PRC Legal Advisor's due diligence, we do not fall within the scope of any of the circumstances under which overseas securities offering and **[REDACTED]** by domestic companies should be prohibited, as prescribed in the Drafts for Comments; (d) each of our domestic subsidiaries has formulated its articles of association, improved its internal control system and regulated its corporate governance and financial and accounting practices pursuant to the relevant laws and regulations; (e) we have established a sound confidentiality system and taken necessary steps to implement duty of confidentiality and have established a data security management system and a personal information protection system. All the user data collected and generated by us are stored in the territory of mainland China and have not been provided to any third party overseas. The proposed **[REDACTED]** does not involve the provision of important data and users' personal information out of the territory of mainland China; and (f) the planned **[REDACTED]** from the **[REDACTED]** is in compliance with the requirements of the relevant regulations of the PRC.

Based on the above, it is our Directors' and our PRC Legal Advisor's view that, as described above, there will not be any material adverse impact of each of the New Regulations on us, our **[REDACTED]** plan or businesses under our VIE structure. We have also not received any enquiries, comments, instructions, guidance or other concerns from any PRC authorities (including the CSRC) with respect to our **[REDACTED]** plan or our VIE structure. However, we cannot guarantee that the CSRC or other PRC authorities will not require us to obtain prior approval or complete other procedures for our **[REDACTED]** plan, which may have a material adverse effect on our business, operation, financial conditions as well as our **[REDACTED]** plan. See "Risk Factors — Risks Related to Doing Business in China — We may be required to obtain prior approval or subject to filings or other requirements from the CSRC or other PRC regulatory authorities for the **[REDACTED]** and **[REDACTED]** of our Shares on the Stock Exchange."

Decision on Amending or Abolishing Certain Administrative Regulations

On March 29, 2022, the State Council promulgated the Decision of the State Council on Amending or Abolishing Certain Administrative Regulations, or the Decision, which came into effect on May 1, 2022. According to the Decision, the requirement of good track record and operational experience of the primary foreign investor in a foreign-invested value-added telecommunications enterprise, as stipulated in the Administrative Regulations on Foreign-Invested Telecommunications Enterprises (外商投資電信企業管理規定), was canceled. As advised by our PRC Legal Advisor, such regulatory development does not invalidate our ICP licenses or require us to modify our Contractual Arrangements according to PRC laws and regulations. As of the Latest Practicable Date, we have not received any inquiry or notice from the competent authorities regarding the validity of our ICP license or our Contractual Arrangements as a whole. In addition, as advised by our PRC Legal Advisor, as the Decision only became effective on May 1, 2022 and no detailed guidance or implementation measures have been issued, there remain uncertainties with respect to its future impact on us, including any specific requirements that we may need to satisfy. We will closely monitor any future development relating to the Decision and will take all necessary actions to comply with applicable laws, regulations and specific requirements or guidance, including reorganizing our corporate structure, if required in the future. See "Risk Factors — Risks Related to Our Business and Industry — We are subject to extensive and evolving legal and regulatory requirements, non-compliance with or changes in which may materially and adversely affect our business and prospects."

Recent Developments in Our Business

Subsequent to the Track Record Period and as of the date of this document, we have witnessed continual growth in our key operating metrics, as well as our revenues. As we continue our effort in expanding our business scale, improving our operating leverage and increasing our economics of scale, although we expect to continue to incur net loss and adjusted net loss (non-IFRS measure; defined as net loss that excludes the impacts of change in fair value of financial liabilities, share-based compensation expenses, **[REDACTED]** and issuance cost of financial liability at FVTPL), we may see a decrease in our adjusted net loss (non-IFRS measure) in 2022.

Our Directors confirm that there have been no material adverse changes in our financial, operational or trading positions or prospects since December 31, 2021, being the date of the latest reporting period ended of our combined financial statements as set out in the Accountants' Report in Appendix I to this document, and up to the date of this document.

BUSINESS SUSTAINABILITY

We incurred net losses and net operating cash outflow throughout the Track Record Period, as we have been focused on growing our hospital network, pharmacy network and individual user base, and investing in our product innovation and our brand equity, in order to lay a solid foundation for our long-term success. Our management considers that we are at a relatively early stage of our monetization efforts. Our future profitability is uncertain and subject to various factors, including our ability to effectively monetize our product and service offerings and continuously grow revenues in a cost-effective way. Despite our expanding business scale, we may continue to incur net losses and net operating cash outflow in the foreseeable future as described above. We expect to incur net losses and net operating cash outflow for the years ending December 31, 2022 and 2023. We expect to achieve a consolidated net asset position upon **[REDACTED]**; however, we may turn to a net liabilities position if our profitability further deteriorates after **[REDACTED]**. If we fail to ramp up the scale of our operations and if we do not achieve satisfactory future growth, we may have a funding shortfall, which could require us to raise additional funds before reaching our adjusted net profit (non-IFRS measure) or net operating cash flow breakeven. See "Risk factors — Risks Related to Our Business and Industry — We have a history of net losses and negative operating cash flow. We anticipate increasing expenses in the future, and we may not be able to achieve or maintain profitability."

We achieved strong revenue growth during the Track Record Period. Our revenues increased from RMB524.4 million in 2019 to RMB839.1 million in 2020 and further to RMB1,756.7 million in 2021. We have also achieved rapid growth in our operating metrics:

- **In-hospital solution:** Under our "AIM" model for in-hospital solution, we concurrently seek to (i) access and continuously engage with hospitals to establish close business relationships, primarily by leveraging our SaaS capabilities (since we launched it in 2016), (ii) install our hospital SaaS to increase stickiness of hospitals, and (iii) explore monetization opportunities, primarily through hospital supplies and digital marketing services, and to a lesser extent, through hospital SaaS. See "Business — In-hospital Solution — The "AIM" Model." The number of hospitals that installed our hospital SaaS increased from 377 to 1,705 and further to 2,369 as of December 31, 2019, 2020 and 2021, respectively. The number of hospitals that purchased our medical devices, consumables and pharmaceuticals, indirectly through distributors, or directly from us, increased from 1,016 in 2019 to 1,431 in 2020 and further to 2,101 in 2021. The growing hospital and doctor network also allowed us to provide more effective digital marketing services to pharmaceutical companies. The number of transacting pharmaceutical companies of our digital marketing services grew from 5 in 2019 to 13 in 2020, and further to 15 in 2021. The number of SKUs we marketed through our digital marketing services grew from 6 in 2019 to 16 in 2020, and further to 22 in 2021.

- **Pharmacy solution:** Historically, our pharmacy solution business consisted of only sales of pharmacy supplies, and these sales have remained as the major revenue source of our pharmacy solution. The number of our transacting pharmacy customers amounted to 343, 327 and 683 in 2019, 2020 and 2021, respectively. We started offering our pharmacy SaaS in the second half of 2019, and it has subsequently grown rapidly and become another important revenue source with relatively higher gross profit margin for our pharmacy solution. The number of pharmacy stores that installed our pharmacy SaaS increased from 3,002 to 111,413, and further to 172,000 as of December 31, 2019 and 2020 and 2021, respectively, demonstrating the rapid penetration of our pharmacy SaaS solution.

- **Individual chronic condition management solution:** As we grow our reach of hospitals, pharmacies and doctors, the number of registered users on our platform increased significantly from 8.4 million to 17.1 million and further to 23.8 million as of December 31, 2019, 2020 and 2021, respectively.

Going forward, as we further benefit from our earlier investments and economies of scale, we expect this trajectory to continue. In particular, we expect to sustain our revenue growth and achieve profitability by continuing to expand our customer base, increase monetization from our customers, improve gross profit margin, and benefit from earlier investments that we have made, enhance operational efficiency and achieve greater economies of scale.

- **Expanding our customer base.** Our hospital SaaS facilitates our frequent interaction with hospitals and enables us to have a better understanding of hospitals and to monetize their demands. We have achieved strong retention of our hospital end customers. Based on our internal records and information available to us as at the Latest Practicable Date, 77% of hospitals that purchased supplies directly or indirectly from us in 2020 purchased again from us in 2021. This ratio was 94% for hospitals that installed our SaaS during the same period, which illustrates that the installation of our hospital SaaS improves the stickiness of our hospital end-customers. Our successful partnerships with hospitals allows us to showcase our value proposition and helps us to further penetrate across geographic regions and hospital tiers. Our presence in hospitals encourages more doctors to join our platform, and in turn to provide more prescription services for pharmacies and individual users on our platform. As a result, we had 172,279 pharmacies stores that had installed our pharmacy SaaS and 23.8 million registered users on our platform as of December 31, 2021, and we expect to continue to grow our pharmacy end customer base and individual user base. Revenue from our pharmacy solution and individual chronic condition management solution grew significantly during the Track Record Period, and we expect this trajectory to continue as we continue to benefit from these factors. Our extensive reach of hospitals, pharmacies, doctors and patients allows us to provide more effective digital marketing services to pharmaceutical companies. The installation of our hospital SaaS also facilitates our digital marketing services, as we conduct some of our digital marketing services through our hospital SaaS. We had 15 transacting pharmaceutical company customers in 2021 and expect our digital marketing services business to continue to grow. Therefore, as our customer base continues to grow and we benefit from our earlier investments and the growth across our business lines, we expect our revenue continue to increase rapidly in the near future.

- **Increasing monetization from our customers.** We will continue to increase monetization from our customers through our product and service offerings. For our in-hospital solution, hospital supplies and digital marketing will drive our revenue growth and contribute a majority of our revenues from in-hospital solution. We believe the installation of our hospital SaaS can help us to establish relatively stable revenue sources and expand monetization opportunities through sales of hospital supplies. In particular, among the hospitals that directly or indirectly purchased hospital supplies from us, those that use our hospital SaaS have exhibited higher retention rates and larger average revenue contribution per hospital. Furthermore, the installation of our hospital SaaS is a critical step for us to conduct precise digital marketing services, and revenue from digital marketing services grew significantly during the Track Record Period. Our digital marketing services are in part conducted through our hospital SaaS, as it allows us to promote medicines sold by our customers of digital marketing services in a variety of innovative ways. Increases in hospital SaaS installation help drive revenue from digital marketing services, broaden our revenue sources, and improve our overall gross profit margin. For our pharmacy solution, in addition to sales of pharmacies supplies, which are a sustainable revenue stream, we will focus on the monetization from our pharmacy SaaS. We launched our pharmacy SaaS in 2019. The number of SaaS-paying pharmacy stores has increased from 2,346 as of December 31, 2019 to 84,389 as of December 31, 2021. We have also been expanding our offerings for individual users, such as online consultation with specialists and one-on-one long-term chronic condition treatment packages. As we continue to explore more monetization opportunities from our individual chronic management solution, we expect to generate more revenue from this solution. We expect our revenue to continue to rapidly grow in the near future as a result of our continuous efforts on increasing monetization from our customers.

- **Gross profit margin improvement.** We have achieved meaningful gross profit margin improvement during the Track Record Period, as we started to offer digital marketing services and pharmacy SaaS. In 2019, 2020 and 2021, we recorded gross profit margin of 11.7%, 27.7% and 32.4%, respectively. We will continue to grow our higher-margin businesses, including digital marketing and pharmacy SaaS, and over the next few years we expect our gross profit margin will be slightly higher than what we recorded in 2021.

- **Benefiting from earlier investments and economies of scale.** During the Track Record Period, we made significant investment in expanding our teams across different functions and enhancing our brand recognition. Starting in 2020, we began to invest heavily in our sales and marketing, administrative, and research and development efforts, including new selling and marketing initiatives such as a one-off re-branding marketing event in 2020 and increases in the headcounts of our administrative, and research and development teams. Excluding share-based compensation, operating expenses as a percentage of our revenues increased from approximately 39.7% in 2019 to approximately 103.4% in 2020; and this decreased to approximately 61.1% in 2021. While our operating expenses excluding share-based compensation as a percentage of our revenues significantly decreased from 2020 to 2021, our revenues grew by 109.4% from RMB839.1 million in 2020 to RMB1.756.7 million in 2021. We believe this shows our ability and potential in translating spending into revenue. As we continue to grow our business and enhance the network that we built around hospitals, pharmacies doctors, patients and pharmaceutical companies, we expect to benefit from economies of scale, improve our operational efficiency, and acquire customers at lower cost. In particular, our prior investments in sales and marketing efforts have enabled us to gain access to, install our hospital SaaS in, and/or sell hospital supplies to a significant number of hospitals across China, and to leverage these hospital relationships to provide digital marketing services. As of December 31, 2021, we had assembled over 960 sales personnel to cover and penetrate hospitals and pharmacy stores, and in 2021 we successfully installed our hospital SaaS in 2,369 hospitals and directly or indirectly sold hospital supplies to 2,101 hospitals. With this scale of sales personnel and hospital coverage, going forward, we intend to strategically focus on paying-customer conversion, largely by leveraging our existing sales personnel and hospital coverage, and we do not expect to further significantly expand our sales network. In particular, we expect to convert more hospitals and pharmacy stores that we already cover, which could further improve our sales efficiency and reduce our selling and marketing expenses as a percentage of our total revenue in the near future. In addition, in order to develop and launch our SaaS products and mobile apps for our hospital, pharmacy and individual chronic condition management solutions, we have expanded our research and development team by over 360 staff in 2021. As we have already developed and launched our SaaS products and mobile apps for all the three solutions, and given our current scale of research and development personnel, we do not expect to have further significant investment in research and development, which could lead to a decrease in our research and development expenses as a percentage of our total revenue in the near future. In addition, we expect our administrative expenses to be largely stable in the near future, and we expect that our administrative expenses as a percentage of our total revenue will decrease in the near future as our revenue continues to grow. As a result, our selling and marketing expenses, administrative expenses and research and development expenses as a percentage of revenue are expected to decrease in the near future.

In the near future, we expect to continue to rapidly grow our revenue and gradually improve our gross profit margin, and we do not expect to have significant investments in sales and marketing, research and development and administrative matters. Our Directors are of the view that the efforts described above have contributed and are expected to continue to drive the growth of our revenues, as well as our profitability.

Working Capital Sufficiency

We believe that we possess sufficient working capital, including sufficient cash and liquidity assets, supplemented by strong fund-raising capability, to meet our present requirements and for the next 12 months from the date of this document, estimated based on our revenue growth and cash flow conditions during the Track Record Period. In addition, we have recently completed a new round of financing, which put us in a strong cash position. As of December 31, 2021, we had cash and cash equivalents of RMB1.1 billion. We believe that the **[REDACTED]** will provide additional funding to our operations until we reach adjusted net profit (non-IFRS measure) or net operating cash flow breakeven.

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

[REDACTED]

Based on the mid-point **[REDACTED]** of **[REDACTED]** per Share, we expect to incur **[REDACTED]** approximately in the amount of **[REDACTED]**. During the Track Record Period, we incurred **[REDACTED]** in the amount of **[REDACTED]**, of which **[REDACTED]** was recognized in the consolidated statements of profit or loss and other comprehensive income, and **[REDACTED]** was capitalized as deferred **[REDACTED]** in the consolidated statements of financial position as of December 31, 2021 to be recognized as a reduction in equity upon the **[REDACTED]**. We expect to incur additional **[REDACTED]** of approximately **[REDACTED]** in 2022, of which approximately **[REDACTED]** is expected to be recognized in our consolidated statements of profit or loss and other comprehensive income, and approximately **[REDACTED]** is expected to be charged against equity upon the **[REDACTED]** under the relevant accounting standards. The **[REDACTED]** above are the latest practicable estimate for reference only and the actual amount may differ from the estimate. Based on the mid-point **[REDACTED]** of **[REDACTED]** per Share, the estimated amount of **[REDACTED]** will account for approximately **[REDACTED]** of the expected gross **[REDACTED]** of the **[REDACTED]** (assuming the **[REDACTED]** is not exercised).

The balance of **[REDACTED]**-related expenses of approximately **[REDACTED]**, which mainly includes **[REDACTED]**, is expected to be accounted for as a deduction from equity upon the completion of the **[REDACTED]**. The balance of non-**[REDACTED]**-related expenses approximately of **[REDACTED]** primarily include fees and expenses of legal advisors and accountants of **[REDACTED]** and other fees and expenses.

FUTURE DIVIDENDS

We are a holding company incorporated under the laws of the Cayman Islands. We recorded net liabilities during the Track Record Period, primarily due to the fair value changes of convertible redeemable preferred shares issued to investors in our previous rounds of financing. Upon the completion of the **[REDACTED]**, all of our convertible redeemable preferred shares will be automatically converted to our ordinary shares, and we will no longer recognize changes in fair value liabilities in respect of them. As advised by Maples and Calder (Hong Kong) LLP, our legal adviser on Cayman Islands law, under the Companies Act (As Revised), a position of accumulated losses does not necessarily restrict our ability to declare and pay dividends as dividends may be declared and paid out of our share premium account notwithstanding our profitability, provided that the directors must still always consider whether it is in our best interests to pay a dividend taking into account such losses, and a dividend may not be paid if this would result in our company being unable to pay our debts as they fall due in the ordinary course of business. However, our payment and amount of any future dividend will also depend on the availability of dividends received from our subsidiaries. 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 IFRS. 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. As advised by our PRC Legal Advisor, because a PRC company may pay dividends only out of its accumulated profit and is not permitted to distribute any profits until any losses from prior fiscal years have been offset, we do not expect to be able to pay dividends in 2022 given our accumulated losses of RMB6.0 billion as of December 31, 2021.

[REDACTED]

We estimate that we will receive **[REDACTED]** from the **[REDACTED]** of approximately **[REDACTED]** after deducting the **[REDACTED]** and other estimated expenses paid and payable by us in relation to the **[REDACTED]**, assuming an **[REDACTED]** of **[REDACTED]** per Share, being the mid-point of the indicative **[REDACTED]** range of **[REDACTED]** to **[REDACTED]** per Share, and that the **[REDACTED]** is not exercised and no Shares are issued under the **[REDACTED]** Share Award Scheme. We intend to use the **[REDACTED]** we will receive from this **[REDACTED]** for the following purposes:

- approximately **[REDACTED]** is expected to be used for business expansion. We will continue to pursue the "hospital-first" strategy and expand our hospital network nationwide. Leveraging our hospital network, we will also continue to connect with more industry participants along the industry value chain and continue to enhance and expand our solution offerings to drive customer and user engagement. These efforts will enable us to expand our chronic condition management solutions across in- and out-of-hospital systems, better fulfill patients' needs and improve our operating efficiency as we scale;

- approximately **[REDACTED]** is expected to be used to advance our medical know-how and technology capabilities to reinforce our leadership in the digital healthcare industry. These investments will allow us to deepen our connections with industry participants and deliver better medical treatment, which is crucial to strengthen customer trust on our platform;

- approximately **[REDACTED]** is expected to be used to broaden our ecosystem through strategic partnerships, investments and acquisitions in other businesses that complement our organic growth strategies. We plan to continue to elevate our presence in the upstream and downstream of value chain and selectively pursue alliance and investment opportunities; and

- approximately **[REDACTED]** is expected to be used for working capital and general corporate purposes.

In the event that the **[REDACTED]** is set at the **[REDACTED]** or the **[REDACTED]** of the indicative **[REDACTED]** range, the **[REDACTED]** of the **[REDACTED]** will increase or decrease by approximately **[REDACTED]**, respectively.

The additional **[REDACTED]** that we would receive if the **[REDACTED]** were exercised in full would be (i) **[REDACTED]** (assuming an **[REDACTED]** of **[REDACTED]** per Share, being the **[REDACTED]**), (ii) **[REDACTED]** (assuming an **[REDACTED]** of **[REDACTED]** per Share, being the mid-point of the **[REDACTED]** Range) and (iii) **[REDACTED]** (assuming an **[REDACTED]** of **[REDACTED]** per Share, being the **[REDACTED]**).